GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司

(於開曼群島註冊成立之有限公司)

(股份代號：3800)

建議本公司發行美元優先票據
及公司及財務資料摘錄

本公告乃由保利協鑫能源控股有限公司(「本公司」)根據上市規則第13.09條作出。

本公司計劃進行票據的國際發售要約，並將於二零一一年五月十八日或前後開始在亞洲、歐洲及美國面向合資格機構投資者展開一連串路演。票據預期由本公司發行，並由本公司於中國境外註冊成立之若干附屬公司擔保。就建議票據發行而言，本公司將向若干合資格機構投資者提供本集團近期的公司及財務資料，該等資料此前可能未曾公開，其中包括(但不限於)風險因素、管理層對財務狀況及營運業績之討論及分析、關連方交易及債務資料。該等資料之摘錄隨函奉附，並可於本公司網站http://www.gcl-poly.com.hk查閱。建議票據發行之完成須視乎市況及投資者興趣而定。

就建議票據發行而言：(i)蘇格蘭皇家銀行有限公司將擔任獨家全球協調人；(ii)蘇格蘭皇家銀行有限公司、渣打銀行、中銀國際及法國巴黎銀行將擔任聯席賬簿管理人兼聯席牽頭經辦人；及(iii)建銀國際及中國工商銀行將擔任副經辦人。

倘若票據獲發行，本公司擬將票據之所得款項淨額用於：(i)應付本公司光伏及電力業務之資本開支；(ii)為現有債務進行再融資；及(iii)一般企業用途。本公司或會因應市況變化調整上述的計劃，因而可能會重新調配所得款項淨額用途。

本公司已取得票據在新交所上市的原則上批准。新交所對於其中所作出的聲明或所表達的意見或載列的報告之準確性概不負責。票據獲准納入新交所正式上市名單不得視為本公司或票據之價值指標。票據並無亦將不會尋求於香港上市。

由於截至本公告日期並無就建議票據發行訂立具約束力之協議，建議票據發行未必能夠落實。建議票據發行之完成須視乎市況及投資者興趣而定。投資者及股東於買賣本公司證券時務請謹慎行事。

倘就建議票據發行簽署購買協議，本公司將就建議票據發行另行刊發公告。

建議票據發行

緒言

本公司計劃進行票據的國際發售要約，並將於二零一一年五月十八日或前後開始在亞洲、歐洲及美國面向合資格機構投資者展開一連串路演。票據預期由本公司發行，並由本公司於中國境外註冊成立之若干附屬公司擔保。就建議票據發行而言，本公司將向若干合資格機構投資者提供本集團近期的公司及財務資料，該等資料此前可能未曾公開，其中包括(但不限於)風險因素、管理層對財務狀況及營運業績之討論及分析、關連方交易及債務資料。該等資料之摘錄隨函奉附，並可於本公司網站http://www.gcl-poly.com.hk查閱。建議票據發行之完成須視乎市況及投資者興趣而定。

就建議票據發行而言：(i)蘇格蘭皇家銀行有限公司將擔任獨家全球協調人；(ii)蘇格蘭皇家銀行有限公司、渣打銀行、中銀國際及法國巴黎銀行將擔任聯席賬簿管理人兼聯席牽頭經辦人；及(iii)建銀國際及中國工商銀行將擔任副經辦人。

票據及由本公司相關附屬公司作出之相關擔保未曾且將不會根據美國證券法登記。票據將僅會：(i)依據證券法第144A條有關豁免登記之規定，在美國境內向合資格機構買家提呈發售；及(ii)依據美國證券法S規例，在美國境外向若干非美籍人士提呈發售。票據概不會向香港公眾發售，亦不會向本公司任何關連人士配售。

建議所得款項淨額用途

倘若票據獲發行，本公司擬將票據之所得款項淨額用於：(i)應付本公司光伏及電力業務之資本開支；(ii)為現有債務進行再融資；及(iii)一般企業用途。本公司或會因應市況變化調整上述的計劃，因而可能會重新調配所得款項淨額用途。

上市

本公司已取得票據在新交所上市的原則上批准。新交所對於其中所作出的聲明或所表達的意見或載列的報告之準確性概不負責。票據獲准納入新交所正式上市名單不得視為本公司或票據之價值指標。票據並無亦將不會尋求於香港上市。

一般資料

由於截至本公告日期並無就建議票據發行訂立具約束力之協議，建議票據發行未必能夠落實。建議票據發行之完成須視乎市況及投資者興趣而定。投資者及股東於買賣本公司證券時務請謹慎行事。

倘就建議票據發行簽署購買協議，本公司將就建議票據發行另行刊發公告。

釋義

於本公告內，除文義另有所指外，下列詞彙具有以下涵義：

「董事會」	指	董事會
「本公司」	指	保利協鑫能源控股有限公司，於開曼群島註冊成立之有限公司，其股份在聯交所主板上市
「關連人士」	指	具上市規則所賦予之涵義
「董事」	指	本公司董事

「本集團」	指	本公司及其不時之附屬公司
「香港」	指	中國香港特別行政區
「上市規則」	指	聯交所證券上市規則
「票據」	指	預期將由保利協鑫能源控股有限公司發行之優先票據
「中國」	指	中華人民共和國，就本公告而言，不包括香港、中國澳門特別行政區及台灣地區
「建議票據發行」	指	建議發行票據
「新交所」	指	新加坡證券交易所有限公司
「股份」	指	本公司股本中每股面值0.1港元之普通股
「股東」	指	股份持有人
「聯交所」	指	香港聯合交易所有限公司
「美國」	指	美利堅合眾國、其領土及屬地及受其司法權區管轄之所有地區
「美國證券法」	指	一九三三年美國證券法(經修訂)

承董事會命
保利協鑫能源控股有限公司
主席
朱共山

香港，二零一一年五月十三日

於本公告日期，本公司執行董事為朱共山先生、沙宏秋先生、姬軍先生、舒樺先生、于寶東先生、孫瑋女士、湯以銘先生及朱鈺峰先生；本公司非執行董事為周國民先生及白曉晴女士；而本公司獨立非執行董事為錢志新先生、何鍾泰博士、薛鍾甦先生及葉棣謙先生。

TABLE OF CONTENTS

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this document, all references to "Company", "our Company", "we", "us", and "our" refer to GCL-Poly Energy Holdings Limited and, as the context requires, its subsidiaries; all references to the "Group", "our Group" and "GCL-Poly" refer to GCL-Poly Energy Holdings Limited and its consolidated subsidiaries; all references to "affiliate" refer to any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specific person; all references to "Share" and "Shares" are to the ordinary shares in the share capital of our Company with a nominal value of US$0.00001 each; all references to "Shareholder" and "Shareholders" are to holders of Shares; all references to "Board" are to the board of directors of GCL-Poly Energy Holdings Limited; all references to "US$" and "U.S. dollars" are to United States dollars; all references to "HK$" and "HK dollars" are to Hong Kong dollars; and all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China; all references to the "PRC" and "China" are to the People's Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

Solely for your convenience, this document contains translations of certain Renminbi amounts into U.S. dollars, Renminbi amounts into Hong Kong dollars, and Hong Kong dollars into U.S. dollars at specified rates. Unless we indicate otherwise, the translations of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars have been made at the rates of RMB6.6000 to US$1.00 and HK$7.7810 to US$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2010, respectively, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.85093 to HK$1.00, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing on December 31, 2010. Further information on exchange rates is set forth in "Exchange Rate Information" in this document. These are provided by way of illustration only and no representation is made that the Renminbi amounts could have been, or could be, converted into any U.S. dollar or HK dollar amounts, as the case may be, or any HK dollar amounts could be converted into any U.S. dollar amounts, at the rates indicated or at all. Certain financial amounts presented in this document may not correspond directly to our financial statements included elsewhere in this document or may not add up due to rounding.

Our financial information is prepared and presented in accordance with International Financial Reporting Standards ("IFRS") which differ in certain respects from accounting principles generally accepted in the United States ("U.S. GAAP") which might be material to the financial information herein. We have made no attempt to quantify the impact of those differences. You must rely upon your own examination of us and the financial information. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the financial information herein.

The statistics set forth in this document relating to the PRC and the industries in which we operate were taken or derived from various government and private publications. We do not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent data collection and consolidation methods and other associated data collection difficulties, the statistics herein may be inaccurate and should not be unduly relied upon.

We have sourced various solar industry data used in this document from Solarbuzz LLC, or Solarbuzz, an independent solar energy industry research company. We have assumed the correctness and truthfulness of these data, including projections and estimates, when we use them in this document.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our capital expenditure plans;
- our operations and business prospects;
- our dividend policy;
- the regulatory environment as well as the industry outlook generally;
- future developments in our industry; and
- general economic trends in China.

This document contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "expect", "estimate", "may", "ought to", "should", "will" and similar expressions. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include those identified in the "Risk Factors" section in this document. Actual results may differ materially from information contained in forward-looking statements as a result of numerous factors, including, without limitation, those described in the "Risk Factors" section and the following:

- supply and demand changes for solar products;
- changes in prices for solar products;
- our production capabilities;
- our plans and objectives for future operations and expansion or consolidation;
- our relationship with, and other conditions affecting, our customers;
- risks inherent to our production and operations;
- competition;
- inflationary trends and interest rate changes;
- the effects of changes in currency exchange rates;
- environmental laws and regulations;
- regulatory and court decisions;
- future legislation, including regulations and rules as well as changes in enforcement policies;
- changes in political, economic, legal and social conditions in China, including the PRC government's specific policies with respect to the solar or power generation industries, economic growth, inflation, foreign exchanges and the availability of credit;
- economic conditions in East Asia, the United States, Europe and elsewhere in the world;
- weather conditions or catastrophic weather-related damage; and
- our liquidity and financial condition.

We undertake no obligation to publicly update or revise any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

In light of these and other risks and uncertainties, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and the consolidated financial statements of our company, including the notes thereto, appearing elsewhere in this document. You should carefully consider the information set forth in "Risk Factors".

Overview

We are a global leader in the solar industry. We supply polysilicon and wafers to companies operating in the solar industry. Polysilicon is the primary raw material for wafers used in the solar and semiconductor industries. Wafers are then processed by downstream manufacturers to produce solar cells and modules. We manufacture polysilicon at our production facility in Xuzhou and wafers at our production facilities in Xuzhou, Changzhou, Wuxi and Suzhou. All of our polysilicon and wafer production facilities are located in the Jiangsu Province of the PRC, where most of the Chinese cell and module manufacturers are located. As part of our co-location strategy, we have constructed wafer facilities near the downstream production facilities of Trina Solar, Canadian Solar and Suntech and have plans to construct additional wafer facilities near the downstream production facilities of our customers, such as JA Solar and Goldpoly. This allows us to further reduce costs and strengthen our customer relationships. As of December 31, 2010, our polysilicon production facility and wafer production facilities had an annual capacity of 21,000 MT and 3.5 GW, respectively, which we believe makes us one of the world's largest polysilicon producers and the world's largest wafer producer in terms of production capacity. We produced 17,853 MT of polysilicon and 1.4 GW of wafers in the year ended December 31, 2010, and we produced 7,454 MT of polysilicon in the year ended December 31, 2009. During the year ended December 31, 2010, we sold 10,507 MT of polysilicon and 1,451 MW of wafers, generating revenues for our solar business of HK$14,043.3 million (US$1,800.4 million). For the year ended December 31, 2009, we sold 5,675 MT of polysilicon and 46.4 MW of wafers, generating revenues for our solar business of HK$3,177.3 million.

We intend to sell most of our future products in the form of wafers. Historically we sold a combination of polysilicon and wafers. As of March 31, 2011, we had entered into long-term supply contracts with leading cell and module manufacturers, such as JA Solar, Trina Solar, Goldpoly, Canadian Solar, Hareon, China Sunergy, Solarfun, Indosolar and Neosolar, that provide for aggregate sales of over 55 GW of wafers between 2011 and 2016. We have contracted to sell substantially all of our planned annual production in the coming years, under our current portfolio of supply contracts. As of December 31, 2010, we had received HK$3.0 billion (US$380.4 million) of non-refundable deposits from our customers under our supply contracts. See "— Customers and Markets."

In order to meet our obligations under these supply contracts, we plan to increase the aggregate production capacity of our existing wafer production facilities and have also begun preparation for the construction of additional wafer production facilities in the PRC, which we expect will expand our aggregate wafer processing capacity to 6.5 GW by the end of 2011. To ensure that we have sufficient polysilicon for wafer production, we also plan to increase our polysilicon production capacity to 46,000 MT by the end of 2011 and to 65,000 MT by June 30, 2012. In the future, we intend to consume most of our polysilicon in-house for the production of our wafers.

In addition to our polysilicon and wafer businesses, we believe we are the largest foreign-owned independent power plant operator in the PRC. As at December 31, 2010, we operated 21 power plants (including our subsidiary and associated power plants) in the PRC. These comprised 14 coal-fired cogeneration plants and comprehensive resource utilization cogeneration plants, two gas-fired cogeneration plants, two biomass cogeneration plants, one solid-waste incineration plant, one wind power plant and one solar farm. As at December 31, 2010, our total installed capacity and attributable installed capacity were 1,125.5 MW and 773.3 MW, respectively. As at December 31, 2010, our total

steam extraction capacity and attributable steam extraction capacity were 2,239.0 tonne/h and 1,756.4 tonne/h, respectively. Revenue for the power business for the year ended December 31, 2010 was HK$4,428.6 million (US$567.8 million).

In May 2010, we set up our solar power investment team to develop and invest in solar farm projects in the United States. As of December 31, 2010, we had completed construction of a 4.8 MW solar photovoltaic power project in several high schools in Antelope Valley, California, in the United States and a 1.2 MW photovoltaic power project in the University of San Diego with pipeline projects of approximately 2 GW. We intend to acquire 136 MW of solar photovoltaic power projects in the United States in the near future for a consideration of approximately US$80 million. We intend to fund this acquisition by a loan borrowed by one of our US solar farm subsidiaries and guaranteed by the Company.

For the years ended December 31, 2009 and 2010, our total revenue was HK$4,943.6 million and HK$18,471.9 million (US$2,368.2 million), respectively. For the years ended December 31, 2009 and 2010, profit/(loss) for the year was HK$(150.1) million and HK$4,388.1 million (US$562.6 million), respectively.

Our Competitive Strengths

Dominant market leader with established economies of scale and cost advantage

We believe we are one of the world's largest polysilicon producers and the world's largest wafer producer as of December 31, 2010 in terms of production capacity. We plan to increase the aggregate production capacity of our existing wafer production facilities and have also begun preparation for the construction of additional wafer production facilities in the PRC, which we expect will expand our aggregate wafer production capacity to 6.5 GW by the end of 2011. We also plan to increase our polysilicon production capacity to 46,000 MT by the end of 2011 and to 65,000 MT by June 30, 2012.

We believe our established economies of scale, research and development capabilities, advanced production processes as well as our PRC-based production facilities provide us with a cost structure that will be competitive with the other leading polysilicon and wafer manufacturers.

We use trichlorosilane ("TCS") to produce polysilicon, which is one of the main and most costly production inputs. Silicon tetrachloride ("STC") is a waste product that is emitted during our polysilicon production process. In February 2008, we successfully integrated a hydrochlorination process, a process by which STC is recycled to produce TCS, into our polysilicon production process, which significantly reduced the production cost for polysilicon. Since then we have continued to streamline our polysilicon production and by-product recycling processes to further reduce polysilicon production costs. During 2010, we successfully increased our hydrochlorination capacity from 300,000 MT to 500,000 MT, which allowed full recycling of by-products. In the fourth quarter of 2010, approximately 99.8% of the TCS we consumed was produced in-house through our hydrochlorination process. As a result, our polysilicon production cost reduced to US$22.5 per kilogram by the end of December 2010, which we believe is one of the lowest in the solar industry based on publicly available information. Our wafer production cost was reduced from US$0.63 per W in the first quarter of 2010 to US$0.55 per W in the fourth quarter of 2010. We target to further reduce our polysilicon production and wafer processing cost to approximately US$20 per kilogram and US$0.20 per W by the end of 2011, respectively.

Also, although we only commenced our in-house wafer production in January 2010, we have already been able to reduce our wafer production costs to competitive levels. This is partially attributable to our acquisition of Konca Solar in March 2010. While we have been developing our wafer facilities independently, our acquisition of Konca Solar has significantly enhanced our know-how with respect to wafer production.

Co-locating our wafer facilities near to our major customers' downstream production facilities

We are a pioneer in co-locating our wafer production close to the downstream production facilities of our customers. Currently, we have wafer facilities near the downstream production facilities of Trina Solar, Canadian Solar and Suntech. We have plans to construct additional wafer facilities near the downstream production facilities of our customers, such as JA Solar and Goldpoly. This enables us to establish close sales cooperation with these customers. With our co-location strategy, we are able to respond to customer orders quicker, reduce our logistic costs and save packaging costs. One other major benefit of this co-location strategy is the reduction of wafer breakage during transportation which enhances the overall quality of our delivered goods. Producing thinner and more efficient wafers is a trend and a major challenge for the solar industry. Thin wafers tend to be more fragile and are easily broken during transportation. Shorter transportation distances will enable us to reduce breakage rates and costs associated with providing replacement goods.

Sustainable revenues through long-term supply contracts

We had entered into long-term supply contracts with leading cell and module manufacturers, such as JA Solar, Trina Solar, Goldpoly, Canadian Solar, Hareon, China Sunergy, Solarfun, Indosolar and Neosolar, that provide for aggregate sales of approximately 55 GW of wafers as of March 31, 2011. These contracts generally require customers to make advance payments or provide other financial guarantees or support and have pre-set volumes that increase substantially in the latter years of the contract. See "Business — Customers and Markets." As of December 31, 2010, we had received HK$3.0 billion (US$ 380.4 million) of non-refundable deposits from our customers under these supply contracts. These contracts provide us long-term customer relationships, sustainable demand and protection against spot price volatility.

Proven capability in constructing and ramping up production capacity

We have proven our capability to construct and increase our polysilicon and wafer production capacities. During 2008, we increased our production capacity of polysilicon from 1,500 MT to 3,000 MT and produced 1,850 MT of polysilicon in that year. In the years ended December 31, 2009 and 2010, our polysilicon production capacity increased to 18,000 MT and 21,000 MT, respectively. During the year ended December 31, 2009 and 2010, we produced 7,454 MT and 17,853 MT of polysilicon, respectively. For the year ended December 31, 2010, we increased our in-house wafering production capacity from zero to 3.5 GW. Part of this growth was achieved by our acquisition of Konca Solar, one of the leading suppliers of solar wafers in the PRC, in March 2010, which at the time of acquisition had a production capacity of 300 MW. We funded and cooperated with Konca Solar to increase its production capacity to 1.65 GW by December 31, 2010. The remaining 1.85 GW of production capacity was constructed and developed by ourselves.

We believe that we achieved these milestones by leveraging our management's strategic vision, execution and coordination capability, our technical and engineering resources and our supply chain management expertise which overcomes certain difficulties associated with the design, installation and operation of our production facilities. Our management team's strong experience in development of large-scale projects on an engineering, procurement and construction ("EPC") basis and execution capabilities have been fundamental to our significant increase of polysilicon and wafer production capacity in a short period and the successful integration of our solar business with our power business.

Advanced technology and product quality

Technological innovation is essential for our continued development. In 2009, we established the United States Research and Development Center and the Suzhou Industrial Technology Research Institute to provide technical support which has enabled us to take advantage of current best technologies, materials and manufacturing know-how. In cooperation with our United States Research and Development Center, our solar business has completed several major technological improvements and is continuously seeking to minimize energy and material consumption in our polysilicon production process. For instance, with our in-house developed innovative technology, we have been able to lower the energy consumption of chemical vapor deposition ("CVD") reactors to below 60 kWh per kilogram of polysilicon produced, and during the year of 2010, we successfully increased our hydrochlorination capacity from 300,000 MT to 500,000 MT, which allowed full recycling of the by-products of production and reduced the cost of TCS. As a result of our commitment to technological advancement, we have been able to produce both solar and electronic grade polysilicon since 2010 with standards achieving a level of 11-nines, referring to a high level of purity. With respect to wafer production, we have achieved production scale that further reduces wafer processing cost by more efficient use of crucibles, producing crucibles in-house, making use of diamond wires in our ingot squaring process, and reducing the usage of steel wire in our slicing process. In December 2010, we also commenced operation of our slurry recovery project with an annual production capacity of 20,000 MT, which has further reduced our wafer processing cost. At end of year 2010, our polysilicon production cost was US$22.5 per kilogram, which we believe was amongst the lowest in the industry based on publicly available information. Our wafer production cost was reduced from US$0.63 per W in the first quarter of 2010 to US$0.55 per W in the fourth quarter of 2010 as a result of our acquisition of Konca Solar in March 2010.

In recognition of our achievements, we were selected by the Xuzhou government as one of the "Top Ten Enterprises with Technology Advancements" in February 2009. The Jiangsu government also named our polysilicon as one of their "High-Tech Products." To date, we have successfully obtained 43 patents and there are more than 75 patent applications pending approval.

High barriers to entry

The PRC government has recently imposed additional measures to regulate polysilicon production. Some of these measures impose strict regulation regarding the expansion of polysilicon production capacities. The aim of such measures is to reduce pollution and high-energy consuming polysilicon producers in the industry. Under these new regulations, a qualified polysilicon producer must maintain an annual production scale of at least 3,000 MT, its energy consumption for CVD reactors should be reduced to below 60 kWh per kilogram of polysilicon and total energy consumption for polysilicon production should be lower than 200 kWh per kilogram by the end of 2011. In addition, polysilicon production facilities are required to recycle at least 95% of water, 98.5% of STC and 99% of hydrogen chloride and hydrogen. Any polysilicon producer who cannot fulfill these requirements will need to overhaul its facilities or face possible closure. We expect that a significant amount of initial capital expenditures would be needed for a new entrant to meet these new requirements. We are able to comply with these stringent requirements and operate cost efficiently in such a strict regulatory environment and we believe these recent measures have further increased the entry barriers to the PRC's polysilicon industry. Our strengths in terms of scale, efficiency, technology and the environmental protection systems implemented in our facilities allow us to take advantage of the trend of consolidation in the PRC polysilicon industry and we are committed to achieving improved market share, production efficiency and economies of scale in the consolidation process. As of the date of this document, we are fully in compliance with these regulations in relation to polysilicon industry.

Experienced management team

Our management team consists of an experienced group of industry experts and professionals who have positioned us to take advantage of the increased demand for solar products. They have had a vision for strategic planning and a successful track record of execution. Our chairman, chief executive officer and founder of our group, Mr. Zhu Gong Shan is a pioneer in the development of polysilicon production and power plant construction and operation in China. Members of our senior management team have a track record of managing enterprises as well as constructing and operating large power plants. Mr. Sha Hong Qiu, one of our executive directors, has been with us since November 2006 and has over 10 years experience in the operation and management of power plants. Mr. Tong Yee Ming, our chief financial officer and executive director, has broad financial management and accounting experience and has been the chief financial officer and finance director for a number of companies, including several companies listed on the SEHK. Mr. John Russell Hamilton, our chief technology officer, has extensive industry experience gained from working with REC, Chevron and Unocal.

Our Strategies

Strengthen our market position

We plan to continue to expand our production capacity of polysilicon and wafers in order to strengthen our market position and continue meet our customer obligations. We expect our polysilicon production capacity to reach 46,000 MT by the end of 2011 and our polysilicon output to reach 31,000 MT in the year 2011. Meanwhile, through implementing technical upgrades and reducing energy consumption, we could lower our polysilicon production costs to further enhance our cost leadership position.

We also plan to continue to focus on the development of our wafer business in 2011. Apart from our current wafer production bases in Xuzhou, Wuxi, Changzhou and Suzhou, we plan to establish new wafer facilities in Yangzhou, Taicang, Quanzhou and Nanjing. We expect that by the end of 2011, our wafer production capacity will increase to 6.5 GW and our wafer output will reach 5.5 GW by the year ended 2011. As a result of this proposed expansion in our wafer production capacity, we expect the majority of our polysilicon output to be consumed for our own wafer production by the end of 2011. This will extend our cost leadership in the polysilicon production to our wafer business, making us one of the most cost-efficient producers of polysilicon and wafers in the world.

Continue to drive down our cost of production through technological improvements

We aspire to be one of the most cost-efficient polysilicon and wafer producers globally. The long-term goal of the solar industry is to achieve grid parity so that no further government subsidies and incentives are required to promote the use of solar energy. As demand for solar photovoltaic ("PV") products increase and production capacity expands across the value chain, the ability to maintain a competitive cost structure will be crucial to our success. We intend to do so by investing in technological advancements and applying prudent manufacturing principles. We plan to devote substantial resources to enhance the efficiency of our production processes and in particular, reducing our polysilicon and ingot production cycle times, electricity consumption and the use of raw materials. We have thus far been able to shorten our production cycles by adjusting reactor parameters as well as lowering electricity usage. We will also focus our research and development efforts on the application of next generation solar technologies in order to strengthen our market position and capture future development opportunities in the solar industry.

Continue to secure long-term supply contracts

While the market price of polysilicon is increasing due to the supply shortage, we have foregone any short-term gains by not increasing our wafer prices significantly. This has enabled us to build up our customers' trust, promote the acceptance of our products and our image, establish order in the industry and stabilize the business operating environment. As a result of our market strategy, we had entered into a number of supply contracts for wafers with leading cell and module manufacturers that provide for aggregate sales of over 55 GW of wafers through the period of 2011 to 2016 as of March 31, 2011. We plan to continue to adopt this market strategy in order to ensure our stable sales growth and stable revenues in the near- and medium-term, business certainty and sustainability and to protect us against spot price volatility.

Concentrate on production of polysilicon and wafer without competing with our downstream customers

With our competitive cost structure and production capacity, we believe we will continue to be well positioned to benefit from the growth of the solar industry. Our position as an upstream polysilicon and wafer producer minimizes competition and conflicts of interest with our customers in the cell and module segments. It enables us to form strong strategic partnerships with our customers enabling us to gain feedback and be responsive to any future changes in industry trends.

We plan to continue to focus on the production of polysilicon and wafers, as we believe that the production of these upstream products yields the highest margins in the solar materials value chain and also has the highest barriers to entry compared with the production of solar cell and solar modules. We have and will continue to dedicate a significant amount of our management efforts and financial, technical, research and human resources to the design, research and development, manufacturing and distribution of both our polysilicon and wafer products. As the difference between the costs of generating electricity from solar versus traditional means narrows, we anticipate global demand for new installations of PV systems to continue to grow in 2011, which in turn will increase demand for our polysilicon and wafers.

Recent Developments

For the three months ended March 31, 2011, we produced and sold approximately 5,927 MT and 914 MT of polysilicon. All the polysilicon not sold was used to produce wafers at our in-house wafer production facilities. The amount of polysilicon produced represented an increase of approximately 90.5% compared to the three months ended March 31, 2010 and approximately 3.0% compared to the three months ended December 31, 2010. For the three months ended March 31, 2011, the average selling price for our polysilicon was US$62.2 per kilogram compared to US$50.0 per kilogram in the three months ended March 31, 2010 and US$60.1 per kilogram in the three months ended December 31, 2010.

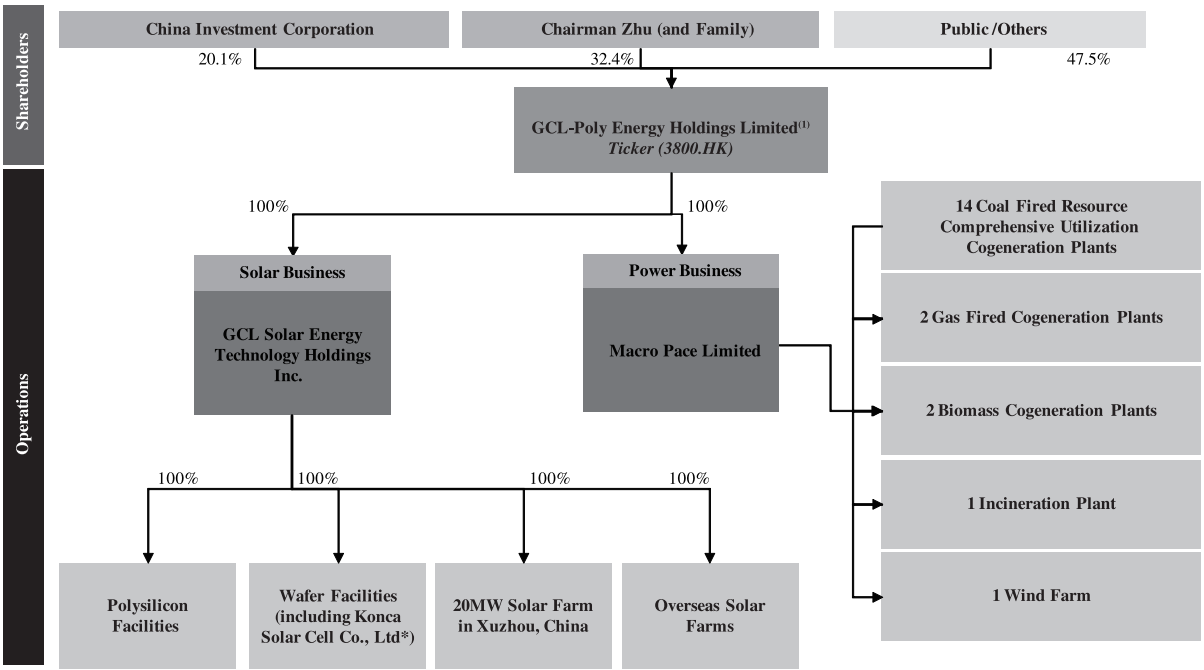
For the three months ended March 31, 2011, we produced 953 MW of wafers compared to 788 MW in the three months ended December 31, 2010. We only commenced our in-house production of wafers in the first quarter of 2010. Sales of wafers increased 20.9% from 788 MW in the three months ended December 31, 2010 to 959 MW in the three months ended March 31, 2011. The average selling price for wafers in the three months ended March 31, 2011 was US$0.76 per W compared to US$0.82 per W in the three months ended December 31, 2010.

For the three months ended March 31, 2011, our electricity and steam sales volumes were approximately 1,125,155 MWh and 1,992,724 tonnes, respectively. Compared to the three months ended March 31, 2010, our electricity sales volumes were approximately the same and our steam sales volumes increased approximately 10.7%.

CORPORATE STRUCTURE

The following chart shows our simplified corporate structure.

Shareholding Structure and Organization Chart



**Note:* GCL-Poly has an ultimate shareholding of 70.2% over Konca Solar Cell Co., Ltd.

(1): GCL-Poly is listed on the Hong Kong Stock Exchange.

SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The tables below present our summary financial and other data. The summary financial data as of and for each of the years ended December 31, 2009 and 2010 is derived from our audited consolidated financial statements as of and for the year ended December 31, 2010, included elsewhere in this document. Our audited consolidated financial statements as of and for the year ended December 31, 2010 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. Our consolidated financial statements as of and for the year ended December 31, 2009 have been audited by Deloitte Touche Tohmatsu, using RMB as the presentation currency. In the process of preparing the consolidated financial statements as of and for the year ended December 31, 2010, we considered it more appropriate to use HK Dollar as the presentation currency for our consolidated financial statements as we are listed on the Stock Exchange of Hong Kong Limited (the "SEHK"). Accordingly, the financial information as of and for the year ended December 31, 2009, shown as the comparative figures of the 2010 consolidated financial statements, have been restated, and such restated figures have not been audited by Deloitte Touche Tohmatsu. The financial statements have been prepared and presented in accordance with IFRS, which differ in certain material respects from U.S. GAAP. The summary financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto included elsewhere in this document.

On July 31, 2009, we completed the acquisition of 100% of the equity interest in Jiangsu Zhongneng through the acquisitions of 100% of the issued share capital and entire preference shares of GCL Solar Energy Technology Holdings Inc. ("GCL Solar") and 100% of the issued share capital of Sun Wave Group Limited ("Sun Wave") and Greatest Joy International Limited ("Greatest Joy") (collectively, the "Solar Group") (the "Acquisition"). For accounting purposes, the Solar Group was the accounting acquirer and we (the accounting acquiree) were deemed to have been acquired by the Solar Group. As a result of the foregoing, the results of our power business were included in our financial results for only five months in the year ended December 31, 2009. The year ended December 31, 2010 was the first full year in which both our power and solar businesses were consolidated. Consequently, the period-to-period comparisons of our financial results may not be meaningful and you should not use such comparisons to predict our future performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting Our Results of Operations and Financial Condition — Reverse Acquisition of the Solar Business."

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Consolidated Statement of Comprehensive Income:			
Revenue	4,943.6	18,471.9	2,368.2
Cost of sales	(3,453.0)	(11,661.2)	(1,495.0)
Gross profit	1,490.6	6,810.7	873.2
Other income	219.3	575.2	73.7
Distribution and selling expenses	(7.5)	(46.3)	(5.9)
Administrative expenses	(408.3)	(996.3)	(127.7)
Finance costs	(348.8)	(606.4)	(77.8)
Other expenses	(159.3)	(187.5)	(24.0)
Share of results of associates	9.8	10.7	1.3
Share-based payment expenses	(852.7)	(12.7)	(1.6)
Profit (loss) before taxation	(56.9)	5,547.4	711.2
Income tax expenses	(93.2)	(1,159.3)	(148.6)
Profit (loss) for the year	(150.1)	4,388.1	562.6
Other comprehensive income (expense)			
Exchange differences arising from translation to presentation currency	(13.3)	536.2	68.7
Total comprehensive income (expenses) for the year	(163.4)	4,924.3	631.3
Profit (loss) for the year attributable to:			
Owners of the Company	(199.7)	4,023.6	515.8
Non-controlling interests	49.6	364.5	46.8
	(150.1)	4,388.1	562.6
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company	(211.0)	4,522.8	579.8
Non-controlling interests	47.6	401.5	51.5
	(163.4)	4,924.3	631.3

	As of December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Consolidated Statement of Financial Position:			
Non-Current Assets			
Property, plant and equipment	15,573.7	23,662.4	3,033.6
Prepaid lease payments	741.0	980.2	125.7
Goodwill	545.5	1,036.3	132.9
Other intangible assets	40.8	110.2	14.1
Interests in a jointly controlled entity	—	120.6	15.5
Interests in associates	231.7	224.0	28.7
Available-for-sale investment	6.8	—	—
Deferred tax assets	9.1	39.8	5.1
Deposits for acquisitions of property, plant and equipment and prepaid lease payments	278.1	1,444.6	185.2
Pledged and restricted bank deposits	225.7	90.2	11.6
	17,652.4	27,708.3	3,552.4
Current Assets			
Inventories	727.2	1,646.7	211.1
Trade and other receivables	1,569.5	2,370.2	303.9
Amounts due from related companies	14.9	36.2	4.6
Loans to related companies	79.1	90.2	11.6
Prepaid lease payments	18.9	22.8	2.9
Tax recoverable	1.8	11.5	1.5
Pledged and restricted bank deposits	803.7	1,960.8	251.4
Bank balances and cash	5,311.3	6,505.1	834.0
	8,526.4	12,643.5	1,621.0
Current Liabilities			
Trade and other payables	2,395.6	4,192.7	537.5
Amounts due to related companies	139.4	88.2	11.3
Loan from a related company	56.8	—	—
Advances from customers	436.8	988.8	126.8
Deferred income	25.8	41.4	5.3
Tax payables	27.3	567.7	72.8
Bank borrowings — due within one year	5,032.7	6,410.8	821.9
Obligations under finance leases	—	111.3	14.3
	8,114.4	12,400.9	1,589.9
Net Current Assets	412.0	242.6	31.1
Total Assets less Current Liabilities	18,064.4	27,950.9	3,583.5
Non-Current Liabilities			
Advances from customers	1,906.6	1,978.0	253.6
Deferred income	168.9	320.3	41.1
Bank borrowings — due after one year	3,539.7	7,379.4	946.1
Obligations under finance leases	—	441.5	56.6
Deferred tax liabilities	231.0	452.4	58.0
	5,846.2	10,571.6	1,355.4
Net Assets	12,218.2	17,379.3	2,228.1
Capital and Reserves			
Share capital	1,547.1	1,547.4	198.4
Reserves	10,068.1	14,604.8	1,872.4
Equity attributable to owners of the Company	11,615.2	16,152.2	2,070.8
Non-controlling interests	603.0	1,227.1	157.3
Total Equity	12,218.2	17,379.3	2,228.1

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Consolidated Statement of Cash Flows:			
Net Cash from Operating Activities	351.9	7,834.1	1,004.4
Net Cash used in Investing Activities	(1,557.6)	(10,777.6)	(1,381.7)
Net Cash from Financing Activities	4,537.0	3,933.6	504.3
Net Increase in Cash and Cash Equivalents	3,331.3	990.1	127.0
Cash and cash equivalents at the beginning of year	1,979.6	5,311.3	680.9
Effect of foreign exchange rate change	0.4	203.7	26.1
Cash and Cash Equivalents at end of the year, represented by bank balances and cash	5,311.3	6,505.1	834.0

	Year ended December 31,		
	2009	2010	
	(in HK$ millions)	(in HK$ millions)	(in US$ millions)
Other Financial Data:			
EBITDA[(1)]	695.9	7,504.6	962.1
EBITDA Margin[(2)]	14.1%	40.6%	40.6%
EBITDA/Finance costs	2.0	12.4	12.4
Total Debt/EBITDA	12.3x	1.9x	1.9x
Adjusted EBITDA[(3)]	1,548.6	7,517.2	963.7
Adjusted EBITDA Margin[(4)]	31.3%	40.7%	40.7%

(1) Represents profit for the year before interest expense, income tax expense, depreciation of property, plant and equipment and amortization of prepaid lease payments and of other intangible assets. EBITDA and the related ratios in this document are supplemental measures of our performance and liquidity and are not required by, or represented in accordance with, IFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Other companies may calculate EBITDA differently than US, limiting its usefulness as a comparative measure.

(2) Represents EBITDA as a percentage of revenue.

(3) Represents profit for the year before interest expense, income tax expense, depreciation of property, plant and equipment and amortization of prepaid lease payments and of other intangible assets and share-based payments. Adjusted EBITDA and the related ratios in this document are supplemental measures of our performance and liquidity and are not required by, or represented in accordance with, IFRS. Furthermore, adjusted EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Other companies may calculate adjusted EBITDA differently than us, limiting its usefulness as a comparative measure.

(4) Represents adjusted EBITDA as a percentage of revenue.

(5) The following reconciles adjusted EBITDA and EBITDA to the profit (loss) for the years ended December 31, 2009 and 2010:

	For year ended December 31,		
	2009	**2010**	**2010**
	(in HK$ millions)	**(in HK$ millions)**	**(in US$ millions)**
Adjusted EBITDA	1,548.6	7,517.2	963.7
Share-based payment	(852.7)	(12.6)	(1.6)
EBITDA	695.9	7,504.6	962.1
Finance cost	(348.9)	(606.4)	(77.7)
Income tax expense	(93.3)	(1,159.3)	(148.6)
Depreciation of property, plant and equipment	(394.0)	(1,264.8)	(162.2)
Amortization of prepaid lease payment	(9.7)	(19.9)	(2.5)
Amortization of other intangible assets	(0.1)	(66.1)	(8.5)
Profit (loss) for the year	(150.1)	4,388.1	562.6

RISK FACTORS

You should carefully consider the risks described below, in addition to the other information contained in this document, including our consolidated financial statements and related notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition, results of operations could be materially and adversely affected.

Risks Relating to Our Solar Business and the Solar Industry

We may be unable to manage our growth effectively.

We have experienced a period of rapid growth and expansion that has placed, and continues to place, significant demands on our management and resources. To accommodate our continued growth, we expect that we will need to implement a variety of new and upgraded technological, operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, all of which require substantial management effort. We also will need to continue to expand, train, manage and motivate our workforce, develop and improve new and existing technologies and manage our customer relationships. All of these endeavors will require substantial management effort and skill and require significant additional expenditure. We cannot assure you that we will be able to manage our growth effectively, and any failure to do so may have a material adverse effect on our business, financial condition, result of operations and prospects.

The production of polysilicon presents operational difficulties and dangers.

Production of polysilicon involves the use of volatile materials and chemical reactions sensitive to temperature, moisture and pressure. The production process also requires the use of external controls to maintain safety and provide commercial production yields. For example, in the production of polysilicon we use three types of chlorosilane gas and hydrogen. Hydrogen and one of the three chlorosilane gases are combustible and explosive when released into the air. In addition, all types of chlorosilane gases, if brought into contact with moisture in the air produce a cloud of hydrochloric acid ("HCl"), which is potentially corrosive and extremely dangerous if mishandled or used in uncontrolled circumstances. The occurrence of a catastrophic event involving any of these materials as a result of a natural disaster, human error or otherwise at our polysilicon production facility could threaten, disrupt or destroy a significant portion or all of our polysilicon production capacity at such facility for a significant period of time. Additionally, our polysilicon production facility is highly reliant on our ability to maintain temperatures and pressures at appropriate levels, the supply of steam at a consistent pressure level, the availability of adequate electricity and our ability to control the application of such electricity. Accordingly, mistakes in operating our equipment or an interruption in the supply of electricity at our polysilicon production facility could result in the production of substandard polysilicon or substantial shortfalls in production which could reduce our production capacity for a significant period of time or result in personal injury or other third party liability. Damage or loss of revenue and liability from any such event or disruption may not be adequately covered by insurance, and could also damage our reputation in the solar industry, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Polysilicon and wafer production are both energy-intensive and if our energy costs rise or if our energy supplies are disrupted, our results of operations will be materially and adversely affected.

The polysilicon production process is highly dependent on a steady supply of electricity to maintain the optimal conditions for polysilicon production. The wafer production process is similarly dependent on electricity. If these levels are not maintained, we may experience significant delays in the production of our polysilicon and wafers. With the rapid development of the PRC economy, demand for electricity has increased. There have been shortages in electricity supply in various regions across the PRC, especially during peak seasons, such as summer. In the event that energy supplies to our manufacturing facilities are disrupted, our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition to electricity shortages, we are subject to potential risks of interruptions in energy supply due to equipment failure, weather events or other causes. There can be no assurance that we will not face power-related problems in the future.

Even if we had access to sufficient sources of electricity, as we consume substantial amounts of electricity in our manufacturing process, any significant increase in the cost of electricity could adversely affect our profitability. Our electricity supply arrangement with Xuzhou Electricity Company does not provide protection against electricity price fluctuations. We are also currently not allowed to use any of the power generated from our own power plants in our production facilities as all power generated by us must be supplied directly to the national power grids. We expect additional increases in electricity costs in the future. The price of electricity in the PRC is also largely dependent on the price of coal, which is increasing. If energy costs were to rise, our business, financial condition, results of operations and prospects could be adversely affected.

We obtain certain production equipment from a limited number of suppliers and if such equipment is not delivered on time, is damaged in shipment or is otherwise unavailable, our ability to deliver polysilicon and wafers on time will suffer, which in turn could result in cancellations of orders, loss of revenue and negatively impact our reputation.

Our operations and expansion plans depend on our ability to obtain a sufficient amount of equipment that meets our specifications on a timely basis. Some of our equipment which we use in polysilicon, TCS and wafer production, particularly reactors and wafering saws, is sourced from international manufacturers and is not readily available from alternative vendors and would be difficult and time-costly to repair or replace if it were to become damaged or stop working. If any of our suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of our production equipment, our business would suffer. In addition, a supplier's failure to supply our ordered equipment in a timely manner, with adequate quality and on terms acceptable to us, could delay the expansion in capacity of our manufacturing facilities and disrupt our production schedule or increase our costs of production. If we fail to deliver to our customers in a timely manner due to any production disruption, we may suffer from loss of orders and revenues and may negatively impact our reputation. As of the date of this document, we have not experienced any material delay in equipment delivery that affected our ordinary operations. Failure to obtain equipment meeting our specifications on a timely basis could have a material adverse effect on our business, financial condition and results of operations.

We have sourced and will continue to source some of our production equipment from different manufacturers and we cannot assure you that equipment from different manufacturers will perform at the same level as the equipment we have used in the past or will meet our quality requirements.

We have purchased key equipment from a number of different foreign suppliers and some Chinese suppliers. Although we believe that the production equipment we have purchased and have contracted to purchase are of at least similar quality as those we have sourced from existing suppliers, they may not

perform at similar levels of quality and reliability or they may not be delivered in a timely manner. We cannot assure you that the polysilicon or wafers we may produce using equipment from different suppliers will be of similar quality or quantity as those we currently produce which could lead to rejections of our polysilicon or wafers by our customers. In the event that any of the equipment does not perform as well as the other equipment or does not perform at all, our business, financial condition and results of operations could be adversely affected.

We operate in a highly competitive market and we may not be able to compete successfully with competitors who have greater resources than us.

The solar wafer market is highly competitive and the polysilicon market is expected to become increasingly more competitive. Our competitors include polysilicon producers, such as Hemlock Semiconductor Corporation ("Hemlock"), Wacker Chemie AG ("Wacker") and OCI Company Ltd. ("OCI"), LDK Solar Co., Ltd. ("LDK"), Renewable Energy Corporation ASA ("REC"), MEMC Electronic Materials, Inc. ("MEMC"), Tokuyama Corporation ("Tokuyama").

We believe some of our competitors have substantially greater financial, technical and other resources than we do. Our competitors' longer operating history in some cases also may provide them with a competitive advantage. In addition, our competitors may have stronger relationships or may enter into exclusive relationships with some of our key customers. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sales of polysilicon or wafers than we can. Our failure to adapt to changing market conditions and to compete successfully with existing or new competitors may materially and adversely affect our financial condition and results of operations.

If we are unable to fulfill our commitments to customers or customer orders on a timely basis or at all, we may lose customers, our reputation may be damaged, and we may face significant penalties for breach of contract.

Our ability to meet existing contractual commitments to our customers depends on the successful and timely implementation of our expansion plan. Delays in the delivery of equipment could delay implementation of our expansion plan. If we are unable to fulfill our commitments to customers or customer orders on a timely basis or at all, we may lose our customers and our reputation may be damaged. Moreover, our contracts with our customers sometimes provide for specified monetary damages or penalties, which may be significant, for non-delivery or failure to meet delivery schedules or product specifications and allow a termination of the contract by our customer. See "Business — Customers and Markets." If any of our customers enforce these damage or penalty clauses against us, we may lose future sales and will be required to defend ourselves against the relevant claims, which could be time consuming and expensive. We may be found liable under these clauses and be required to pay damages and all penalties which could be material in amount and may materially and adversely affect our financial condition and results of operations.

Alternative technologies in cell manufacturing may replace the need to use polysilicon or wafers such as the wafers we sell and intend to manufacture in solar applications.

Alternative technologies are continuously being developed in the solar industry. The vast majority of solar cell manufacturers use silicon-based technologies. Alternative technologies such as thin-film cell production, uses little to no amounts of silicon in the production of solar cells. Thin-film solar cells are currently less costly to produce than silicon-based solar cells. While the solar cells produced using this technology to date have proven to be not as efficient as those produced using polysilicon technology, there can be no assurance that technological improvements will not make the thin-film solar cells more efficient in the future. Significant expansion of thin-film solar cell production has been announced which may put pressure on the entire value chain of silicon-based solar cell production. This expansion

may in turn restrict the market for silicon-based solar cells which would decrease the demand for our polysilicon and wafers. The further development of thin-film or other alternative technologies may have a significant impact on the solar industry by reducing the necessity for wafers made from polysilicon. If the demand for polysilicon or wafers is negatively affected by increased demand for and improvements to alternative technologies (of any kind), our revenue and results of operations could be adversely affected.

We have significant outstanding bank borrowings and may not be able to arrange adequate financing to repay these borrowings when they mature.

As of December 31, 2010, we had approximately HK$13.79 billion (US$1.77 billion) in bank borrowings, approximately HK$6.4 billion (US$821.9 million) of which were due within one year. Our borrowings are secured by certain of our assets including land and equipment. We expect our future borrowings to also be secured by certain of our assets. Although we believe, with existing bank borrowings and our cash flow from operating activities, which includes advances from customers pursuant to our supply contracts, we will have sufficient cash flow for our current expansion, there can be no assurance that additional funding needs will not arise. We cannot assure you that we will be able to meet these or other current obligations as they become due. In the event we are unable to meet these obligations or obtain extensions of borrowings, or if we are unable to obtain sufficient alternative funding at reasonable terms or at all to make payment, we will have to make payments with cash generated by our operating activities. In addition, meeting the payment obligations of these borrowings with cash generated by our operating activities will divert our financial resources from the requirements of our ongoing operations and future growth, and would have a material adverse effect on our business, financial condition and future prospects.

In addition, it is difficult to plan for capital requirements in our rapidly changing industry. Future market conditions or other developments may require us to obtain additional funds.

Our ability to obtain additional funds on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of, and demand for, securities of companies engaged in the solar industry;
- conditions of the capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment;
- economic, political and other conditions in the PRC;
- the amount of capital that other PRC entities may seek to raise in the capital markets; and
- PRC governmental policies relating to foreign currency borrowings.

Our inability to raise additional funds in a timely manner and on terms acceptable to us, or at all, may have a material adverse effect on our business, financial condition and results of operations. For example, we may be required to scale back our planned expenditures, which could adversely affect our ability to achieve economies of scale or achieve our planned growth. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly and may not be resolved in our favor.

We seek to protect our proprietary production processes, documentation and other written materials primarily through intellectual property laws, contractual restrictions, know-how, trade secrets and other similar protections. We also require employees and consultants with access to our proprietary information to execute confidentiality agreements with us. However, we have only sought and obtained intellectual property protections for some of our intellectual property within the PRC and not in any other jurisdiction. The steps taken by us to protect our proprietary information may not be adequate to prevent misappropriation of our technology. In addition, our proprietary rights may not be adequately protected because:

- others may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting it;
- confidentiality agreements or undertakings may not be enforceable;
- policing unauthorized use of our intellectual property may be difficult, expensive and time consuming, and we may be unable to determine the extent of any unauthorized use; and
- the intellectual property laws and enforcement proceedings in the PRC are uncertain and do not protect intellectual property rights to the same extent as do the laws and enforcement procedures in the United States. These uncertainties with respect to the Chinese legal system could have a material adverse effect on us and could limit the legal protection available to potential investors. See "— Risks Relating to Doing Business in the PRC."

Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without compensating us for doing so. While we believe the technology relating to polysilicon and wafer production is generally well-understood and publicly available, it is the process of technological implementation that is likely to be the most valuable to us and key to our historic and ongoing success. It is very difficult to protect process implementation methods. Any inability to adequately protect our proprietary rights could harm our ability to compete, to generate revenue and to grow our business.

To protect our intellectual property rights and to maintain our competitive advantage, we may take action against parties who we believe infringe our intellectual property. Such actions may be costly and may divert management attention and expend our resources away from our business. In certain situations, we may have to take action in foreign jurisdictions, in which case we will be subject to additional risks as to the result of the proceedings, the amount of damages that we can recover and our ability to enforce a judgment. An adverse determination as a result of such action will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, the results of our operations and financial condition.

Most of our production, storage, administrative and research and development facilities are located in close proximity to one another. Any damage or disruption at these facilities would have a material adverse effect on our financial condition and the results of our operations.

Most of our production, storage, administrative, research and development facilities are located in close proximity to one another in an industrial park in Xuzhou. Significant damage or other impediments at such location, whether as a result of fire, weather, disease, civil or industrial strike, breakdown of equipment, difficulty or delay in obtaining materials and equipment, natural disaster, such as earthquakes, terrorist incidents, industrial accidents or other causes, could temporarily disrupt or even shut down our operations. Each of these events would have a material adverse effect on our business, financial condition and the results of our operations. Some of the processes utilized in our operations place us at risk of fire and other damage. We cannot assure you that the insurance we maintain will be sufficient to cover all or any of our potential losses or liabilities.

On May 12, 2008, an earthquake reaching a magnitude of 8.0 on the Richter scale according to the State Seismological Bureau of China hit Sichuan Province, China. Businesses and production operations in the affected areas of Sichuan Province were shut down due to safety concerns. Although our operations were not affected by the earthquakes in Sichuan Province, there can be no assurance that we may not be directly or indirectly affected by similar or other natural disasters in the future.

Our business depends substantially on the continuing efforts of our executive officers and qualified technical personnel, and our business may be severely disrupted if we lose their services.

Our industry is characterized by high demand and intense competition for talent. Our strategy and success of our business therefore depends substantially on the continued services of our executive officers and, to a significant extent, on our ability to attract, train and retain qualified technical personnel, particularly those with expertise in the solar and electronics industries. We heavily depend on the efforts of Mr. Zhu Gong Shan, our chairman, for our business operations. If one or more of our executive officers or key employees were unable or unwilling to continue in his or their present positions, we might not be able to replace him or them easily or at all. There is substantial competition for qualified technical personnel in the PRC and the rest of the world, and we cannot assure you that we will be able to attract new or retain our existing qualified technical personnel.

If any of our executive officers or key employees were to join a competitor or form a competing company, we may lose customers, suppliers, know-how, key professionals and key staff members. Each of our executive officers has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute were to arise between any of our executive officers or key employees and us, we cannot assure you the extent to which any of these employment agreements could be enforced in the PRC or Hong Kong, where these executive officers and key employees reside, in part as a result of the uncertainties with China's legal system. See "— Risks Relating to Doing Business in the PRC."

Any failure by us to control the use or to adequately restrict the discharge of hazardous substances or to obtain work safety and professional health approvals could subject us to potentially significant monetary damages and fines or suspensions in our business operations.

We use, generate, store and discharge, volatile, toxic and otherwise hazardous chemicals and waste in our research and development and production processes. We are subject to regulations and periodic monitoring by local environmental protection and work safety authorities. We are also required to comply with all PRC national and local environmental protection and work safety laws and regulations. Under PRC environmental and work safety regulations, we are required to obtain a pollutant discharging permit, a work safety permit for the storage and use of hazardous chemicals and a permit for the use of atmospheric pressure containers, from relevant governmental authorities after we have completed the

installation of our manufacturing lines but before our manufacturing lines commence formal commercial production. We are also required to undergo the acceptance inspections of environmental protection, work safety and professional health and obtain respective approval with relevant governmental authorities before the manufacturing lines commence full production. We have obtained the pollutant discharge permit, the work safety permit for storage and use of hazardous chemicals and permit for the registration of use of atmospheric pressure containers for the pressure containers we have installed.

If we fail to comply with relevant environmental work safety and professional health laws, regulations and/or administrative rules relating to hazardous materials and chemicals in the future, we may be required to pay fines, suspend production or cease operation. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. Any failure by us to control the use of, or to adequately restrict the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in or cessation of our business operations.

If we are unable to continue to reduce our production costs through our research and development efforts, we may lose our competitiveness.

We have been able to continually reduce our cost of production. While we believe we have been able to produce polysilicon and wafers at comparatively lower costs than our industry peers, there can be no assurance that our industry peers and competitors will not be able to match or exceed our cost competitiveness over time. If we are unable to continue to reduce our production costs, we may lose our competitive advantage which would have a material adverse effect on our business, results of operations, financial condition and prospects.

Our polysilicon and wafer operations present the risks of fire, explosion and other accidents that can create damage to our property or third-parties and we have limited insurance coverage. Such accidents may result in losses from operating hazards, product liability claims or business interruptions.

As with other polysilicon producers, our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fire, explosion, spills and other unexpected or dangerous accidents causing personal injuries or death, property damage, environmental damage and business interruption.

We are also exposed to risks associated with product liability claims in the event that the use of our polysilicon and wafers results in injury. Since our wafers are made into electricity generating devices, any product malfunction, defect, improper installation or other deficiency may endanger users of our wafer. Due to our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. In addition, as the insurance industry in the PRC is still at an early stage of development, business interruption insurance available in the PRC offers limited coverage compared to that offered in many developed countries. We cannot assure you that our existing insurance policies are sufficient to insulate us from all loss and liabilities. Any insufficient insurance coverage, or any delay or failure in renewing our insurance policies could have a material adverse effect on our business, financial condition or results of operations.

Our polysilicon and wafer production activities are subject to operational risks, hazards and unexpected disruptions.

Our operations are subject to a number of operational risks and hazards, some of which are beyond our control, which could delay the production and delivery of our products, increase our cost of production or result in accidents in our production facilities. These risks and hazards include unexpected

maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions, natural disasters, industrial accidents, power or fuel supply interruptions, critical equipment failure, malfunction and breakdowns of information management systems and fires. These risks and hazards may result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, possible legal liability, damage to our business reputation and corporate image and, in severe cases, fatalities. In addition, the breakdown of equipment, difficulty or delay in obtaining replacement reactors, distillation towers and other important equipment, natural disasters, industrial accident or other causes could temporarily disrupt our operations, which in turn may also materially and adversely affect our business, prospects, financial condition and results of operations. There can be no assurance that accidents will not occur in the future. Such accidents may have a material adverse effect on our reputation, business, prospects, financial conditions and results of operations.

Prices for polysilicon and wafers are expected to decline in the future and could adversely affect our gross margin.

According to Solarbuzz, global polysilicon capacity of established producers is projected to grow from 169.2 KT in 2010 to 504.9 KT by 2015. If current capacity expansion plans are met, the polysilicon production industry may experience a period of excess capacity. During a period of excess capacity, polysilicon producers will experience pricing pressures and may be forced to reduce polysilicon prices until such time, if ever, as demand increases to such extent to offset such overcapacity. In addition, some of our polysilicon supply agreements provide for substantial reductions in the prices we will be paid over the life of the agreements. If the price of polysilicon decreases faster than we are able to reduce our manufacturing costs, our operating margins will be reduced and our financial condition and results of operations may be adversely affected. In the fourth quarter of 2008 and the first quarter of 2009, the global solar power industry experienced a precipitous decline in demand due to decreased availability of financing for downstream developers as a result of the global economic crisis. As a result, increased manufacturing capacity combined with decreased demand caused a decline in the prices of solar power products.

According to Solarbuzz, module prices on a per-watt basis are expected to decline in the next few years which will likely affect wafer prices. Some of our wafer supply contracts provide for substantial reductions in the prices of our wafers we will be paid over the life of these agreements. If we are unable to lower our costs in line with this expected price decline, our gross margins would be adversely affected.

Our future growth and profitability depend on the demand for solar power and semiconductor products and the development of solar power and semiconductor technologies.

The solar industry is at a relatively early stage of development, and the extent of acceptance of solar power products is uncertain. Market data on the solar power industry are not as readily available as other more established industries for which trends can be assessed more reliably from data gathered over a longer period of time. In addition, demand for solar power may not develop as we anticipate. Many factors may affect the viability of widespread adoption of solar power technology and demand for solar power products, including:

- the reduction or elimination in government subsidies and incentives to support the development of the solar power industry;
- the relative cost-effectiveness, performance and reliability of solar power products compared to conventional and other renewable energy sources and products;
- success of other alternative energy sources, including (but not limited to) wind power, hydroelectric power and biofuel;
- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;
- capital expenditures by end users of solar power products, which tend to decrease when the economy slows down; or
- deregulation or other regulatory actions affecting the electric power industry and broader energy industry.

In the event that demand for both solar and semiconductor products do not expand as we expect or solar power or semiconductor technologies do not develop in a manner consistent with continued demand for polysilicon, our future growth and profitability will be adversely affected.

The reduction or elimination of government subsidies and economic incentives could cause demand for our products and our revenue to decline.

We believe that the short-term growth of the market for on-grid applications of solar energy depends in large part on the availability and size of government subsidies and economic incentives. The reduction or elimination of government subsidies and economic incentives may hinder the growth of this market or result in increased price competition for solar energy products, which could cause our revenue to decline.

When upfront system costs are factored into cost per kilowatt hour, the cost of solar power substantially exceeds the cost of power furnished by the electric utility grid in many locations. As a result, federal, state and local governmental bodies in many countries, such as Germany, Spain, Italy, the United States, Japan and China, have provided subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to distributors, system integrators and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependency on other forms of energy. These government subsidies and economic incentives could be reduced or, at worst, eliminated altogether. For example, Germany has been a strong supporter of solar power products and systems. Utilities in Germany are generally obliged to purchase electricity generated from grid-connected solar power installations at defined feed-in tariff rates, which decline over time according to a predetermined schedule. Any political or market changes in Germany could

result in significant reductions or the elimination of subsidies or economic incentives, such as a more accelerated reduction of feed-in tariffs than as planned according to the current schedule. Reductions in, or elimination of, government subsidies and economic incentives for on-grid solar energy applications before the solar power industry reaches the economies of scale necessary for solar power to become cost-effective in a non-subsidized market place could result in decreased demand for solar generation products and, as a result, for polysilicon and wafers, which could cause our revenue to decline.

Existing regulations and policies and changes to these regulations and policies may present technical, regulatory and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products.

The market for products which generate electricity is heavily influenced by government regulations and policies concerning the electricity utility industry, as well as policies adopted by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. In a number of countries, these regulations and policies are being modified and may continue to be modified. Customer purchases of, or further investment in the research and development of, alternative energy sources, including solar power technology, could be deterred by these regulations and policies, which could result in a significant reduction in the potential demand for our products. For example, without a regulatory mandated exception for solar power systems, utility customers are often charged interconnection or standby fees for putting distributed power generation on the electric utility grid. These fees could increase the cost to the end-customers of using the solar power products and make them less desirable, thereby harming our business, prospects, results of operations and financial condition.

We anticipate that our customers' products that use polysilicon will be subject to oversight and regulation in accordance with national and local regulations relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. New government regulations or utility policies pertaining to solar power products may result in significant additional expenses to our customers and, as a result, could cause a significant reduction in demand for our products.

Our future success depends substantially on our ability to significantly expand both our polysilicon and wafer production capacity and output, which exposes us to a number of risks and uncertainties.

Our future success depends on our ability to significantly increase both our polysilicon and wafer production capacity and output. If we are unable to do so, we may be unable to further benefit from economies of scale to decrease our costs per kilogram and per watt of polysilicon and wafer, respectively, apply capital efficiently, meet our obligations under wafer supply agreements, maintain our competitive position and/or improve our profitability. Our ability to establish additional production capacity and increase our production output is subject to significant risk and uncertainty, including:

- the need to raise significant additional funds to purchase additional production equipment or to build additional manufacturing facilities, which we may be unable to obtain on commercially viable terms or at all;

- cost overruns and delays as a result of a number of factors, many of which are beyond our control, such as increases in the price of electricity and problems with equipment delivery, particularly with respect to major equipment such as our polysilicon deposition reactors;

- delays or denial of required approvals by relevant government authorities;

- failure to obtain production inputs in sufficient quantities or at acceptable cost;

- diversion of significant management attention and other resources; and
- failure to execute our expansion plan effectively.

We intend to construct additional polysilicon and wafer production facilities. Such expansions are subject to obtaining all approvals and land use rights. Market conditions change very rapidly in the solar industry. Industry research institutions such as Solarbuzz and others have forecasted substantial overcapacity in polysilicon and wafer manufacturing in the next few years. We may not complete our polysilicon and wafer manufacturing expansion due to cost, demand, financing or other reasons. If we do not complete such expansion, we may not be able to meet contractual obligations to supply polysilicon and wafers and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our principal shareholder has substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

Our principal shareholder, who collectively holds 32.4% of our total equity interest as of the date of this document, has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our stocks. These actions may be taken even if they are opposed by our other shareholders. Furthermore, our articles of association contain a quorum requirement of two shareholders present in person or by proxy. On a vote by poll (as opposed to a vote by show of hands, in which case each shareholder present in person or by proxy is entitled to one vote), two or more shareholders with an aggregate shareholding of more than half of our total issued voting shares could constitute a quorum and approve actions which may not be in the best interests of our other shareholders.

Product defects could result in increased costs, decreased sales, and damage to our customer relationships and our reputation.

Our polysilicon and wafers may contain defects that are not detected until after they are shipped or installed. In the event our products are returned to us due to nonconformity with customers' specifications or product defects, we would be required to replace our products promptly. Product defects could cause significant damage to our customer relationships and our reputation. If we cannot successfully maintain the requisite quality throughout our production process, this will result in substandard quality or performance of our polysilicon and wafers, including the reduced conversion efficiency of solar cells and modules made from wafers we supply and higher wafer breakage rate. If we deliver products with defects, or if there is a perception that our products are of inferior quality, we may incur substantially increased costs associated with the termination of supply contracts, replacement of polysilicon or wafers, and our credibility and market reputation will be harmed. In these cases, the sales of our products may be adversely affected.

Prepayments to our equipment suppliers expose us to the credit risks of such suppliers and may increase our costs and expenses, which could in turn have a material adverse effect on our liquidity.

Under supply contracts with several of our equipment suppliers, consistent with industry practice, we have made prepayments to our suppliers prior to the scheduled delivery dates for polysilicon and equipment. In many such cases, we made the prepayments without receiving collateral for such payments. As a result, our claims for such payments would rank as unsecured claims, which would expose us to the credit risks of our suppliers in the event of their insolvency or bankruptcy. Our claims

against the defaulting suppliers would rank inferior to those of secured creditors, which would undermine our chances of obtaining the return of our prepayments or interest free loans. Accordingly, our financial condition and results of operations could be adversely affected.

Further development in the fluidized bed reactor, method, upgraded metallurgical silicon or other alternative polysilicon production technologies or other changes in the solar power industry could render our production process too costly or obsolete, which could reduce our market share and cause our sales and profits to decline.

Although the vast majority of the polysilicon producers utilize the Siemens process, several alternative production processes may be cost competitive have been developed. MEMC, REC and Wacker are three competitors that operate or are constructing facilities that use the fluidized bed reactor ("FBR") method for producing polysilicon. Tokuyama has developed a polysilicon technology called the "Vapor-to-Liquid Deposition" process. Companies such as Becancour, Dow Corning, Elkem and others are establishing facilities for the production of upgraded metallurgical silicon.

While we are building a silane based FBR pilot plant and in negotiations for use of TCS FBR technology, further developments in competing polysilicon production technologies may result in lower manufacturing costs or higher product performance than those achieved from Siemens processes, including the one we employ. We will need to invest significant financial resources in research and development to expand our market position, keep pace with technological advances in polysilicon production and effectively compete in the future. Failure to further refine our technology could make our production process too costly or obsolete, which could reduce our margins and market share, cause our revenue to decline and adversely affect our results of operations.

Certain facts and statistics in this document are derived from publications not independently verified by us or our advisors.

Facts and statistics in this document relating to the overall economy and the industries where we operate are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us or our advisors and, therefore, we and our advisors make no representation as to the accuracy or completeness of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

If we fail to maintain an effective system of internal control over financial reporting, we may lose investor confidence in the reliability of our financial statements.

We are a public company listed on the SEHK and we are subject to reporting obligations and internal control requirements under applicable listing rules of the SEHK. We believe that our internal control over financial reporting is effective as of the date of this document. However, if we fail to maintain effective internal control over financial reporting in the future, it could result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our stocks. Our financial condition and results of operations could be materially and adversely affected.

Risks Relating to Our Power Business and the PRC Power Industry

Our revenue derived from power sales may be materially and adversely affected by reductions in the on-grid tariffs or planned output.

Our sale of power is primarily determined by two factors: on-grid tariffs and the planned output for each power plant. Power producers in the PRC are required to sell their electricity directly to the relevant provincial grid company at prices, the on-grid tariffs, determined by the relevant provincial government authorities. In addition, the amount of electricity to be dispatched by any power plant to the relevant grid company, the planned output, is also determined by the relevant provincial government authorities i.e. the economic and trade commissions of Jiangsu Province and Zhejiang Province. As a result, the revenue from our power business is subject to the exclusive control by the PRC government and reductions in either the on-grid tariffs or the planned output may materially reduce the revenue from our power business which would have a material adverse effect on our business, financial condition and results of operations.

Increase in supply of power may materially and adversely affect our power sales above our guaranteed utilization hours.

In recent years, a significant number of new power plants (especially coal-fired plants) have been built, both in Jiangsu Province and throughout the PRC. As a result, starting in 2005, increases in the supply of power in the PRC have outpaced increases in demand. Such circumstances have resulted in governmental authorities in the affected provinces lowering the planned output, which in turn has caused the average utilization hours at several of our cogeneration plants, as well as other power generators throughout the PRC, to decrease since 2005. In the years ended December 31, 2009 and 2010, our average utilization hours were 6,291 hours and 5,465 hours, representation an utilization rate of 71.8% and 62.4%, respectively. The decrease in utilization in the year ended December 31, 2010 had an adverse effect on our power sales above our guaranteed utilization hours, and as a result, our revenue from power sales with respect to several of our power plants was negatively affected in 2010. There can be no assurance that the supply of power will not increase in the future, and such increases in the supply of power may have a material and adverse effect on our operating results.

Increasing fuel costs may materially and adversely affect our operating results and we have limited ability to pass on coal price increases to end customers through any potential on-grid tariff increases.

Thirteen of our subsidiary power plants are wholly or partially fuelled by coal. Therefore, our results of operations have been directly affected by the costs of coal, representing 46.0% and 46.8% of the total cost of power sales during the years ended December 31, 2009 and 2010, respectively. Coal prices applicable to our power plants have been negotiated between our coal suppliers and us or our procurement agent and are subject to other factors, including in particular, market conditions, applicable VAT and cost of transportation. Increases in the cost of coal will increase our cost of sales for power and may adversely affect our profitability.

Additionally, we have limited ability to pass on coal price increases to our end customers through on-grid tariff increases. According to a plan issued by the National Development and Reform Commission of the PRC ("NDRC") in December 2004, the NDRC and/or the price bureaus are allowed but not required to adjust on-grid tariffs upwards if the average coal price increases by 5% or more in any six-month period. However, an increase in coal price may not always result in the upward adjustment of on-grid tariffs. In addition, the provincial bureaus' response to the changing market conditions in the coal industry may not be sufficient or timely. Furthermore, adjustment to on-grid

tariffs in relation to increase in coal prices is subject to several factors, including the amount of coal consumed and the amount of heat generated. As a result, the relative increase in on-grid tariffs could be lower than coal price increases, which limits our ability to pass on increase in coal prices.

Our power plant development and acquisition activities may not be successful due to increasing competition and potential substantial regulatory approvals involved.

Our ability to expand our business depends on our ability to upgrade our existing power plants and develop or acquire new power plants. Such upgrading, development and acquisition of power plants can be time-consuming and highly complex. First, in identifying and developing new projects there is much competition, including larger power companies and smaller local power plants. If we are not successful in meeting such competition, our development plan may be delayed. In addition, in connection with the development of a new power plant, we must generally obtain various governmental approvals, licenses and permits, land use rights or leases, equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transportation agreements and sufficient equity capital and debt financing. We may not be successful in resolving or addressing any of these matters or in doing so on a timely basis, and such failure or delay may adversely affect our business, results of operations and financial condition.

Risks Relating to Doing Business in the PRC

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and materially and adversely affect our competitive position.

Substantially all of our business operations are conducted in the PRC and we expect most of our sales will be made in the PRC. Accordingly, we expect our business, financial condition, results of operations and prospects to be affected significantly by economic, political and legal developments in the PRC. The Chinese economy differs from the economies of most developed countries in many respects, including the fact that it:

- has a high level of government involvement;
- is in the early stages of development of a market-oriented economy;
- has tight government foreign exchange controls; and
- has demonstrated inefficient allocation of resources.

While the Chinese economy has grown significantly in the past 20 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC government has implemented measures, including recent interest rate increases, to control the pace of economic growth.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in the PRC are still owned by the PRC government. The continued control of these

assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Efforts by the PRC government to slow the pace of growth of the Chinese economy could result in decreased capital expenditure by solar energy users and semiconductor manufacturers, which in turn could reduce demand for our polysilicon and wafers.

Any adverse change in the economic conditions or government policies in the PRC could have a material adverse effect on the overall economic growth and the level of renewable energy investments and expenditures in the PRC, which in turn could lead to a reduction in demand for our polysilicon and wafers and consequently have a material adverse effect on our business.

Uncertainties with respect to the Chinese legal system could have a material adverse effect on us and could limit the legal protection available to potential investors.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations governing economic matters in general such as foreign investment, corporate organization and governance, commerce, taxation and trade. Although legislation over the past 25 years has significantly enhanced the protections afforded to various forms of foreign investment in the PRC in general and laws and regulations applicable to wholly foreign-owned enterprises in particular, these laws, regulations and legal requirements are relatively new and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve greater uncertainties than those in jurisdictions under common law systems. These uncertainties could limit the legal protections available to you. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of any violation by us of these policies or rules until some time after such violation. In addition, litigation in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction.

An economic slowdown in the PRC may adversely affect our financial condition and results of operations, as well as our future prospects.

We conduct most of our business and generate most of our revenue in the PRC. As a result, economic conditions in the PRC have a significant effect on our financial condition and results of operations, as well as our future prospects. Since 1978, China has been one of the world's fastest growing economies in terms of GDP growth. We cannot assure you, however, that such growth will be sustained in the future. Moreover, the recent slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in the PRC. An economic downturn in the PRC could adversely affect our financial condition and results of operations, as well as our future prospects.

We will rely on dividends paid by our subsidiaries for our cash needs.

We will rely on dividends paid by our Chinese subsidiaries, for our cash needs, including the funds necessary to service any debt we may incur outside of the PRC and to pay our offshore operating expenses. The payment of dividends by entities organized in the PRC is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Our Chinese subsidiaries are also required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. Our Chinese subsidiaries are also required to allocate a portion of its after-tax profit, as determined by its board of directors, to its staff welfare and bonus funds, which may not be distributed to equity owners.

Pursuant to the EIT Law and its Implementing Regulation, which became effective on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign investors are subject to a 10% withholding tax if the foreign investors are considered as non-resident enterprises without any establishment or place within the PRC or if the dividends payable have no connection with the establishment or place of the foreign investors within the PRC, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding tax treatment.

Most of our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility, and we may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly U.S. dollars.

A substantial majority of our revenues, capital expenditures and operating expenses are denominated in Renminbi. Our purchase of raw materials and/or equipment from outside of China are generally denominated in currencies other than Renminbi and as a result we are exposed to foreign exchange risk with regard to these purchases. We may purchase more raw materials and manufacturing equipment from outside of China and incur additional foreign-currency denominated obligations. Any future exchange rate volatility relating to the Renminbi may give rise to uncertainties in the value of our net assets, earnings and dividends.

Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates were allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being, effectively linked to the U.S. dollar. This change in policy has resulted in an appreciation of the Renminbi against the U.S. dollar since then. On May 18, 2007, and effective on May 21, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. In August 2008, China announced a further change in its existing rate regime based on market supply and demand. On June 20, 2010, the PBOC announced that it intends to further reform the RMB exchange rate regime by allowing greater flexibility in the RMB exchange rate. The central parity rate of the Renminbi rose to RMB6.4948 to $1.00 on May 11, 2011, bringing the currency's total appreciation to approximately 27.4% since reform of the exchange rate system began in July 2005. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenue, earnings and financial position, and the value of any dividends payable to us by our PRC subsidiaries.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on United States or other foreign laws against us, our management or the experts named in this document.

We conduct substantially all of our operations in the PRC and substantially all of our assets are located in the PRC. In addition, some of our directors and executive officers reside within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon some of our directors and senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable U.S. state securities laws. Moreover, our PRC legal counsel, Grandall Legal Group, has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts.

Our PRC legal counsel, Grandall Legal Group, has also advised us that PRC courts may not (a) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated on the civil liability provisions of the securities laws of the United States or (b) entertain original actions brought against us or our directors or officers predicated upon the securities laws of the United States as there is no treaty between the United States and the PRC and the PRC courts will only recognize and enforce foreign judgments in accordance with PRC Civil Procedure Law and related regulation and judicial interpretation.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes.

Under the EIT Law and the implementation rules, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered as "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise.

We hold our shareholders' meetings and board meetings outside China and keep our shareholders' list and books of accounts outside China. A number of our directors are also based outside China. However, most of our senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in the PRC for PRC tax purposes, we intend to take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would be obligated to withhold PRC income tax of 10% or less under applicable double taxation treatment on payments of interest and certain other amounts to investors that are non-resident enterprises located in Hong Kong. In addition, if we fail to do so, we may be subject to penalties ranging from 50% to 300% of the unpaid tax amount.

The levy of the urban maintenance and construction tax and educational surcharges will increase our total tax liability in the PRC and may adversely impact our result of operations.

PRC tax laws applicable to foreign invested enterprises formerly exempted foreign invested enterprises from urban maintenance and construction tax and educational surcharges. According to the Notice of the State Council on unifying the Urban Maintenance and Construction Tax and Educational Surcharges System between domestic and foreign invested enterprises and individuals issued by the State Council on October 18, 2010 (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), the Interim Regulation of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council in 1985 and the Interim Regulation on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) promulgated by the State Council in 1986 shall apply to foreign invested enterprises, foreign enterprises and individuals of foreign nationalities from December 1, 2010.

Pursuant to the Interim Regulation of the PRC on Urban Maintenance and Construction Tax that became effective in 1985, all enterprises and individuals paying product tax, value added tax and/or business tax shall be the urban maintenance and construction taxpayers. The taxpayers shall pay the urban maintenance and construction tax based on the payable turnover taxes (i.e., value added tax, business tax and/or consumption tax) at the rate of 7%, 5% or 1% depending on the taxpayers' location.

Pursuant to the Interim Regulation on the Collection of Educational Surcharges that became effective on July 1, 1986 and as amended on October 1, 2005, except for those enterprises paying rural educational surcharges, all enterprises and individuals paying product tax, value added tax and/or business tax shall be the educational surcharges payers. The educational surcharges shall be computed and collected on the basis of the turnover taxes (i.e., value-added tax, the business tax and the consumption tax) that are actually paid by enterprises and individuals at the rate of 3%.

Moreover, an additional local educational surcharge at 2% of turnover taxes may also be imposed after 2010 under the Education Law (《教育法》). According to the Education Law, the local government in provinces, autonomous regions and municipalities shall determine whether or not to impose the local educational surcharge that should only be used for the purposes of local education, and in practice, some provinces have imposed local educational surcharge and the surcharge rate is not consistent throughout China. For example, Fujian Province has imposed a 1% local educational surcharge since 2002 and Jiangsu Province has imposed a 3% local educational surcharge since 2003. On 11 November 2010, the Ministry of Finance issued the Notice on Unifying the Local Education Surcharge (《統一地方教育附加政策有關問題的通知》) to unify the local educational surcharge rate at 2%, and urged the provinces that have not imposed local educational surcharge to do so.

Pursuant to the Notice of the State Council on unifying the Urban Maintenance and Construction Tax and Educational Surcharges System between domestic and foreign invested enterprises and individuals, the Company's PRC subsidiaries shall pay the urban maintenance and construction tax and educational surcharges after December 1, 2010, which will result in an increase in our tax expenses and may affect our profitability and results of operations.

Any recurrence of severe acute respiratory syndrome, or SARS, pandemic avian influenza or another widespread public health problem could adversely affect our business and results of operations.

From November 2002 to June 2003, China and certain other countries and regions experienced an outbreak of a new and highly contagious form of atypical pneumonia known as SARS. On July 5, 2003, the World Health Organization declared that the SARS outbreak had been contained. However, a number of isolated cases of SARS were reported in the PRC in April 2004. A renewed outbreak of SARS, an outbreak of pandemic avian influenza or another widespread public health problem in the PRC, particularly in Jiangsu Province or any other location where our operations and headquarters are or may in the future be located, could have a negative effect on our operations. Our operations may be affected by a number of health-related factors, including quarantines or closures of some of our offices and manufacturing facilities, travel restrictions, the sickness or death of our key officers and employees and import and export restrictions, each of which could severely disrupt our operations.

Additionally, the World Health Organization or the PRC government may recommend or impose other measures that could cause significant interruption to our business operations. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business, financial condition and results of operations.

Acts of God, war or terrorism could affect our business directly or indirectly.

Acts of God such as natural disasters including inclement weather or earthquakes could directly affect our clients, our modes of transportation or our facilities. War, terrorist attacks and other hostilities may also cause damage or disrupt our operations. Additionally, acts of God, war or terrorism in any part of the world, potential, threatened or otherwise could adversely affect our operations and profitability by causing a general economic downturn in the PRC or elsewhere.

EXCHANGE RATE INFORMATION

The HK dollar is freely convertible into other currencies (including the US dollar). Since October 17, 1983, the HK dollar has been linked to the US dollar at the rate of US$1.00 to HK$7.80. The central element in the arrangements which give effect to the link is that by agreement between the Hong Kong government and three of the Hong Kong banknote issuing banks, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China, certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for the banknotes issued, are issued and redeemed only against payment in US dollars, at the fixed exchange rate of US$1.00 to HK$7.80. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent US dollars at the fixed rate of exchange.

The market exchange rate of the HK dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated significantly from the level of US$1.00 to HK$7.80. Exchange rates between the HK dollar and other currencies are influenced by the linked rate between the US dollar and the HK dollar. The following table sets forth, for each of the years indicated, the low, average, high and period-end noon buying rates in New York City for cable transfers, in Hong Kong dollars per US dollar, derived from Bloomberg:

Period	Noon Buying Rate			
	Period end	Average[1]	High	Low
	(HK$ per US$1.00)			
2006	7.7771	7.7685	7.7928	7.7506
2007	7.7984	7.8008	7.8289	7.7497
2008	7.7499	7.7814	7.8159	7.7497
2009	7.7536	7.7513	7.7618	7.7399
2010	7.7810	7.7692	7.8040	7.7501
2011 (through May 6, 2011)	7.7697	7.7824	7.8012	7.7652

The translation of Hong Kong dollars into U.S. dollars have been made at the rates of HK$7.8 to US$1.00 in the financial date.

(1) Determined by averaging the rates on the last business day of each month during the relevant period, except for the average rate of the relevant periods in 2011, which is determined by averaging the daily rates during the respective periods.

On May 6, 2011, the noon buying rate for U.S. dollars in New York City for cable transfer in HK dollars was US$1.00 = HK$7.7691 as certified for customs purposes by the Federal Reserve Bank of New York.

For a discussion of exchange controls applicable to the conversion of the Renminbi into foreign currencies, see "PRC Laws and Regulations — Foreign Currency Exchange."

CAPITALIZATION

The following table sets forth our consolidated current borrowings and total capitalization as of December 31, 2010 prepared in accordance with IFRS on an adjusted basis.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources," and our consolidated financial statements and the related notes thereto included elsewhere in this document. Except as otherwise disclosed herein, there have been no material changes to the capitalization of our Company since December 31, 2010.

	As at December 31, 2010			
	Actual		As adjusted	
	(in HK$ million)	(in US$ million)	(in HK$ million)	(in US$ million)
Current borrowings:				
Current bank borrowings	6,410.8	821.9	6,410.8	821.9
Obligations under finance leases	111.3	14.3	111.3	14.3
	6,522.1	836.2	6,522.1	836.2
Non-current borrowings:				
Non-current bank borrowings	7,379.4	946.1	7,379.4	946.1
Obligations under finance leases	441.5	56.6	441.5	56.6
Notes to be issued	—	—		
	7,820.9	1,002.7		
Equity:				
Equity attributable to owners of the Company[(1)]	16,152.2	2,070.8	16,152.2	2,070.8
Non-controlling interests	1,227.1	157.3	1,227.1	157.3
Total equity	17,379.3	2,228.1	17,379.3	2,228.1
Total capitalization[(2)]	25,200.2	3,230.8		

(1) As at May 12, 2011, an aggregate of 24,141,000 options were vested and outstanding.

(2) Total capitalization includes total equity and non-current borrowings.

During the period beginning January 1, 2011 and ending April 30, 2011, our net bank borrowings increased by HK$3.8 billion (US$491.4 million) which were used to finance our intended expansion of polysilicon and wafer production facilities.

During the period beginning May 1, 2011 and ending June 2, 2011, we anticipate that we will incur net additional HK$1.1 billion (US$133.4 million) in bank borrowings to be used for capital expenditures.

Except as disclosed above, there has been no material change to our capitalization since December 31, 2010.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The tables below present our summary financial and other data. The summary financial data as of and for each of the years ended December 31, 2009 and 2010 is derived from our audited consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this document. Our audited consolidated financial statements as of and for the year ended December 31, 2010 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. Our consolidated financial statements as of and for the year ended December 31, 2009 have been audited by Deloitte Touche Tohmatsu, using RMB as the presentation currency. In the process of preparing the consolidated financial statements as of and for the year ended December 31, 2010, we considered it more appropriate to use HK Dollar as the presentation currency for our consolidated financial statements as we are listed on the SEHK. Accordingly, the financial information as of and for the year ended December 31, 2009, shown as the comparative figures of the 2010 consolidated financial statements, have been restated, and such restated figures have not been audited by Deloitte Touche Tohmatsu. The financial statements have been prepared and presented in accordance with IFRS, which differ in certain material respects from U.S. GAAP. The summary financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto included elsewhere in this document.

On July 31, 2009, we completed the Acquisition. For accounting purposes, the Solar Group was the accounting acquirer and we (the accounting acquiree) were deemed to have been acquired by the Solar Group. As a result of the foregoing, the results of our power business were included in our financial results for only five months in the year ended December 31, 2009. The year ended December 31, 2010 was the first full year in which both our power and solar businesses were consolidated. Consequently, the period-to-period comparisons of our financial results may not be meaningful and you should not use such comparisons to predict our future performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting Our Results of Operations and Financial Condition — Reverse Acquisition of the Solar Business."

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Consolidated Statement of Comprehensive Income:			
Revenue	4,943.6	18,471.9	2,368.2
Cost of sales	(3,453.0)	(11,661.2)	(1,495.0)
Gross profit	1,490.6	6,810.7	873.2
Other income	219.3	575.2	73.7
Distribution and selling expenses	(7.5)	(46.3)	(5.9)
Administrative expenses	(408.3)	(996.3)	(127.7)
Finance costs	(348.8)	(606.4)	(77.8)
Other expenses	(159.3)	(187.5)	(24.0)
Share of results of associates	9.8	10.7	1.3
Share-based payment expenses	(852.7)	(12.7)	(1.6)
Profit (loss) before taxation	(56.9)	5,547.4	711.2
Income tax expenses	(93.2)	(1,159.3)	(148.6)
Profit (loss) for the year	(150.1)	4,388.1	562.6
Other comprehensive income (expense)			
Exchange differences arising from translation to presentation currency	(13.3)	536.2	68.7
Total comprehensive income (expenses) for the year	(163.4)	4,924.3	631.3
Profit (loss) for the year attributable to:			
Owners of the Company	(199.7)	4,023.6	515.8
Non-controlling interests	49.6	364.5	46.8
	(150.1)	4,388.1	562.6
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company	(211.0)	4,522.8	579.8
Non-controlling interests	47.6	401.5	51.5
	(163.4)	4,924.3	631.3

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Consolidated Statement of Financial Position:			
Non-Current Assets			
Property, plant and equipment	15,573.7	23,662.4	3,033.6
Prepaid lease payments	741.0	980.2	125.7
Goodwill	545.5	1,036.3	132.9
Other intangible assets	40.8	110.2	14.1
Interests in a jointly controlled entity	—	120.6	15.5
Interests in associates	231.7	224.0	28.7
Available-for-sale investment	6.8	—	—
Deferred tax assets	9.1	39.8	5.1
Deposits for acquisitions of property, plant and equipment and prepaid lease payments	278.1	1,444.6	185.2
Pledged and restricted bank deposits	225.7	90.2	11.6
	17,652.4	27,708.3	3,552.4
Current Assets			
Inventories	727.2	1,646.7	211.1
Trade and other receivables	1,569.5	2,370.2	303.9
Amounts due from related companies	14.9	36.2	4.6
Loans to related companies	79.1	90.2	11.6
Prepaid lease payments	18.9	22.8	2.9
Tax recoverable	1.8	11.5	1.5
Pledged and restricted bank deposits	803.7	1,960.8	251.4
Bank balances and cash	5,311.3	6,505.1	834.0
	8,526.4	12,643.5	1,621.0
Current Liabilities			
Trade and other payables	2,395.6	4,192.7	537.5
Amounts due to related companies	139.4	88.2	11.3
Loan from a related company	56.8	—	—
Advances from customers	436.8	988.8	126.8
Deferred income	25.8	41.4	5.3
Tax payables	27.3	567.7	72.8
Bank borrowings — due within one year	5,032.7	6,410.8	821.9
Obligations under finance leases	—	111.3	14.3
	8,114.4	12,400.9	1,589.9
Net Current Assets	412.0	242.6	31.1
Total Assets less Current Liabilities	18,064.4	27,950.9	3,583.5
Non-Current Liabilities			
Advances from customers	1,906.6	1,978.0	253.6
Deferred income	168.9	320.3	41.1
Bank borrowings — due after one year	3,539.7	7,379.4	946.1
Obligations under finance leases	—	441.5	56.6
Deferred tax liabilities	231.0	452.4	58.0
	5,846.2	10,571.6	1,355.4
Net Assets	12,218.2	17,379.3	2,228.1
Capital and Reserves			
Share capital	1,547.1	1,547.4	198.4
Reserves	10,068.1	14,604.8	1,872.4
Equity attributable to owners of the Company	11,615.2	16,152.2	2,070.8
Non-controlling interests	603.0	1,227.1	157.3
Total Equity	12,218.2	17,379.3	2,228.1

	For the year ended December 31,		
	2009	2010	
	(in HK$ million)	(in HK$ million) (audited)	(in US$ million)
Consolidated Statement of Cash Flows:			
Net Cash from Operating Activities	351.9	7,834.1	1,004.4
Net Cash used in Investing Activities	(1,557.6)	(10,777.6)	(1,381.7)
Net Cash from Financing Activities	4,537.0	3,933.6	504.3
Net Increase in Cash and Cash Equivalents	3,331.3	990.1	127.0
Cash and cash equivalents at beginning of year	1,979.6	5,311.3	680.9
Effect of foreign exchange rate change	0.4	203.7	26.1
Cash and Cash Equivalents at end of the year, represented by bank balances and cash	5,311.3	6,505.1	834.0

	For the year ended December 31,		
	2009	2010	
	(in HK$ million)	(in HK$ million)	(in US$ million)
Other Financial Data:			
EBITDA[(1)]	695.9	7,504.6	962.1
EBITDA Margin[(2)]	14.1%	40.6%	40.6%
EBITDA/Finance costs	2.0	12.4	12.4
Total debt/EBITDA	12.3x	1.9x	1.9x
Adjusted EBITDA[(3)]	1,548.6	7,517.2	963.7
Adjusted EBITDA Margin[(4)]	31.3%	40.7%	40.7%

(1) Represents profit for the year before interest income, interest expense, income tax expense, depreciation of property, plant and equipment and amortization of prepaid lease payments and of other intangible assets. EBITDA and the related ratios in this document are supplemental measures of our performance and liquidity and are not required by, or represented in accordance with, IFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Other companies may calculate EBITDA differently than US, limiting its usefulness as a comparative measure.

(2) Represents EBITDA as a percentage of revenue.

(3) Represents profit for the year before interest income, interest expense, income tax expense, depreciation of property, plant and equipment, amortization of prepaid lease payments and of other intangible assets and share-based payments. Adjusted EBITDA and the related ratios in this document are supplemental measures of our performance and liquidity and are not required by, or represented in accordance with, IFRS. Furthermore, adjusted EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Other companies may calculate adjusted EBITDA differently than us, limiting its usefulness as a comparative measure.

(4) Represents adjusted EBITDA as a percentage of revenue.

(5) The following reconciles adjusted EBITDA and EBITDA to the profit (loss) for the years ended December 31, 2009 and 2010:

	For year ended December 31,		
	2009	**2010**	**2010**
	(in HK$ millions)	**(in HK$ millions)**	**(in US$ millions)**
Adjusted EBITDA	1,548.6	7,517.2	963.7
Share-based payment	(852.7)	(12.6)	(1.6)
EBITDA	695.9	7,504.6	962.1
Finance cost	(348.9)	(606.4)	(77.7)
Income tax expense	(93.3)	(1,159.3)	(148.6)
Depreciation of property, plant and equipment	(394.0)	(1,264.8)	(162.2)
Amortization of prepaid lease payment	(9.7)	(19.9)	(2.5)
Amortization of other intangible assets	(0.1)	(66.1)	(8.5)
Profit (loss) for the year	(150.1)	4,388.1	562.6

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial Data" and our audited consolidated financial statements as of and for the year ended December 31, 2010 together with the accompanying notes included elsewhere in this document.

Our consolidated financial statements were prepared in accordance with IFRS. This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we have made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results of operations and the timing of selected events could differ materially from those anticipated in the forward- looking statements as a result of factors including those set forth under "Risk Factors" and elsewhere in this document.

Overview

We are a global leader in the solar industry. We supply polysilicon and wafers to companies operating in the solar industry. Polysilicon is the primary raw material for wafers used in the solar and semiconductor industries. Wafers are then processed by downstream manufacturers to produce solar cells and modules. We manufacture polysilicon at our production facility in Xuzhou and wafers at our production facilities in Xuzhou, Changzhou, Wuxi and Suzhou. All of our polysilicon and wafer production facilities are located in the Jiangsu Province of the PRC, where most of the Chinese cell and module manufacturers are located. As part of our co-location strategy, we have constructed wafer facilities near the downstream production facilities of Trina Solar, Canadian Solar and Suntech and have plans to construct additional wafer facilities near the downstream production facilities of our customers, such as JA Solar and Goldpoly. This allows us to further reduce costs and strengthen our customer relationships. As of December 31, 2010, our polysilicon production facility and wafer production facilities had an annual capacity of 21,000 MT and 3.5 GW, respectively, which we believe makes us one of the world's largest polysilicon producers and the world's largest wafer producer in terms of production capacity. We produced 17,853 MT of polysilicon and 1.4 GW of wafers in the year ended December 31, 2010, and we produced 7,454 MT of polysilicon in the year ended December 31, 2009. During the year ended December 31, 2010, we sold 10,507 MT of polysilicon and 1,451 MW of wafers, generating revenues for our solar business of HK$14,043.3 million (US$1,800.4 million). For the year ended December 31, 2009, we sold 5,675 MT of polysilicon and 46.4 MW of wafers, generating revenues for our solar business of HK$3,177.3 million.

We intend to sell most of our future products in the form of wafers. Historically we sold a combination of polysilicon and wafers. As of March 31, 2011, we had entered into long-term supply contracts with leading cell and module manufacturers, such as JA Solar, Trina Solar, Goldpoly, Canadian Solar, Hareon, China Sunergy, Solarfun, Indosolar and Neosolar, that provide for aggregate sales of over 55 GW of wafers between 2011 and 2016. We have contracted to sell substantially all of our planned annual production in the coming years, under our current portfolio of supply contracts. As of December 31, 2010, we had received HK$3.0 billion (US$380.4 million) of non-refundable deposits from our customers under our supply contracts. See "— Customers and Markets."

For each of the years ended December 31, 2009 and 2010, our total revenue was HK$4,943.6 million and HK$18,471.9 million (US$2,368.2 million), respectively. For the years ended December 31, 2009 and 2010, profit/(loss) for the year was HK$(150.1) million and HK$4,388.1 million (US$562.6 million), respectively.

Key Factors Affecting Our Results of Operations and Financial Condition

Polysilicon and Wafer Production Capacity and Volume

We began to produce polysilicon in October 2007 with an initial annual production capacity of 1,500 MT. In January 2010, we began to produce wafers in-house with an initial annual production capacity of 300 MW. As of December 31, 2010, we had successfully increased our annual polysilicon and wafer production capacity to 21,000 MT and 3.5 GW, respectively, through construction of new production facilities and the acquisition of Konca Solar which had 300 MW of wafer production capacity at the date of acquisition. This rapid expansion has allowed us to benefit from economies of scale quickly.

During the year ended December 31, 2009, we increased our annual polysilicon production capacity from 3,000 MT to 18,000 MT. Most of this increase occurred in the second half of 2009 when we increased our annual production capacity by 10,000 MT. As a result, we produced 7,454 MT of polysilicon in the year ended December 31, 2009. During the year ended December 31, 2010, we increased our annual polysilicon production capacity from 18,000 MT to 21,000 MT. This increase took place in the last quarter of 2010. As a result, we produced 17,853 MT of polysilicon in the year ended December 31, 2010.

We had no in-house wafer production capacity in the year ended December 31, 2009. The 46.4 MW of wafers we sold in the year ended December 31, 2009 was produced through wafer production tolling arrangements with third parties. We rapidly increased our in-house wafer production capacity in the year ended December 31, 2010. As at the end of the first, second, third and four quarters of the year ended December 31, 2010, our wafer production capacity was 0.8 GW, 1.2 GW, 2.3 GW and 3.5 GW, respectively. As a result, we produced 1.4 GW of wafers in the year ended December 31, 2010.

We believe anticipated further expansions in our aggregate production capacity will have a significant effect on our results of operations, both in allowing us to produce and sell more polysilicon and wafers and to achieve higher revenue and in lowering our marginal manufacturing costs as a result of greater economies of scale.

Industry Demand

Our business and revenue growth depends significantly on the growth of the solar industry and associated demand for polysilicon and wafers. According to Solarbuzz, the global PV market, as measured by annual PV system installation at end-user locations, increased from 1.8 GW in 2006 to 18.2 GW in 2010, representing a compound annual growth rate of 80% during the period, and is expected to further increase to 41.9 GW in 2015 under its "Mostly Likely Outcome Demand" scenario, translating into a compound annual growth rate of 18.1% from 2010 to 2015. We have also seen a significant increase in demand for polysilicon and wafers in China, which are mainly used in the manufacture of semiconductors, solar modules and solar cells. See "Industry." Heightened concerns relating to the safety of nuclear power as a result of the earthquakes in Japan in March 2011 may increase the demand for clean and safe alternative energy, such as solar power, which may be expected to stimulate the demand for polysilicon and wafers in the next several years.

Long-term Supply Contracts with Customers

Since we began sales of polysilicon and wafers under supply contracts in April 2008, we generally require customers to make advance payments or to provide other financial guarantees before we ship our polysilicon or wafers. As of December 31, 2010, we have entered into three-to-six-year long-term supply contracts with over 20 world leading cell and module manufacturers that provide for aggregate sales of approximately 50 GW of wafers. We have aimed to maintain five-year supply contracts on a rolling basis to solidify a long term relationship with our customers, service demand for our products and protect us from severe market fluctuations.

Cost of Production

Polysilicon

TCS is one of the main and most costly production inputs for polysilicon production. Historically, we relied on third party suppliers for substantially all of our TCS requirements. Accordingly, cost of TCS used to be the most significant component of our cost of polysilicon production, which represented approximately 29% and 27% of our cost of polysilicon production for the years ended December 31, 2009 and 2010, respectively. In order to reduce our production cost of polysilicon and our reliance on third party supplies of TCS, we successfully integrated the hydrochlorination process into our polysilicon production process in February 2008 and further ramped up our hydrochlorination capacity from 300,000 MT to 500,000 MT in July 2010. As a result, we reduced our TCS costs significantly through the two years ended December 31, 2010.

Cost of electricity and steam are also significant in the polysilicon production, which in aggregate accounted for 39% and 40% of our cost of polysilicon production in the years ended December 31, 2009 and 2010, respectively. We currently source electricity from a local power grid and steam from a related party. See "Related Party Transactions - Steam Supply" for further details.

Wafer

Polysilicon is the principal raw material for wafer production. By taking advantage of our vertically integrated production capacities, we substantially rely on our own polysilicon supply for wafer production. In the years ended December 31, 2009 and 2010, the majority of the wafers we sold were manufactured using the polysilicon we produced. Our wafer production costs depend on the polysilicon cost and the yield rate in our ingot production and wafering process. In addition, our expansion into in-house wafer production has significantly reduced our wafer processing costs. In the year ended December 31, 2009, we produced 46.4 MW of wafers by way of third party tolling arrangements. Starting in the second quarter of 2010, we produced all our wafers entirely in-house. This has significantly reduced our wafer processing costs.

Pricing of Our Products

In recent years the price for polysilicon has fluctuated widely. According to Solarbuzz, the average long-term contract price of polysilicon increased US$60–75 per kilogram in fourth quarter 2008. The spot market price of polysilicon reached US$450 per kilogram in mid 2008. However, a sharp increase of global supply of polysilicon, which outpaced the growth of demand for polysilicon in 2009, as well as the breakout of global economic crisis caused a plunge in market price of polysilicon since the second half of 2008. According to Solarbuzz, spot market price dropped to US$45–60 per kilogram in the fourth quarter of 2009. Currently, we have seen average long-term contract price of polysilicon settle to US$52–57 per kilogram in the fourth quarter of 2010 according to Solarbuzz. See "Risk Factors — Risks Relating to Our Solar Business and the Solar Industry — Prices for polysilicon and wafers are

expected to decline in the future, which is reflected in the pricing of our supply contracts, and could adversely affect our gross margin." As polysilicon production capacity expands and market supply increases, the price of polysilicon could decline in the medium- to long-term.

Wafer prices are largely linked to the prices of polysilicon. Since 2009, wafer prices fell along with the decrease in polysilicon prices. According to Solarbuzz, wafer prices declined from US$1.6–1.8 per watt in early 2009 to US$0.84 in the first quarter of 2010. Since then, wafer prices have increased to US$0.91 per watt in the fourth quarter of 2010. According to Solarbuzz, PV module prices on a per-watt basis are expected to decline in the next few years, which will also put pressure on wafer prices. In order to reduce the effects of spot price volatility, we have contracted to sell our estimated production pursuant to long-term supply contracts. We may from time to time sell polysilicon or wafers that have not been committed on the spot market.

As a result of the foregoing, the average selling price of our polysilicon decreased from US$318 per kilogram in the first quarter of 2008 to US$55 per kilogram in the fourth quarter of 2009 and it subsequently resumed to US$60 per kilogram in the fourth quarter of 2010. The average selling price of our wafers decreased from US$2.35 per watt in the second quarter of 2008 to US$0.76 per watt in the fourth quarter of 2009 and it later increased to US$0.82 per watt in the fourth quarter of 2010.

Government Policies and Regulatory Environment in China

The PRC polysilicon industry is heavily regulated. We must comply with various requirements mandated by applicable laws and regulations, including the policies and guidelines established by local authorities designed for the implementation of such laws and regulations. The PRC government has recently imposed additional measures to regulate the energy-sensitive and often highly polluting polysilicon industry, including strict regulation regarding the expansion of polysilicon production capacities, with a goal of accelerating consolidation in the polysilicon industry. See "Regulation — Environmental Regulations." We expect that more stringent laws may be promulgated to regulate the polysilicon and solar industry. See "Risk Factors — Risks Relating to Doing Business in China."

In addition, availability and size of government subsidies and economic incentives used to, and we believe will continue to, play an important role in stimulating the near-term demand growth for polysilicon and wafers. Today, the cost of solar power exceeds the cost of electrical power generated from conventional fossil fuels such as coal and natural gas. As a result, governments in many countries, including Australia, Germany, Spain, Korea, the United States, Japan and China, have offered or announced plans to offer substantial incentives in the form of direct subsidies for solar power system installations or rebates for electricity produced using solar systems. The demand for our polysilicon and wafers which mostly comes from downstream sectors of solar industry, in our current, targeted or potential markets may be significantly affected by these government subsidies and economic incentives.

Global and PRC Economic Environment

In the two years ended December 31, 2010, substantially all of our revenues were due to shipments to customers within China. As such, our business and results of operations significantly rely on the economic environment and development in China. While China's economy has grown significantly in the past 20 years, its growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit China's overall economy, but may have a negative effect on us. For example, our financial condition and results of operations may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. We cannot assure you that China's economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our business. Due to the impact of the recent global

financial crisis, the growth rate of China's gross domestic product has slowed down in recent years, from 11.4% in 2007 to 9.6% in 2008 and 8.7% in 2009. Beginning in September 2008, among other measures, the PRC government began to loosen macroeconomic measures and monetary policies by reducing interest rates and decreasing the statutory reserve rates for banks. In November 2008 the PRC government even announced an economic stimulus package in the amount of US$586 billion. Although China's economy has substantially recovered from the global financial crisis with the growth rate of its gross domestic product resuming to 10.1% in 2010, excessive liquidity resulting from monetary policies and economic stimulus package adopted by the PRC government and western governments has resulted in the Chinese government taking various measures to control the overheating of China's economy since the third quarter of 2010.

As globalization intensifies, our business and results of operations may also be influenced by fluctuations of the global economy. Since the global financial crisis in 2008, the global economy has been gradually recovering from a severe recession. However, the quantitative easing measures adopted by many developed economies have resulted in liquidity surplus which indirectly causes serious inflation in many emerging markets and weakens the buying power of local currencies. In addition, the global economy remains vulnerable to many factors that may hinder the recovery process, such as the tsunami catastrophe and nuclear disaster in Japan, civil war of Libya and other factors beyond our control. We cannot predict the adverse effect that would be caused if any of these cases happens in the future.

Reverse Acquisition of the Solar Business

On July 31, 2009, we completed the acquisition of 100% of the equity interest in Jiangsu Zhongneng through the acquisitions of 100% of the issued share capital and entire preference shares of GCL Solar and 100% of the issued share capital of Sun Wave and Greatest Joy. Under IFRS 3, Business Combinations, as the Acquisition resulted in the selling shareholders of the Solar Group becoming, as a group, the controlling shareholders of our Company, the Acquisition was accounted for as a reverse acquisition. For accounting purpose, the Solar Group was the accounting acquirer and the Company (the accounting acquiree) were deemed to have been acquired by the Solar Group.

As a result of the foregoing, the results of our power business were consolidated in our financial results for only five months in the year ended December 31, 2009. The year ended December 31, 2010 was the first full year in which both our power and solar businesses were consolidated.

In connection with the Acquisition, we recognized HK$846.5 million in share-based payment expenses associated with the share option plan and restricted share compensation plans granted by GCL Solar in the year ended December 31, 2009. The management of GCL Solar elected to accelerate the exercisability of the share options resulting in the recognition of HK$525.4 million in share-based payment expenses for the year ended December 31, 2009. The restricted shares of GCL Solar were converted into the restricted shares of our Company resulting in HK$321.1 million in share based payment expenses for the year ended December 31, 2009.

Critical Accounting Policies

Business combinations

Business combinations that took place on or after January 1, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment at the acquisition date*; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Business combinations that took place prior to January 1, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognized at their fair value at the acquisition date.

Goodwill arising on acquisition was recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognized amounts of the identifiable assets, liabilities and contingent liabilities recognized. If, after assessment, the Group's interest in the recognized amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognized immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognized amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently and whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of electricity is recognized when electricity has been delivered on grid and is measured based on the tariff rates determined by the relevant local government authority.

Revenue from the sales of steam is recognized when steam has been delivered and is measured at prices specified under the terms of the relevant contracts.

Sales of goods and scrap materials are recognized when the goods are delivered and title has passed. Sales agreements typically do not contain product warranties except for return and replacement of defective products within 30 days from delivery. Sales agreements do not contain any post-shipment obligations or any other return or credit provisions.

Consultancy fee, management fee and waste processing management fee income are recognized when the services are provided.

Connection fee income in relation to transmission of steam is recognized on a straight-line basis over the period of expected lives of steam transmission services with reference to the terms of the operating license of the relevant entities.

Dividend income from investments is recognized when the shareholders' rights to receive payments have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC and the remaining terms of the operating license of the PRC entities, whichever is the shorter. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognized as expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognized as income by the Group. Instead, it is deferred and amortized over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

Translation of functional currency to presentation currency

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development expenditure

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, loans to related companies, pledged and restricted bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the categories of financial assets set out above.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit and loss ("FVTPL") and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis other than financial liability classified as FVTPL, of which the interest expense is included in change in fair value of financial liabilities classified as FVTPL.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise convertible loan notes, convertible redeemable preferred shares and derivative instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, loan from a related company, amounts due to related companies, obligations under finance leases and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Convertible loan notes

The convertible loan notes consist of liability component, conversion option and other embedded derivatives (including early redemption option and strike price adjustment derivatives which are not closely related to the host liability contract. Conversion options that will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments are not equity instruments and are considered as embedded derivatives not closely related to the host contract (the liability component).

The Group has elected to designate its convertible loan notes with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible loan notes contain one or more embedded derivatives. Subsequent to initial recognition, the convertible loan notes are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The change in fair value recognized in profit or loss includes any interest paid for the convertible loan notes.

Transaction costs that are directly attributable to the issue of the convertible loan notes designated as financial liabilities at FVTPL are recognized immediately in profit or loss.

Convertible redeemable preferred shares

Convertible redeemable preferred shares that are redeemable and convertible to ordinary shares of the issuer at the option of the holder are accounted for in the same manner as convertible loan notes. The conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments are considered as embedded derivatives not closely related to the host contract.

The Group has elected to designate its convertible redeemable preferred shares with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible redeemable preferred shares contain one or more embedded derivatives. Subsequent to initial recognition, the entire convertible loan notes are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Derivative instruments

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Transaction costs of equity transaction

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue*.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to accumulated profits.

The settlement of the share options is accounted for as an acceleration of vesting. The amount that would otherwise have been recognized for service received over the remainder of the vesting period is therefore recognized immediately.

Restricted Shares

Share-based compensation expense related to restricted shares issued pursuant to the issuer's restricted share compensation plan is generally determined based on the closing price of the shares issued on the business day immediately prior to the date of grant. Subsequent to the date of grant, compensation expense is amortized to profit or loss over the corresponding vesting period, if any.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Description of Certain Income Statement Line Items

Revenue

Revenue represents the total income generated primarily from operation of our two main business segments: solar and power. Revenue from our solar business is primarily derived from our manufacture and sales of polysilicon and wafers to solar cell and modules manufacturers. Revenue from our power business is mainly in connection with our development, construction, management and operation of power plants, which include coal fuelled cogeneration plants, gas fuelled cogeneration plants, biomass fuelled cogeneration plants, incineration plants, a wind power plant and a solar farm. The following table sets forth the breakdown of our revenue by each business segment for the periods indicated:

	For the year ended December 31,				
	2009		2010		
	(in HK$ million) (Restated)	%	(in HK$ million) (audited)	(in US$ million)	%
Revenue					
Solar business	3,177.3	64.3	14,043.3	1,800.4	76.0
Power business	1,766.3	35.7	4,428.6	567.8	24.0
Total	4,943.6	100.0	18,471.9	2,368.2	100.0

The following tables sets forth the breakdown of our revenue by our major products for the periods indicated:

	For the year ended December 31,				
	2009		2010		
	(in HK$ million) (Restated)	%	(in HK$ million) (audited)	(in US$ million)	%
Sales of wafers	297.7	6.0	9,181.7	1,177.2	49.7
Sales of polysilicon	2,879.6	58.3	4,293.2	550.4	23.2
Sales of electricity	1,113.8	22.5	2,673.1	342.7	14.5
Sales of steam	476.5	9.6	1,397.2	179.1	7.6
Sales of coal	176.0	3.6	358.3	45.9	1.9
Others	—	—	568.4	72.9	3.1
Total	4,943.6	100.0	18,471.9	2,368.2	100.0

Our revenues from polysilicon sales are determined by MT of polysilicon that we are able to sell and the average selling prices of our polysilicon. In the years ended December 31, 2008, 2009 and 2010, we sold 1,530 MT, 5,675 MT and 10,507 MT of polysilicon, respectively, and the average selling price of our polysilicon was HK$2,119.4 per kilogram, HK$506.9 per kilogram and HK$408.6 (US$52.1) per kilogram, respectively. See "— Key Factors Affecting Our Results of Operations and Financial Condition — Pricing of Our Products."

Our revenues from wafer sales are determined by the number of wafers that we are able to sell as well as the average selling prices of our wafers. In the years ended December 31, 2008, 2009 and 2010, we sold 39.2 MW, 46.4 MW and 1,451 MW of wafers, respectively and the average selling price of our wafers was HK$18.0 per W, HK$6.40 per W and HK$6.32 (US$0.82) per W, respectively. See "— Key Factors Affecting Our Results of Operations and Financial Condition — Pricing of Our Products."

Sales of electricity represent our revenue derived from sales of electricity generated by our subsidiary power plants. The major customers of our power plants are their respective local provincial power grid companies. The selling price of electricity is based on the approved on-grid tariff determined by the provincial price bureaus, which in turn depends on the fuel type of the relevant power plant and whether government encouraged desulphurization equipment has been installed. The approved on-grid tariff of our subsidiaries and associated companies (not including our solar farm in Jiangsu province) ranged from HK$565.2 per MWh to HK$733.2 per MWh in the year ended December 31, 2009 and from HK$584.2 per MWh to HK$860.8 per MWh in the year ended December 31, 2010. This range is due to the different tariffs the provincial governments allow our different kinds of power plants. Most of our power plants are cogeneration plants which generally have a very similar level of tariff across both provinces. However, our biomass, wind power and solar power plants are permitted to charge higher tariffs than our cogeneration plants. The tariff for our solar farms, was approximately HK$2,467.5 per MWh as at December 31, 2010. In the years ended December 31, 2009 and 2010, our subsidiary power plants sold approximately 2.04 billion kWh and 4.71 billion kWh of electricity, respectively.

Sales of steam represent the revenue derived from sales of steam generated by our subsidiary power plants. We sell steam to customers exclusively within a certain radius of where our cogeneration plants are located. Steam prices are negotiated commercially between customers and the cogeneration plants and are subject to local government pricing guidelines. Prices may vary according to market forces. In the years ended December 31, 2009 and 2010, the approved steam price of our subsidiary power plants ranged from HK$163.4 per tonne to HK$242.3 per tonne and from HK$165.3 per tonne to HK$283.5 per tonne, respectively. In the years ended December 31,2009 and 2010, we sold approximately 2.68 million tonnes and 7.04 million tonnes of steam generated by our subsidiaries and associated power plants, respectively.

Sales of coal represent our revenue derived from our sale of coal not used in our cogeneration power plants. We also realize limited revenues from sales of ingots to third parties without wafering process.

Cost of Sales

Our cost of sales principally reflects the costs of production related to the production of our major products, including polysilicon, wafers, electricity and steam.

Solar business

Our cost of production related to polysilicon and wafer production is affected primarily by our ability to control raw material costs, to achieve economies of scale in our operations and to efficiently manage our supply chain.

Our cost of production related to our polysilicon production primarily consists of:

- *TCS.* TCS is a key component of producing polysilicon, the costs of which accounted for a majority of our total cost of sales for the year ended December 31, 2008. Since we successfully integrated hydrochlorination process into our polysilicon production process in February 2008 and further increased our hydrochlorination capacity from 300,000 MT to 500,000 MT by the end of 2010, we significantly reduced our costs of TCS and reliance on third party supplies of TCS. See "Business — Polysilicon Production — Manufacturing Process" and "— Key Factors Affecting Our Results of Operations and Financial Condition — Cost of Production."

- *Electricity.* The cost of electricity is a substantial component of our total cost of revenue. We source our electricity from the Xuzhou Electricity Company at market prices which vary.

- *Steam.* We have entered into a related party transaction with two cogeneration power plants to supply steam to us. See "Related Party Transactions — Steam Supply."

- *Direct labor.* Direct labor costs include salaries and benefits for personnel directly involved in production activities.

- *Depreciation of property, plant and equipment.* Depreciation of property, plant and equipment is provided on a straight-line basis over the estimated useful life, which is 50 years for land use rights, generally 20 years for buildings, 15 years for equipment and machinery related to polysilicon production, 10 years for equipment and machinery related to wafer production and five years for motor vehicles and electronic equipment and furniture and fixtures, taking into account their estimated residual value. Due to our capacity expansion, depreciation in absolute terms has increased significantly. We expect this trend to continue as we expand our production capacity.

- *Other materials and inputs.* The production of polysilicon requires water, metallurgical silicon ("MG-Si"), sulphuric acid and sodium hydroxide as its most significant inputs. Of these, we purchase water on long-term contracts and the other products on the spot market.

Our cost of production related to wafer production primarily consists of:

- *Polysilicon.* Polysilicon is the principal raw material for wafer production. By taking advantage of our vertically integrated production capacities, we substantially rely on our own polysilicon supply for wafer production. In each of the years ended December 31, 2009 and 2010, the majority of the wafers we sold were manufactured using the polysilicon we produced.

- *Tolling fees.* Until our in-house wafer manufacturing facility was operational in January 2010, we produced wafer through tolling arrangements with third party manufacturers under which we were responsible for the tolling fees. The amount of tolling fees we paid depended on market demand for such capacity and the amount of available capacity. Since we commenced our in-house wafer production in January 2010 and completed the acquisition of Konca Solar by the end of March 2010, we eliminated our reliance upon third party tolling services for wafer production and significantly reduced our cost of sales relating to wafer sales.

- *Consumables.* A number of consumables, including crucibles, slurry (consisting of silicon carbide and polyethylene glycol (PEG)) and steel wire, are used in wafer production. We entered into long-term supply contracts with third party suppliers to procure such consumables. In the year ended December 31, 2010, cost of consumables represented 30% of our total cost of wafer production.

Power business

The major costs associated with our power business were fuel costs including coal, natural gas, coal sludge, sludge and biomass materials. For our coal-fired cogeneration plants, comprehensive resource utilization plants and biomass cogeneration plants, average unit fuel costs for electricity sales and steam sales were HK$422.5 per MWh and HK$131.6 per tonne in the year ended December 31, 2010, respectively. For our gas-fired cogeneration plants, the Suzhou Cogeneration Plant, natural gas was the major component of the cost of sales. Average unit fuel costs for electricity sales and steam sales were HK$448.6 per MWh and HK$169.2 per tonne, respectively, in the year ended December 31, 2010.

Gross Profit and Gross Margin

In the years ended December 31, 2009 and 2010, our gross profit was HK$1,490.6 million and HK$6,810.7 million (US$873.2 million), respectively, and our gross margin was 30.2% and 36.9%, respectively. Both our gross profit and gross margin are primarily affected by the factors as our revenues and cost of sales. For our solar business, our gross margin rose from 36.4% in the year ended December 31, 2009 to 44.4% in the year ended December 31, 2010. This increase was mainly due to a significant decrease in polysilicon production costs and additional profit captured from the sale of wafers produced from 2010 onwards, partly offset by the decline in the average selling price of polysilicon.

For the power business, our gross margins decreased from 18.9% in the year ended December 31, 2009 to 13.1% in the year ended December 31, 2010. This decrease was mainly due to increase in average unit cost of gas and coal.

Other Income

Other income primarily consist of government incentive subsidies, income from our consultation services provided for other companies relating to their solar projects and bank interest income. Government incentive subsidies are mainly for improvement of working capital and financial assistance to our operations to enhance the competitiveness in the industry. They also include grants for compensation of expenses already incurred such as research and development activities and interest subsidies. The subsidies were granted on a discretionary basis. The table below sets forth the breakdown of our other income for the periods indicated:

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Government grants	106.2	288.7	37.0
Consultancy fee income	12.4	65.0	8.3
Sales of scrap materials	11.5	61.4	7.9
Bank interest income	22.9	43.4	5.6
Waiver of other payables	8.6	30.9	4.0
Waste processing management fee	10.6	27.8	3.6
Management fee income	3.4	15.4	2.0
Interest income from related companies	15.8	2.1	0.3
Amortization of connection fee income	7.4	1.9	0.2
Exchange gain, net	6.1	—	—
Others	14.4	38.6	4.8
	219.3	575.2	73.7

Distribution and Selling Expenses

Our distribution and selling expenses consist primarily of salaries and employee benefits of sales personnel, sales-related travel and entertainment expenses and other selling and marketing expenses. We do not expect that our selling and marketing expenses will increase significantly in the near term as the majority of our future outputs are already locked in through various long-term supply contracts. We believe that the growth in revenues will outpace the growth in distribution and selling expenses over time, and we will take advantage of our co-location strategy to maintain our distribution and selling expense within a reasonable level.

In the years ended December 31, 2009 and 2010, distribution and selling expenses accounted for 0.2% and 0.3% of our revenues, respectively.

Administrative Expenses

Our administrative expenses consist primarily of salaries and benefits for our administrative and finance personnel, other travel and other corporate expenses, bank charges and depreciation of equipment used for administrative purposes. We expect our administrative expenses will increase in the near term as a percentage of revenue as we hire additional personnel and incur professional expenses to support our expanding operations. However, we expect that our administrative expenses will decrease as a percentage of our revenues over time as we achieve greater economies of scale. We expect our administrative expenses to grow as we expect to hire additional supporting staff in conjunction with our growth.

The table below sets forth the breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Salary, employee expenditure and training expenses	128.1	426.9	54.7
Depreciation	33.4	76.8	9.8
Amortization of land use right	9.6	19.9	2.6
Amortization of intangible assets	—	66.1	8.5
Legal and professional fees	54.1	32.3	4.1
Governmental fees	0.5	2.7	0.3
Board meeting and conference expenses	6.7	13.1	1.7
Other tax payment	19.3	59.3	7.6
Entertainment expenses	15.1	39.1	5.0
Traveling expenses	20.9	30.9	4.0
Insurance	4.0	10.4	1.3
Automobiles	5.9	17.7	2.3
Telecommunication	5.1	14.5	1.9
Rents and administrative fees	48.8	69.2	8.9
Office expenses, maintenance and depreciation of consumables	1.3	22.5	2.9
Utilities	9.7	15.1	1.9
Labor union and employee protection expenses	2.3	10.3	1.3
Advertisement and recruitment expenses	9.8	12.0	1.5
Banking commission	—	10.5	1.3
Charitable donation	4.1	32.6	4.2
Others	29.6	14.4	1.9
	408.3	996.3	127.7

In the years ended December 31, 2009 and 2010, administrative expenses accounted for 8.3% and 5.4% of our revenues, respectively.

Finance Costs

Finance costs primarily consist of interest paid on borrowings less capitalized interest. Finance costs included in the cost of qualifying assets were capitalized at a rate of approximately 5.82% and 5.56% for the years ended December 31, 2009 and 2010, respectively. The capitalized amounts represent borrowing costs directly attributable to the acquisition, construction or production of related assets.

The qualifying assets for these periods included buildings, plant and machinery.

The amount of borrowing costs eligible for capitalization shall be determined in accordance with IAS 23 "Borrowing Costs." Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the qualifying assets when it is probably that they will result in future economic benefits to us and the costs can be measured reliably.

Share-based payment expenses

Share-based payment expenses all related to the expenses associated with our share-based compensation plans. In the year ended December 31, 2009, this included HK$846.5 million associated with the share option plan and restricted share compensation plans granted by GCL Solar was included.

Income Tax Expenses

In the year ended December 31, 2009, our net income was derived primarily from Jiangsu Zhongneng, our operating subsidiary in China. In March 2010, we acquired Konca Solar which principally engages in the research and development, production and sale of monocrystalline and multicrystalline ingots and wafers. Following the successful completion of the acquisition of Konca Solar, the sales and net profit contribution from Konca Solar's wafer business were consolidated into our Group since April 2010. In December 2010, we completed construction of the 4.8 MW solar photovoltaic power project in Antelope Valley, United States and the 1.2 MW photovoltaic power project in San Diego, United States and had solar farm projects of approximately 2 GW on the pipelines as of December 31, 2010. In the near future, as part of our net income will be arising from our solar power business in the Unites States, Europe and several key emerging markets, we may be subject to income tax in those jurisdictions.

Prior to January 1, 2008, Jiangsu Zhongneng was subject to PRC enterprise income tax of 33.0%, which included a 30.0% state income tax and a 3.0% local income tax. Since January 1, 2008, we became subject to the new EIT Law, which provides for a national 25% rate applicable to most enterprises and replaced the prior income tax rate subject to the benefits that had been previously granted. See "Regulation — Tax." We received approval for a two-year tax exemption from the enterprise income tax for the years ended December 31, 2008 and 2009 and we would be taxed at 50.0% of the new EIT tax rate for the years ending December 31, 2010, 2011 and 2012, providing a tax rate of 12.5%.

In addition, under the new EIT Law, an enterprise established outside of the PRC with "de facto management bodies" within the PRC may be considered a resident enterprise and will normally be subject to the enterprise income tax at the rate of 25% on its global income. The rule implementing the EIT Law provides that the term "de facto management bodies" refers to management bodies which have material management and control over all aspects of the business, including without limitation, the production, operation, personnel, finance, and assets of the enterprise. However, it is still unclear if the PRC tax authorities would subsequently determine that, notwithstanding our status as the Cayman Islands holding company of our operating business in the PRC, with administrative headquarters and personnel in Hong Kong, we should be classified as a resident enterprise, whereby our global income will be subject to PRC income tax at a tax rate of 25%. In any event, we do not expect to derive substantial earnings outside the PRC in the foreseeable future. A foreign investor would generally be subject to a 10% tax for dividends received from its PRC enterprise subject to the preferential provision of the applicable double tax treaty entered by the PRC government and the jurisdiction where the foreign investor is located, provided that such foreign investor does not constitute a permanent establishment or the dividends derived from the PRC is not effectively connected to its PRC permanent establishment. However, as Jiangsu Zhongneng is owned directly by our Hong Kong subsidiaries, which are non-resident enterprises, and as Hong Kong has a tax arrangement with the PRC under which the tax

rate from dividend income is 5%, dividends paid by Jiangsu Zhongneng would be subject to a 5% withholding tax, provided that the Hong Kong subsidiary could satisfy the beneficial owner test and its shareholding in Jiangsu Zhongneng remains no less than 25%.

Pursuant to the Interim Regulations on Value Added Tax and its Implementation Rules released in 1993 (amended as of November 10, 2008 and effective as of January 1, 2009), all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay value-added tax, or VAT, at a rate of 17% of the value-added amount. We sold all of our polysilicon and wafers within China and we anticipate that most of our sales will continue to be made domestically. We have received VAT rebates from the purchase of certain domestically manufactured equipment. As of December 31, 2009 and 2010, we received VAT rebates of HK$77.7 million and HK$13.6 million, respectively.

We expect to have minimal taxable income in jurisdictions other than China. Under current laws of the Cayman Islands, we are not subject to income or capital gains tax. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands.

Results of Operations For the Year ended December 31, 2010 Compared to the Year ended December 31, 2009

Revenue

Our revenue increased by 273.7% from HK$4,943.6 million in the year ended December 31, 2009 to HK$18,471.9 million (US$2,368.2 million) in the year ended December 31, 2010. This increase primarily reflected an increase in revenues arising from our solar business, our acquisition of Konca Solar which resulted in consolidation of Konca Solar's revenue between April 2010 and December 2010 and the inclusion of a full year of financial results from our power business.

Revenue from sales of polysilicon increased by 49.0% from HK$2,879.6 million in the year ended December 31, 2009 to HK$4,293.2 million (US$550.4 million) in the year ended December 31, 2010. This increase was mainly the result of increased sales volume of polysilicon from 5,675 MT in the year ended December 31, 2009 to 10,507 MT in the year ended December 31, 2010. This increase in sales volume was partially offset by a decline in the average selling price of polysilicon during the period.

Revenue from sales of wafers increased by 2,984% from HK$297.7 million in the year ended December 31, 2009 to HK$9,181.7 million (US$1,177.2 million) in the year ended December 31, 2010. This increase was primarily due to our increased in-house wafer production volumes as a result of our expansion of wafer production capacities. We sold 1,451 MW wafers in the year ended December 31, 2010 compared to 46.4 MW in the year ended December 31, 2009. Approximately HK$5,094.6 million revenue generated from Konca Solar was consolidated into our total revenue.

Revenue from sales of electricity increased by 140.0% from HK$1,113.8 million in the year ended December 31, 2009 to HK$2,673.1 million (US$342.7 million) in the year ended December 31, 2010. Revenue from sales of steam increased by 193% from HK$476.5 million in the year ended December 31, 2009 to HK$1,397.3 million (US$179.1 million) in the year ended December 31, 2010. These increases were mainly the result of the inclusion of a full year of financial results for our power business.

Revenue from sales of coal increased by 104.0% from HK$176.0 million in the year ended December 31, 2009 to HK$358.3 million (US$45.9 million) in the year ended December 31, 2010. This increase was also attributable to inclusion of a full year of financial results from our power business.

In the year ended December 31, 2010, we recorded HK$568.4 million (US$72.9 million) in other revenue mainly arising from sale of ingots and tolling fees we charged third parties for polysilicon or wafer production.

Cost of sales

Our cost of sales increased from by 237.7% from HK$3,453.0 million in the year ended December 31, 2009 to HK$11,661.2 million (US$1,495.0 million) in the year ended December 31, 2010. This increase was primarily a result of our increased polysilicon and wafer sales volumes, as well as the inclusion of a full year of results from our power business.

Gross profit

Our gross profit increased from HK$1,490.6 million in the year ended December 31, 2009 to HK$6,810.7 million (US$873.2 million) in the year ended December 31, 2010, and our gross margin increased from 30.2% to 36.9%. This increase in gross margin was mainly due to the decrease in polysilicon production costs and cost savings associated with our in-house wafer production from the sale of wafers produced in the year ended December 31, 2010, though this was partially offset by the decline in the average selling price of polysilicon.

Other income

Other income increased by 162.3% from HK$219.3 million in the year ended December 31, 2009 to HK$575.2 million (US$73.7 million) in the year ended December 31, 2010. This increase was primarily due to an increase in government grants, consultancy fee income, sales of scrap materials and bank interest income, partially offset by a decrease in interest income from related companies. We recorded an aggregate of HK$288.7 million (US$37.0 million) of subsidies from local governments in 2010. Increased consultancy fee was mainly relating to our consultation services rendered to steam customers to set up operation and management systems and maintenance services. The decrease in interest income from related companies was because decrease in average loan balances from our related companies.

Distribution and selling expenses

Distribution and selling expenses increased by 520.5% from HK$7.5 million in the year ended December 31, 2009 to HK$46.3 million (US$5.9 million) in the year ended December 31, 2010. This increase was primarily due to an increase in salaries and other office-related expenses as a result of the expansion of our sales office in Nanjing, which was opened in September 2009, and our expansion of solar business.

Administrative expenses

Administrative expenses increase by 144.0% from HK$408.3 million in the year ended December 31, 2009 to HK$996.3 million (US$127.7 million) in the year ended December 31, 2010. This increase was primarily attributable to increases in salaries and other staff costs as a result of headcount increase due to growth in the solar business, an increase in depreciation and other office expenses due to the growth in the operating structure, the consolidation of full year administrative expenses from the power business and our acquisition of Konca Solar. We expanded our Changzhou and Suzhou wafer production facilities and Konca Solar's wafer production facilities in the second half of 2010, resulting in an increase in salaries and other staff costs.

Finance costs

Finance costs increased by 73.9% from HK$348.8 million in the year ended December 31, 2009 to HK$606.4 million (US$77.8 million) in the year ended December 31, 2010. This increase was primarily attributable to an increase in our interest payment on long-term bank loans, in the year ended December 31, 2010. This increase in interest payment was partially offset by a decrease in upfront fees from HK$137.0 million in the year ended December 31, 2009 to HK$22.3 million (US$2.9 million) in the year ended December 31, 2010. The upfront fees in the year ended December 31, 2009 included approximately HK$132.7 million payment in respect of the three-year term loan of US$300 million granted in July 2009. We early repaid such bank loan on December 30, 2009 and all related deferred finance costs were fully expensed.

Other expenses

Other expenses increased by 17.7% from HK$159.3 million in the year ended December 31, 2009 to HK$187.5 million (US$24.0 million) in the year ended December 31, 2010, primarily included exchange losses relating to assets denominated in the Hong Kong dollar and the U.S. dollar due to appreciation of Renminbi against these currencies.

Share-based payment expenses

Share-based payment expenses decreased by 98.5% from HK$852.7 million in the year ended December 31, 2009 to HK$12.7 million (US$1.6 million) in the year ended December 31, 2010. This decrease was primarily due to the one-time share-based compensation expenses associated with the Acquisition. See "— Key Factors Affecting Our Results of Operation and Financial Condition — Reverse Acquisition of the Solar Business." Share-based payment expenses in 2010 mainly represented the share option expenses arising from our equity-settled share option scheme.

Income tax expense

Income tax expense increased by 11.4 times from HK$93.2 million in the year ended December 31, 2009 to HK$1,159.3 million (US$148.6 million) in the year ended December 31, 2010. The increase was mainly due to an increase in the PRC Enterprise Income Tax and deferred tax provided for the undistributed profit, which resulted from a significant increase in profits generated from the solar business in the PRC and an increase in income tax paid by Jiangsu Zhongneng as its 100% tax exemption had expired and became subject to an income tax rate of 12.5%. Newly established companies that operated our wafer business were subject to an income tax rate of 25.0% in the year ended December 31, 2010.

Profit (loss) for the year

As a result of the foregoing, we recorded a profit of HK$4,388.1 million (US$562.6 million) in the year ended December 31, 2010 compared to a loss of HK$150.1 million in the year ended December 31, 2009.

Liquidity and Capital Resources

Cash Flows and Working Capital

We financed our operations primarily through our operating cash flow, bank loans, advance payments of customers and the issuance of ordinary shares to Chengdong Investment Corporation, a wholly-owned subsidiary of China Investment Corporation. In December 2009, we received approximately HK$5.5 billion in net proceeds from our issuance of 3.1 billion new shares to Chengdong Investment Corporation. We obtained bank loans which aggregated HK$13,790.2 million (US$1,768.0

million) as of December 31, 2010. In addition, our polysilicon and wafer supply contracts require our customers to pay interest-free and non-refundable prepayment or provide for financial guarantees or support against future polysilicon or wafer deliveries. As of December 31, 2010, we received such advances in the amount of HK$3.0 billion (US$380.4 million) from a number of customers with whom we have entered into five year long-term contracts to supply wafers starting 2011.

We believe the ability to enter into such agreements will add to our ability to fund both capital expenditures and working capital. As such, we expect to continue to lock-in revenues and cash flows through similar long-term contracts in the future.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Consolidated Statement of Cash Flows:			
Net Cash from Operating Activities	351.9	7,834.1	1,004.4
Net Cash used in Investing Activities	(1,557.6)	(10,777.6)	(1,381.7)
Net Cash from Financing Activities	4,537.0	3,933.6	504.3
Net Increase in Cash and Cash Equivalents	3,331.3	990.1	127.0
Cash and Cash Equivalents at the beginning of year	1,979.6	5,311.3	680.9
Effect of foreign exchange rate change	0.4	203.7	26.1
Cash and Cash Equivalents at end of the year, represented by bank balances and cash	5,311.3	6,505.1	834.0

Operating Activities

Net cash generated from operating activities was HK$351.9 million and HK$7,834.1 million (US$1,004.4 million) in the years ended December 31, 2009 and 2010 respectively.

In the year ended December 31, 2010, we had net cash generated from operating activities of HK$7,834.1 million (US$1,004.4 million), consisting of cash generated from operations of HK$8,346.5 million (US$1,070.1 million) offset by income tax paid of HK$512.4 million (US$65.7 million). Our cash generated from operations consisted of operating cash flows of HK$7,401.6 million (US$948.9 million) before changes in working capital and net positive changes in working capital of HK$944.9 million (US$121.1 million). Operating cash flows before changes in working capital was primarily the result of profit before income tax of HK$5,547.4 million (US$711.2 million), depreciation of property, plant and equipment of HK$1,264.8 million (US$162.2 million), finance costs of HK$606.4 million (US$77.8 million), amortization of other intangible assets of HK$66.1 million (US$8.5 million) and amortization of prepaid lease payments of HK$19.9 million (US$2.6 million), partially offset by interest income of HK$45.5 million (US$5.8 million), amortization of deferred income of HK$40.3 million (US$5.2 million) and waiver of other payables of HK$30.9 million (US$4.0 million). Net positive working capital adjustments primarily consisted of an increase in trade and other payables of HK$1,469.8 million (US$188.4 million) and an increase in advances from customers of HK$522.1 million (US$66.9 million), partially offset by an increase in inventories of HK$760.7 million (US$97.5 million), an increase in trade and other receivables of HK$367.3 million (US$47.1 million) and a decrease in amounts due to related companies of HK$115.9 million (US$14.9 million).

In the year ended December 31, 2009, we had net cash generated from operating activities of HK$351.9 million, consisting of cash generated from operations of HK$498.8 million offset by income tax paid of HK$146.9 million. Our cash generated from operations consisted of operating cash flows of

HK$1,531.7 million before changes in working capital and net negative changes in working capital of HK$1,032.9 million. Operating cash flows before changes in working capital was primarily the result of loss before income tax of HK$56.9 million, share-based payment expenses of HK$852.7 million, depreciation of property, plant and equipment of HK$394.0 million, finance costs of HK$348.8 million, impairment loss on goodwill of HK$108.9 million and change in fair value of convertible loan notes of HK$36.7 million, partially offset by amortization of deferred income of HK$116.8 million, interest income of HK$38.7 million and change in fair value of derivative instruments of HK$11.3 million. Net negative working capital adjustments primarily consisted of an increase in trade and other receivables of HK$779.3 million, an increase in inventories of HK$364.9 million and an increase in trade and other payables of HK$237.4 million, partially offset by an increase in deferred income of HK$180.8 million, an increase in advances from customers of HK$90.3 million and an increase in amounts due to related companies.

Investing Activities

Net cash used in investing activities was HK$1,557.6 million and HK$10,777.6 million (US$1,381.7 million) in the years ended December 31, 2009 and 2010 respectively.

Net cash used in investing activities for the year ended December 31, 2010 primarily consisted of purchase of property, plant and equipment of HK$7,662.6 million (US$982.4 million) relating to the construction of our wafer production facilities and technological improvement on our polysilicon production facility in Xuzhou, deposits paid for acquisitions of property, plant and equipment and prepaid lease payments of HK$1,410.8 million (US$180.9 million), increase in pledged and restricted bank deposits of HK$807.3 million (US$103.5 million) and acquisitions of subsidiary of HK$703.4 million (US$90.2 million) relating to our acquisitions of Konca Solar, partially offset by decrease in entrusted loan receivables of HK$88.4 million (US$11.3 million), repayment from related companies of HK$79.9 million (US$10.2 million) and interest received of HK$45.1 million (US$5.8 million).

Net cash used in investing activities for the year ended December 31, 2009 primarily consisted of purchase of property, plant and equipment of HK$2,411.5 million mainly relating to the construction of our Xuzhou phase III polysilicon production facility, increase in pledged and restricted bank deposits of HK$207.5 million and increase in entrusted loan receivables of HK$102.2 million, partially offset by acquisition of subsidiaries of HK$922.0 million relating to net cash inflow arising on the acquisition of power business on July 31, 2009 and repayment from related companies of HK$306.0 million.

Financing Activities

Net cash generated from financing activities was HK$4,537.0 million and HK$3,933.6 million (US$504.3 million) in the years ended December 31, 2009 and 2010 respectively.

Net cash generated from financing activities for the year ended December 31, 2010 primarily consisted of new bank loans raised of HK$14,214.5 million (US$1,822.4 million), proceeds from obligations under finance leases of HK$511.1 million (US$65.5 million) and contribution from non-controlling interests of HK$104.6 million (US$13.4 million), partially offset by repayment of bank borrowings of HK$10,069.7 million (US$1,291.0 million), interest paid of HK$600.8 million (US$77.0 million), repayment to related parties of HK$137.7 million (US$17.7 million) and dividend paid to non-controlling interests of HK$93.4 million (US$12.0 million).

Net cash generated from financing activities for the year ended December 31, 2009 primarily consisted of proceeds from issue of shares of HK$9,242.6 million to several placing agents and to Chengdong Investment Corporation, a wholly-owned subsidiary of China Investment Corporation, and new bank loans raised of HK$6,233.8 million, partially offset by repayment of bank borrowings of HK$5,600.6 million, redemption of secured notes of HK$2,712.5 million relating to our redemption of

outstanding secured notes, non-share consideration paid to shareholders of HK$1,550.0 million, repayment of convertible loan notes HK$581.6 million, interest paid of HK$234.4 million and share issue expenses paid of HK$156.6 million.

Indebtedness

Bank borrowings

The table below sets out our bank borrowings as at the dates indicated and the maturity profile of such borrowings as of the dates indicated:

	As of December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Secured	4,684.4	1,823.6	233.8
Unsecured	3,888.0	11,966.6	1,534.2
	8,572.4	13,790.2	1,768.0
Maturity profile of bank borrowings			
On demand or within one year	5,032.7	6,410.8	821.9
After one year but within two years	1,837.8	1,876.2	240.6
After two years but within three years	550.3	3,593.4	460.7
After three years but within four years	274.8	654.0	83.8
After four years but within five years	224.9	604.7	77.5
After five years	651.9	651.1	83.5
	8,572.4	13,790.2	1,768.0
Bank borrowings are denominated in the following currencies			
RMB	8,339.8	11,568.4	1,483.2
USD	232.6	2,221.8	284.8
	8,572.4	13,790.2	1,768.0

Our borrowings primarily consist of loans from commercial banks. See "Description of Other Material Indebtedness." Our bank borrowings increased from HK$8,572.4 million as of December 31, 2009 to HK$13,790.2 million (US$1,768.0 million) as of December 31, 2010. This increase was primarily due to increased long-term bank loans used to fund our expansion of polysilicon and wafer production facilities.

Obligations under finance leases

	As at December 31, 2010		
	Minimum lease payments	Present value of minimum lease payments	
	(in HK$ million)	(in HK$ million) (audited)	(in US$ million)
Amounts payable under finance leases			
Within one year	138.2	111.3	14.3
In more than one year but not more than two years	131.1	109.5	14.0
In more than two years but not more than five years	361.3	332.0	42.6
	630.6	552.8	70.9
Less: Future finance charges	(77.8)	N/A	N/A
Present value of lease obligations	552.8	552.8	70.9
Less: Amount due for settlement within 12 months (shown under current liabilities)		(111.3)	(14.3)
Amount due for settlement after 12 months		441.5	56.6

The lease term is 5 years. Interest rates underlying the obligation under these finance leases are 85% of the five-year lending benchmark interest rate stipulated by the People's Bank of China. As at December 31, 2010, the average effective interest rate is 6.55% per annum after considering the effect of initial direct costs. Our obligations under finance leases are secured by a charge over the leased assets and a deposit of HK$73.4 million made to lessor at the inception of the lease.

Contingent liabilities

As of December 31, 2009, we provided guarantees of HK$36.3 million to bank in respect of banking facilities granted to an associate. At of December 31, 2010, we provided guarantees of HK$17.6 million (US$2.3 million) to a bank in respect of banking facilities granted to an associate. Our directors consider that the fair value of the financial guarantees at date of inception is immaterial.

Operating Leases and Capital Commitments

Operating Lease

Our Group as lessee

Operating lease payments represent rentals payable by the Group for certain properties, natural gas transmission network and other assets. Leases are negotiated and rentals are fixed for terms ranging from one to three years. The table below sets forth the breakdown of minimum lease payments paid under operating leases during the periods indicated:

	As of December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Buildings	6.7	19.1	2.5
Natural gas transmission network	3.4	9.4	1.2
Staff quarters	0.1	0.9	0.1
Others	0.4	1.1	0.1
	10.6	30.5	3.9

At the end of the reporting period indicated in the following table, we had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As of December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Within one year	18.8	35.4	4.5
In the second to fifth year inclusive	48.1	81.5	10.5
After five years	13.7	7.0	0.9
	80.6	123.9	15.9

Our Group as lessor

The table below sets forth the breakdown of rental income credited to profit or loss under operating leases during the periods indicated:

	As of December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Land use rights	0.1	1.7	0.2
Buildings	0.1	0.2	0.0
Staff quarters	—	0.2	0.1
Others	—	—	—
	0.2	2.1	0.3

The table below sets forth the future minimum lease payments for which we had contracted for with tenants as of the dates indicated:

	As of December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Within one year	0.2	1.5	0.2
In the second to fifth year inclusive	0.8	2.4	0.3
After five years	2.1	3.1	0.4
	3.1	7.0	0.9

Capital Commitments

The following table presents our capital commitments as at the dates indicated:

	As of December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,995.0	3,036.3	389.3
Capital expenditure in respect of acquisition of property, plant and equipment authorized but not contracted for	4,136.2	566.4	72.6

As of December 31, 2010, our capital commitment related to further expansion of our polysilicon and wafer production facilities.

Capital Expenditures

Our capital expenditure generally comprises expansion expenses, including construction in progress, buildings, machinery and equipment, motor vehicles, deposit paid for property, plant and equipment and purchase price paid for land use rights. The following table presents our historical capital expenditure for the periods indicated:

	For the year ended December 31,		
	2009	2010	
	(in HK$ million) (Restated)	(in HK$ million) (audited)	(in US$ million)
Buildings, machinery and equipment	2,383.7	7,564.0	969.7
Office equipment	13.8	54.1	6.9
Motor vehicles	14.0	44.5	5.7
Deposit paid for property, plant and equipment	—	1,410.8	180.9
Purchase price paid for land use rights	83.3	213.7	27.4
Total	2,494.8	9,287.1	1,190.6

Our capital expenditures for the two years ended December 31, 2010 related primarily to the construction and development of our polysilicon production facilities. In the year ended December 31, 2010, our capital expenditures also included expenses related to the construction and development of our

wafer production facilities. We expect to incur capital expenditures of approximately HK$17.7 billion primarily in connection with the expansion of our polysilicon production capacity to 65,000 MT by the middle of 2012 and our wafer production capacity to 6.5GW by the end of 2011.

Off Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

Inflation

Inflation in China has not materially impacted our results of operations. However, China has recently experienced a significant increase in inflation levels, which may materially impact our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index in China was 5.9% in 2008. While the consumer price index in China decreased by 0.7% in 2009, the consumer price index in China increased by 3.3% year-over-year for the year ended December 31, 2010.

Market Risks

Foreign Currency Risk

Our exposure to foreign currency risk arose from certain bank balances, amounts due to related companies, trade receivables, convertible loan notes, convertible redeemable preferred shares and derivative instruments of our Group that are denominated in foreign currencies. The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2009	2010	2009	2010
	(in HK$ million) (restated)	(in HK$ million)	(in HK$ million) (restated)	(in HK$ million)
Euro ("EUR")	57.9	49.1	—	26.3
Hong Kong dollar ("HK$")	3,098.9	419.6	35.4	7.6
United States dollar ("US$")	727.3	1,348.6	232.7	2,760.3
Japanese Yen ("JPY")	8.7	11.5	—	1.4
Swiss Franc ("CHF")	—	78.4	—	14.0

The foreign currency assets in 2010 mainly relates to the U.S. dollar trade and other receivables and bank deposits. For 2009, foreign currency assets mainly relates to the Hong Kong dollar bank deposits arising from the placing of new shares. The foreign currency liabilities in 2010 mainly relates to the U.S. dollar bank borrowings. For 2009, foreign currency liabilities mainly relates to the U.S. dollar and Hong Kong dollar amounts due to shareholders.

We cannot predict the impact of future exchange rate fluctuations on our results of operations. We currently have not adopted a currency risk hedging policy. However, our management monitors foreign currency risk exposure by closely monitoring the movement of foreign currency rate and considers hedging against it should the need arises. If our sales denominated in foreign currencies, continue to grow, we will consider using derivative instruments to hedge our exposure to foreign currency risk.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed-rate and interest-bearing loans to (from) related companies, pledged and restricted bank deposits, bank borrowings and obligations under finance leases. We currently have not entered into interest rate swaps to hedge against its exposure to changes in fair values of the loans to (from) related companies, pledged and restricted bank deposits, bank borrowings and obligations under finance leases. We are also exposed to cash flow interest rate risk in relation to variable-rate pledged and restricted bank deposits, bank balances and bank borrowings.

If interest rates represented by the London Interbank Offer Rate ("LIBOR") and the lending benchmark interest rate stipulated by the People's Bank of China ("Benchmark Rate") had been 50 basis points higher/lower and all other variables were held constant, our loss for the year ended December 31, 2009 would increase/decrease by approximately HK$0.9 million and HK$25.7 million, respectively; and our profit for the year ended December 31, 2010 would decrease/increase by approximately HK$7.5 million and HK$31.7 million.

If interest rate had been 20 basis point higher/lower and all other variable were held constant, our loss for the year ended December 31, 2009 would decrease/increase by approximately HK$4.7 million; and our profit for the year ended December 31, 2010 would increase/decrease by approximately HK$8.8 million.

Our sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate borrowings. It is our policy to keep its borrowing at floating rate of interests so as to minimize the fair value interest rate risk, and to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimize the fair value and cash flow interest rate risk.

Credit risk

As at December 31, 2010, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties and financial guarantees provided by us is arising from (i) the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and (ii) the amount of contingent liabilities in relation to financial guarantee issued by us.

In order to minimize the credit risk, we review the recoverable amount of each individual trade debt periodically to ensure that adequate impairment losses are made for irrecoverable amounts. Each major operating business has a policy of credit control in place under which credit evaluations of customers are performed on all customers requiring credit.

Credit terms are mainly granted to customers in the PRC which were secured by letters of credit issued by banks and with good credit quality customers. Our management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of its financial assets including trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our directors consider that our credit risk is significantly reduced.

Credit risk on sales of polysilicon and wafer products is not significant as we generally require deposits received from customers before delivery of goods and the major customers are large-scale listed entities with good repayment history.

Credit risk on sales of electricity is concentrated on a limited number of the local electric power bureaus. However, our management considers that the local electric power bureaus are state-owned and have strong financial ability and good creditability and accordingly, there is no significant credit risk on respective sales.

Credit risk on sales of steam and coal is dispersed since the customers are large in number and spread across different industries. Accordingly, we have no significant concentration of such credit risk.

Credit risk on pledged and restricted bank deposits and bank balances is limited because the counterparties are reputable banks in the PRC and Hong Kong.

Solar PV industry

Solar photovoltaic ("PV") technology

Solar energy is one of the most rapidly growing renewable energy sources in the world today. Solar PV systems contain cells that convert sunlight into electricity. Inside the cells there are layers of semiconducting materials that create an electric field when light shines on the PV panel. There are broadly two types of technologies that have been developed to harness the energy of the sun, concentrated solar power and solar PV. Solar PV, is the most widely adopted technology in terms of installed capacity.

Key growth drivers for solar PV industry

There are number of key growth drivers that have contributed to the rapid growth of the solar PV market:

- ***Increasing Demand for Energy and Rising Costs of Fossil Fuels.*** Future economic growth will lead to a rising demand of energy consumption. The finite nature of fossil fuels e.g. coal, petroleum and natural gas will result in continued price hikes in these energy sources. The impact of rising energy costs has led most countries to set long-term targets of renewable energy generation to lower their dependence on traditional energy sources.

- ***Concerns About the Environmental Consequences of Fossil Fuels Have Led to Government Initiatives to Reduce Carbon Dioxide Emissions.*** The growing concern regarding impact of the use of fossil fuels to the environment is pushing governments to increase electricity generation through the use of renewable energy. Energy production from renewable sources including solar, produce limited greenhouse gas emissions, and has therefore garnered widespread support. Post Kyoto Protocol, most countries have set targets to reduce net carbon dioxide emissions of greenhouse gases, which can only be achieved via continued energy saving and diversification of energy generation into renewable sources.

- ***Energy Security Issues, Geopolitical Considerations and the Perceived Need of Several Countries to Reduce Dependence on Imported Fossil Fuels.*** Heightened concern about energy independence is pushing countries, especially those with scarce conventional energy resources, towards diversification of electricity generation.

- ***Increasing Government Support for Renewable Energy.*** A large number of countries have followed Europe and the United States in establishing incentives, subsidies and other support mechanisms e.g. feed-in-tariffs and preferential tax treatments to speed up the development of renewable energy, especially in solar energy.

- ***Unlimited and Free Energy Source.*** Solar energy supply is abundantly and freely available and the resource base is highly predictable over the long term.

- ***Solar Energy Production Correlates to Peak Usage Hours.*** Solar energy, while not as efficient as other renewable energy forms, remains a viable renewable technology because it produces energy during peak consumption hours (ie. during daylight hours), which generates electricity relatively efficiently as compared to other forms of renewable energy, e.g., wind power, which generally generates electricity at night when electricity consumption is at its lowest point, creating a divergence between power generation and usage.

- ***Proven Technology with Rapidly Improving Performance.*** Solar PV technology has been extensively adopted in a number of different applications and has a long track record of proven performance. The first PV application was used to power satellites back in 1960s. The performance of solar PV systems has increased significantly since the 1990s as a result of investments by industry participants to improve the conversion efficiency, design and other performance metrics of solar panels.

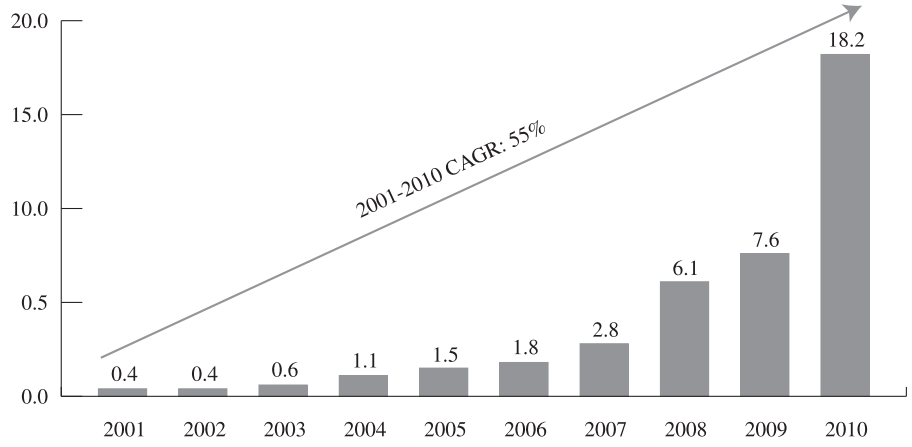
- ***Enhanced Cost Competitiveness of PV Systems.*** Continued developments by manufacturers of solar PV systems have led to steady cost reductions and performance improvements. As a result, the competitiveness of solar-generated electricity has improved significantly, especially in light of the concurrent rise in the cost of many fossil fuels.

- ***Highly Scalable with Low Cost of Maintenance.*** Solar PV systems are highly scalable and can easily fit into different types of applications, from residential to commercial, industrial and utility-scale buildings, whereas other renewable energy sources e.g. wind power can only be constructed and installed in the remote areas which are far away from areas with the high electricity consumption. On average, solar PV systems can be constructed faster than other alternative renewable energy sources such as wind or hydropower which may take years to build and have bigger impact on the natural landscape. Further, limited maintenance, and hence, lower operational and maintenance cost, is required for solar PV systems. Failures and damages in the solar PV systems can generally be repaired by replacing standard PV modules, which requires far less effort and cost than repairing components in wind turbine equipment.

Solar PV market historical deployment and outlook

The solar PV market has grown substantially in the recent years. According to Solarbuzz, annual PV capacity installation grew from 1.8 GW in 2006 to 18.2 GW in 2010, representing a CAGR of 80% during the period. The record installation last year has brought the world's cumulative installed PV capacity to 41.7 GW by end of 2010, a growth of approximately 78% over 2009, based on Solarbuzz estimates.

2001–2010 Worldwide PV Market Size (GW)

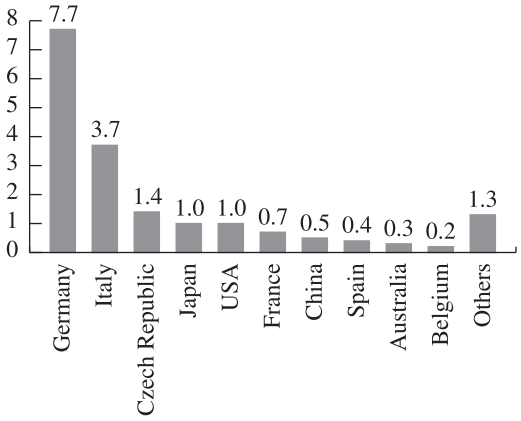


Source: Solarbuzz 2011

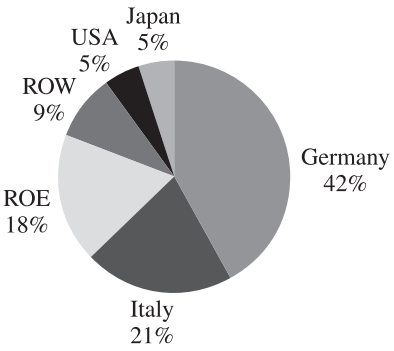
Germany, the world's largest market by cumulative installed capacity and annual installation, continued to deliver strong demand by adding 7.7 GW of new PV capacity in 2010, accounting for approximately 42% of the world's PV installations in the year. Italy, the second largest market by installation, added 3.7 GW, compared to 0.77 GW in 2009. Other major PV markets include Czech Republic, Japan, USA, France and China.

Worldwide PV demand by region (2010)

New installations (GW)



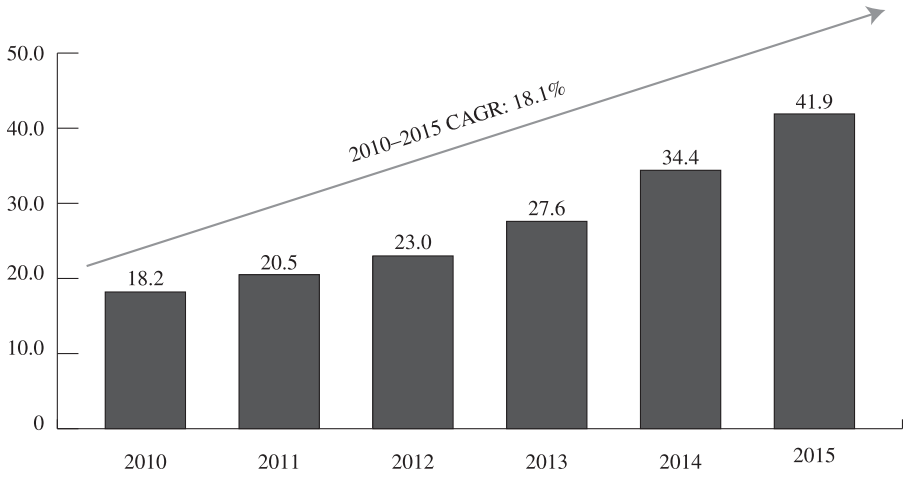
New installations by country (%)
2010 global newly installed capacity: 18.2GW



Source: Solarbuzz 2011

Solar PV market is expected to continue its strong growth in the coming years. Under its "Most Likely Outcome Demand" scenario, Solarbuzz projects global PV installation to reach 41.9 GW in 2015, translating into an average annual growth rate of 18.1% in 2010–2015.

Global PV new installation breakdown forecast (GW)



Source: Solarbuzz 2011

According to Solarbuzz, the solar PV market is expected to diversify gradually into other regions in the future. Major European markets will continue to grow their solar installations at a pace that reflects a decline in installation costs and reduction in governmental support schemes. Germany, the

largest solar PV market for the past two years will see substantial decline in its installation share from 42% in 2010 to 18% by 2015, based on the various Solarbuzz scenarios. Total contribution from European countries is forecasted to decrease from 81% in 2010 to between 46% to 54% by 2015 under various Solarbuzz scenarios.

At the same time, new growth markets are emerging with large energy new build requirements, driven mainly by renewable portfolio obligations and solid support systems. A large number of new countries are introducing feed-in-tariffs and other subsidy schemes in order to boost solar energy usage. Non-European markets, currently accounting for less than 20% of new installations globally, are projected to bring more meaningful contribution of 46% to 54% by 2015 under various Solarbuzz scenarios.

In Asia, where growing populations and the increase of GDP per capita are driving the energy demand, solar energy represents an effective way to provide generation capacity which can be deployed quickly and without upgrading the existing electricity grid. China and India are the frontrunners in terms of legislation to promote solar energy with clear and innovative plans developed over the last few years. In China, the draft 2010–2020 Emerging Energy Development Plan submitted to State Council in July 2010 set total renewable energy consumption target at 11% by 2015 with 2.6% from solar and other non-hydro renewable energy sources, translating into approximately 5 GW of PV installed capacity by 2015 and a total required investment of RMB200–300 billion in the next 5 years. In addition, the Golden Sun program, was introduced in 2009 to focus on subsidizing various PV applications, including rooftops, BIPVs (Building-integrated Photovoltaics), ground-mounted systems and off-grid systems. In November 2010, about 120 new projects totalling 272 MW have been approved by the Golden Sun program.

The Jawaharal Nehru National Solar Mission, a solar specific program was introduced by the Indian government in July 2010, identified several goals as well as implementation details between 2010 and 2020 for the country's solar industry. The nation's long-term goal is to have 22 GW of installed capacity by 2022 with about 20 GW from grid-connected applications and the rest from off-grid systems.

To date Japan is the largest market in the region where the demand has been stimulated by attractive incentive programs by the Japanese government whose goal is to have 28 GW of installed capacity by 2020 and 70% of newly constructed homes with PV systems in the coming decade. Countries like Korea are expected to drive the demand growth, especially after the introduction of the Renewable Portfolio Standard in 2012. The Thai solar market is also expected to grow rapidly in the coming years. As of October 2010, the Thai government had received applications for more than 2.5 GW of solar power capacity through three subsidy programs, according to an IEA report. In the Philippines, due to its high cost of electricity, solar energy is an economical and environmental alternative to oil-powered generators used on the many islands. Philippines' electricity authorities are expected to launch a renewable energy FIT program in 2011, with over 300 MW of new capacity expected to be constructed, approved and operational in the next few years. The Malaysian market is broadening with new incentives announced in mid-2010 and expected to be launched in the second quarter of 2011.

In the United States, the American Recovery and Reinvestment Act (ARRA) of 2009 allocated more than US$70 billion for clean energy. The program provides cash grants covering 30% of the total cost of developing new renewable energy facilities that commence construction in 2011. The ARRA has so far supported more than 1,200 solar projects and grants of more than US$441 million. The program has resulted in nearly 40% growth in the solar power market in 2009 and nearly double in 2010.

Several Middle East countries are currently building or planning to invest heavily in solar energy, with Abu Dhabi and Jordan as the leaders in the region. Saudi Arabia, Qatar and Oman are following with solar projects combined with desalination plants. In the Middle East, according to Solarbuzz scenarios, 80 MW to 130 MW are expected to be installed in 2011 and another 110 MW to 170 MW in 2012.

Factors affecting the solar PV market and key industry challenges

We believe the following factors will continue to affect the global demand in the solar PV industry:

- ***Rising Prices of Conventional Energy Sources.*** We believe more sustainable energy sources are needed given the limited nature and increasing price of fossil fuel supply as well as escalating electricity consumption.

- ***Government Incentives for Renewable Energy Sources.*** Governments around the world have implemented renewable energy policies and incentives to encourage the use of clean and sustainable energy sources, including solar energy. Countries including Australia, China, Germany, Japan, Korea, Spain and the United States have offered or announced plans to offer substantial incentives in the form of direct subsidies for solar power system installations or rebates for electricity produced from solar power.

- ***Tightening of Environmental Regulations.*** Solar power is capable of generating electricity without producing pollution such as gaseous or water emissions or noise during operation. Many governments around the world have adopted initiatives aimed at addressing worldwide environmental concerns and climate change risks associated with the use of fossil fuels.

- ***Increasing Cost Competitiveness of Solar Energy.*** The average prices of solar cells and modules are expected to decrease over the next few years as a result of improved production technologies and manufacturers attaining economies of scale. In addition, solar power systems are also more cost-effective for use in remote rural applications, where grid-connection costs are prohibitive.

- ***Availability of Solar Generated Electricity During Peak Usage Hours.*** Solar energy produces energy during peak consumption hours in the day, making this form of energy source abundantly available when energy needs are at its highest.

Some of the key challenges faced by the solar PV industry include the following:

- ***Possible Reduction or Elimination of Government Subsidies and Incentives.*** The current growth of the solar power industry substantially relies on the availability and size of government subsidies and economic incentives, such as capital cost rebates, feed-in-tariffs, tax credits, net metering and other incentives. Over the past two years, there have been significant government efforts to reduce subsidies and economic incentives in some of the European markets especially Spain and Germany. Despite the fact that subsidy reductions may affect the demand for solar PV systems, the major rationale behind is to normalize the unusually high return of the solar PV projects as a result of the rapid decline in solar PV modules prices. It is forecasted that a number of countries could potentially achieve grid parity in the next few years. Once grid parity is achieved, government subsidies can be eliminated entirely and solar energy will then become a viable long-term energy source.

- ***Availability of Funding for Downstream Projects.*** The cost and availability of funding is critical to the development of the solar PV industry. Tightening of the credit markets and the financial markets had a significantly impact on the renewable industry during financial crisis. Nevertheless, market conditions have gradually improved over the past 2 years while governments, banks and investors have been making capital available for new solar PV projects.

- ***Potential Oversupply in the solar PV industry.*** A number of capacity increases have been announced by polysilicon and wafer producers. If all of these announced capacities are available in the near future, there may be an oversupply of polysilicon and wafers. This oversupply could result in pricing pressures on polysilicon and wafers, which would have a negative effect on the profitability of polysilicon and wafer producers.

Solar PV technology

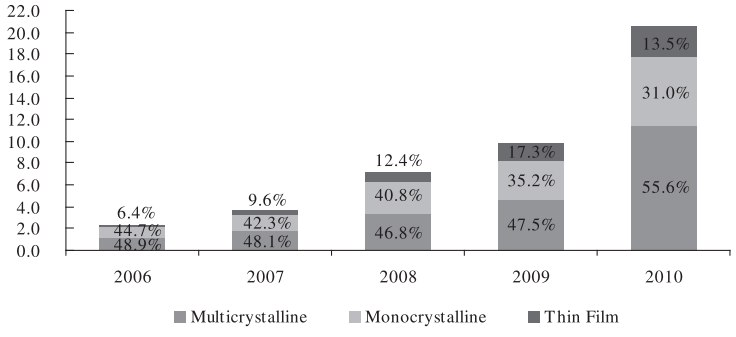
Solar power systems generally comprise a multitude of solar modules, which are made of multiple solar cells. There are two main categories of solar PV cell technology entailing different production processes and comprise of different material bases:

- crystalline silicon technology, comprising of monocrystalline (c-Si) and multicrystalline (poly-Si) technologies; and

- thin-film technology.

Crystalline technologies, including multicrystalline and monocrystalline, accounted for approximately 86.6% of total solar production in 2010, according to Solarbuzz estimates. There are alternatives to crystalline technology in photovoltaic applications. For example, the production of thin film solar cells uses primarily glass as a substrate and deposits a very thin layer of photosensitive material. Due to higher conversion efficiencies and rapidly declining costs of production, crystalline, and multicrystalline in particular, is expected to remain the mainstream technology for the manufacturing of solar cells. In addition, it is important to note that crystalline technologies have been the predominant bankable technology which financial institutions are comfortable providing financing to, given its proven technology and longer performance history.

2006–2010 world PV production by technology (GW)



Source: Solarbuzz 2011

Polycrystalline silicon value chain

	Polysilicon	Ingot/Wafer	Cell	Module	System	Distribution
Segment Overview	■ Chemicals business with large investment upfront	■ Relatively high technology part of the value chain, producing wafers, cells and modules, driven by achieving lowest possible manufacturing cost through high volumes			■ Effectively a distributed power development business ■ Focuses on securing permits, land/rooftops, obtaining subsidies and financing for projects	
Production/ Development Process	■ Polysilicon, using chlorosilane, is produced in chunks or granulate. Subsequently the material is reheated in crucibles	■ Polysilicon is sliced into ingots and wafers, then solar cellsg are manufactured from wafers ■ Solar cells are finally turned into modules via assembly line production facilities ■ The process is increasingly automated and focused on continuous quality checks			■ Consists of project development, module installation and the integration of the balance of system (mounting racks, inverters, cabling etc), structured around local markets ■ Solar plant operation, maintenance and generation of energy	

The solar PV manufacturing value chain begins with the production of polysilicon which starts with the processing of quartz sands to produce metallurgical grade silicon. This material is further purified to become solar grade or electronic grade virgin polysilicon feedstock. Recyclable polysilicon raw materials, which include tops and tails of discarded portions of polysilicon ingots, pot scraps and broken polysilicon wafers acquired from the solar and electronics industries, may also be used as feedstock when combined with high purity polysilicon.

For multicrystalline wafers, polysilicon is cast into ingots through a crystallization process and subsequently cut into blocks, whereas monocrystalline wafers are produced from a single seed crystal which is dipped in molten polysilicon and pulled into a cylindrical ingot. These ingot blocks, or ingots, are first squared into bricks and then sliced into wafers.

Wafers are then manufactured into solar cells through a multi-step manufacturing process that entails etching, doping, coating and applying electrical contacts. Solar cells are then interconnected and packaged to form solar modules, which together with system components such as batteries and inverters, are distributed to installers, systems integrators, service providers or directly to end-users, for installation onto on-grid or off-grid systems.

Polysilicon Industry

Introduction

Polysilicon is the primary raw material for the solar and electronics industries. The solar industry produces solar wafers, cells, modules and systems that convert energy from sunlight into electricity. The electronics industry produces semiconductors for use in electronic applications. Historically, the electronics industry has been the dominant user of polysilicon. Recent rapid growth of the solar industry has made solar PV the major end market for polysilicon. In 2010, the solar industry accounted for approximately 82% of the total polysilicon demand while the remaining 18% consumption came from the electronics industry, according to Solarbuzz.

Polysilicon Supply

The considerable growth in the solar industry over the past several years has resulted in greater demand for polysilicon. The polysilicon feedstock shortages in 2004-2007 and the resulting price spike have led to the significant capacity expansion of the incumbent producers as well as numerous Asian players entering the polysilicon market. During 2007–2010, global polysilicon production capacity grew significantly from 48.6KT in to 214.5KT, representing an increase of 341%, according to Solarbuzz. In China, despite the recent capacity addition, polysilicon production capacity still lagged behind solar wafer and cell production capacity. The following table indicates China's market share in 2010:

	Polysilicon	Wafer	Cell[(1)]
China	24%	68%	58%
Rest of World	76%	32%	42%
Total capacity	25.3 GW	26.1 GW	24.5 GW

Source: Solarbuzz 2011

(1) Includes cells produced using thin-film technology.

Prices of polysilicon have been volatile in the recent years. In 2005–2007, supply shortages had increased long-term contract prices to US$60-65 per kilogram during 2007 and spot price even peaked at US$450 per kilogram in mid 2008. Polysilicon prices then came down sharply during the second half of 2008 due to the significant supply increase. According to Solarbuzz, long-term contract prices dropped to US$50–60 per kilogram in the fourth quarter of 2009 and subsequently US$52–57 per kilogram by the end of 2010.

Despite the significant capacity increase over the past few years, barriers to enter the polysilicon market remain substantial due to high initial capital expenditure requirement, significant economies of scale required to accomplish competitive cost structure, sophisticated technologies and process knowhow needed for an efficient operation. Most leading polysilicon suppliers have built up significant economies of scale in the recent years. It is generally believed that a minimum production scale of 7,000 MT to 10,000 MT is required to benefit from economies of scale. A new polysilicon plant with the aforementioned production capacity would require an initial investment of approximately US$70 per kilogram to US$130 per kilogram. In addition, manufacturing of polysilicon requires years of experience in designing and managing chemical processes. Experienced producers with efficient processes can usually achieve higher production yields and better product quality. In order to secure stable supply at predictable costs, wafer and cell producers tend to acquire a majority of their polysilicon via long-term supply contracts generally with duration of 4–7 years. Most leading polysilicon suppliers sell the majority of their products via long-term supply contracts which generate better revenue visibility and stability.

The key competitive attributes of polysilicon are therefore consistent quality and cost competiveness to customers. In order to achieve a consistent quality, leading polysilicon manufacturers have strong quality control mechanisms, technical production and process management capabilities. To achieve cost competiveness, leading polysilicon manufacturers practise recycling and manufacturing of TCS in-house and the recycling of slurry in order to lower raw material costs. Large-scale batch processing also improves cost efficiency as polysilicon reactors are used in production round-the-clock. Lastly, increasing manufacturing scale allows economies of scale and lowered fixed costs of operations.

Production Technologies

Polysilicon is produced by refining metallurgical silicon in a highly technical and energy-intensive process. Metallurgical silicon, or MG-Si, has a purity level of 95% to 99% and is widely available. To be qualified for use in the solar industry, polysilicon needs to be refined to reach a purity level of 99.9999% (often referred to as "six nines" or 6N pure), and to be qualified to be used in the electronics industry, MG-Si needs to be refined to reach a purity level of 99.9999999% (often referred to as "nine nines" or 9N pure).

There are several ways in which polysilicon can be produced. The two main technologies used in the production of polysilicon are the Siemens reactor process, which is the dominant technology and the fluidized bed reactor ("FBR" process)

Siemens Process. The substantial majority of polysilicon used by the solar and electronics industries is produced via a process of chemical vapor deposition, whereby a chlorosilane gas e.g. Trichlorosilane is deposited onto a heated rod. The technology in the Siemens reactor is proven, mature, widely implemented and produces higher purity material and is adopted by most market leaders including Hemlock, Wacker, GCL and OCI.

The process of producing polysilicon begins with MG-Si. MG-Si is purified by various chemical processes to produce solar grade or electronic grade polysilicon. At temperatures between 1,000-1,100° C, TCS is decomposed into its constituents, hyper-pure silicon, which grows onto a polysilicon seed rod, and hydrogen chloride. After the polysilicon rods have grown to the desired thickness, ordinarily taking 5–12 days, the reactor must then be shut down, and the batch of polysilicon rods needs to be cooled and crushed into chunks. TCS has a high deposition rate and high volatility (which makes it easier to remove boron and phosphorous, the two compounds which cause low performance in solar cells). Using the Siemens reactor process has the disadvantage of requiring high electricity usage to maintain process temperatures. A variation of the Siemens process is called the modified Siemens method which is adopted by some of the new market entrants e.g. GCL, OCI and Daqo. In the modified Siemens process, by-products from the reactors are recycled through hydrochlorination, a chemical process which can produce TCS. Substantial cost savings can be achieved from reducing raw material purchase, resulting in a significantly lower cost of production.

Fluidized Bed Reactor. An alternative process for polysilicon production is FBR which results in granular silicon. Silicon fluoride is used instead of metallurgical silicon, which is converted into monosilane. Then polysilicon seeds are dropped into the reactor while monosilane and hydrogen gases continually pass through the reactor. This is a continuous process and the reactor does not need to be shut down to obtain the polysilicon, and the rods do not need to be crushed into chunks. The principal advantage of this process is that it uses less electricity than is required in the Siemens process; however, FBR is considered less proven and stable than the Siemens process. To date, however, only a few producers have established production using FBR technology on a commercial scale.

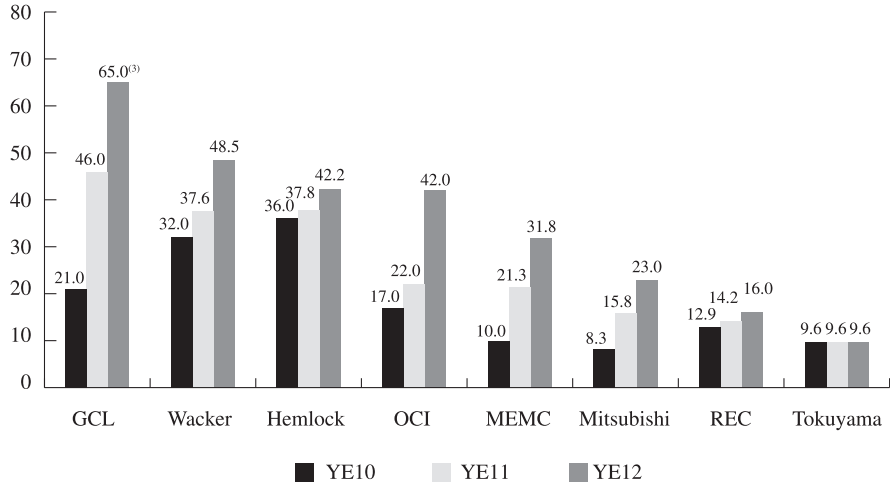
Others. In addition to the Siemens reactor process and the FBR process, some manufacturers have sought to commercialize other methods dedicated specifically to solar grade polysilicon. These methods seek to lower silicon production costs and to produce feedstock meeting the lower standards for use in the solar industry cost effectively.

Major Polysilicon Suppliers

The global polysilicon market used to be dominated by 7 major players, Hemlock, Wacker, REC, MEMC, Tokuyama, Sumitomo and Mitsubishi. The influx of new Asian entrants, including the two major emerging producers GCL and OCI, have changed the competitive landscape of the industry. According Solarbuzz, Hemlock and Wacker remained the market leaders with a combined capacity share

of 32% at the end of 2010. The two emerging Asian producers GCL and OCI successfully made themselves top-4 players in the industry. By the end of 2010, top-4 polysilicon producers have an average annual production capacity of approximately 26.5KT, which has further heightened the barriers to entry. See "Regulation — Renewable Energy Law and Other Government Directives."

Leading polysilicon producers by year end capacity (KT)[(1)(2)]



Source: Solarbuzz 2011

(1) All capacity information based on Solarbuzz estimates except for GCL.

(2) GCL capacity information based on company disclosure.

(3) Planned capacity by mid-2012.

Solar Wafer Industry

Monocrystalline wafers generally have higher conversion efficiencies than multicrystalline wafers. Compared to monocrystalline wafers, multicrystalline wafers are cheaper to produce and offer greater scope for further technological development, such as increasing the size of the ingot and reducing silicon waste and crystal defects. According to Solarbuzz, multicrystalline wafer-based cell production represented approximately 55.6% while monocrystalline wafer-based cell production constituted approximately 31.0% of the total photovoltaic market in 2010. Thin-film experienced its first market share decline in the past 5 years due to continued improvement in the conversion efficiency of crystalline technologies.

The main barriers to entry for wafer manufacturing currently include significant capital expenditures, access to high performance manufacturing equipment, availability of polysilicon, solid customer relationships with leading solar cell producers worldwide and significant manufacturing experience required to achieve optimal manufacturing efficiency.

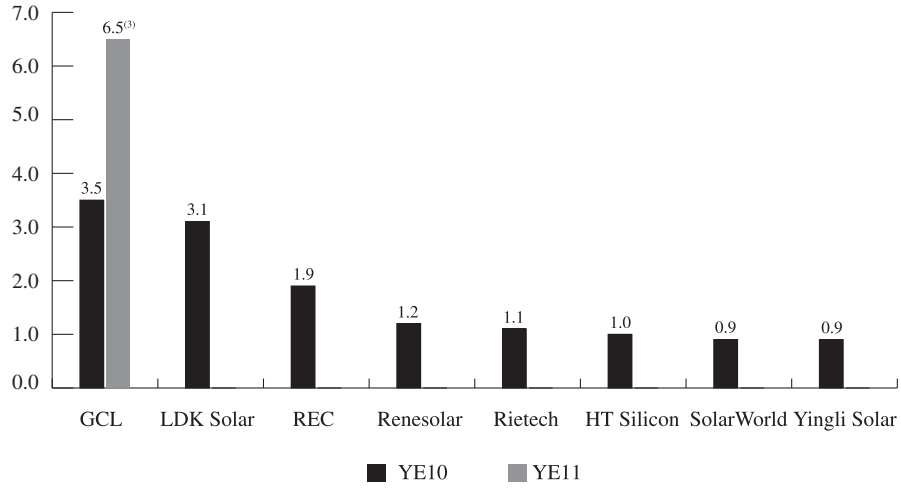
The key competitive attributes of solar wafers are product purity, cost competitiveness and proximity to customers. The first two factors ultimately contribute to a solar cell's cost per watt of electricity generation. The photovoltaic industry's main goal is to reduce the cost per watt of solar electricity generation in order to increase solar energy's competitiveness. Often there exists a trade-off between achieving high technical efficiency, or a high conversion efficiency, and a high manufacturing efficiency, or low production costs. Companies in the industry are striving to improve the quality and efficiency of solar wafers through improvements to their production processes. Wafers are fragile and not suitable for transportation over long distance; as a result, wafer suppliers in close proximity to

customers are better positioned in the industry. Production costs of monocrystalline or multicrystalline wafers can be reduced through the creation of larger ingots and thinner wafers, as well as the recycling of scrap materials and improving the production yield. Larger ingots reduce the amount of consumables and electricity used per watt of product manufactured and increase production yield. Additionally, larger ingots have less surface area per unit volume of monocrystalline or multicrystalline silicon produced, thus reducing the potential for contamination with impurities. The conversion efficiency is the key factor in determining how much incident light can be absorbed and converted into electricity. By manufacturing thinner wafers, less polysilicon is required to capture the same area of incident light resulting in lower production costs.

Major Wafer Suppliers

The solar wafer industry is considered less consolidated than the polysilicon market. In 2010, top-7 suppliers had an aggregate market share of 48.6%, based on Solarbuzz estimates. The following chart illustrates the top solar wafer producer by their 2010 year end production capacities. Most leading wafer suppliers are vertically integrated with exposure in either the polysilicon or the cell and modules segments.

Leading wafer manufacturers by year end capacity (GW)[(1)(2)]



Source: Solarbuzz 2011

(1) All capacity information based on Solarbuzz estimates except for GCL

(2) GCL capacity information based on company disclosure

(3) Capacity in 2011

Overview

We are a global leader in the solar industry. We supply polysilicon and wafers to companies operating in the solar industry. Polysilicon is the primary raw material for wafers used in the solar and semiconductor industries. Wafers are then processed by downstream manufacturers to produce solar cells and modules. We manufacture polysilicon at our production facility in Xuzhou and wafers at our production facilities in Xuzhou, Changzhou, Wuxi and Suzhou. All of our polysilicon and wafer production facilities are located in the Jiangsu Province of the PRC, where most of the Chinese cell and module manufacturers are located. As part of our co-location strategy, we have constructed wafer facilities near the downstream production facilities of Trina Solar, Canadian Solar and Suntech and have plans to construct additional wafer facilities near the downstream production facilities of our customers, such as JA Solar and Goldpoly. This allows us to further reduce costs and strengthen our customer relationships. As of December 31, 2010, our polysilicon production facility and wafer production facilities had an annual capacity of 21,000 MT and 3.5 GW, respectively, which we believe makes us one of the world's largest polysilicon producers and the world's largest wafer producer in terms of production capacity. We produced 17,853 MT of polysilicon and 1.4 GW of wafers in the year ended December 31, 2010, and we produced 7,454 MT of polysilicon in the year ended December 31, 2009. During the year ended December 31, 2010, we sold 10,507 MT of polysilicon and 1,451 MW of wafers, generating revenues for our solar business of HK$14,043.3 million (US$1,800.4 million). For the year ended December 31, 2009, we sold 5,675 MT of polysilicon and 46.4 MW of wafers, generating revenues for our solar business of HK$3,177.3 million.

We intend to sell most of our future products in the form of wafers. Historically we sold a combination of polysilicon and wafers. As of March 31, 2011, we had entered into long-term supply contracts with leading cell and module manufacturers, such as JA Solar, Trina Solar, Goldpoly, Canadian Solar, Hareon, China Sunergy, Solarfun, Indosolar and Neosolar, that provide for aggregate sales of over 55 GW of wafers between 2011 and 2016. We have contracted to sell substantially all of our planned annual production in the coming years, under our current portfolio of supply contracts. As of December 31, 2010, we had received HK$3.0 billion (US$380.4 million) of non-refundable deposits from our customers under our supply contracts. See "— Customers and Markets."

In order to meet our obligations under these supply contracts, we plan to increase the aggregate production capacity of our existing wafer production facilities and have also begun preparation for the construction of additional wafer production facilities in the PRC, which we expect will expand our aggregate wafer processing capacity to 6.5 GW by the end of 2011. To ensure that we have sufficient polysilicon for wafer production, we also plan to increase our polysilicon production capacity to 46,000 MT by the end of 2011 and to 65,000 MT by June 30, 2012. In the future, we intend to consume most of our polysilicon in-house for the production of our wafers.

In addition to our polysilicon and wafer businesses, we believe we are the largest foreign-owned independent power plant operator in the PRC. As at December 31, 2010, we operated 21 power plants (including our subsidiary and associated power plants) in the PRC. These comprised 14 coal-fired cogeneration plants and comprehensive resource utilization cogeneration plants, two gas-fired cogeneration plants, two biomass cogeneration plants, one solid-waste incineration plant, one wind power plant and one solar farm. As at December 31, 2010, our total installed capacity and attributable installed capacity were 1,125.5 MW and 773.3 MW, respectively. As at December 31, 2010, our total steam extraction capacity and attributable steam extraction capacity were 2,239.0 tonne/h and 1,756.4 tonne/h, respectively. Revenue for the power business for the year ended December 31, 2010 was HK$4,428.6 million (US$567.8 million).

In May 2010, we set up our solar power investment team to develop and invest in solar farm projects in the United States. As of December 31, 2010, we had completed construction of a 4.8 MW solar photovoltaic power project in several high schools in Antelope Valley, California, in the United States and a 1.2 MW photovoltaic power project in the University of California at San Diego with pipeline projects of approximately 2 GW. We intend to acquire 136 MW of solar photovoltaic power projects in the United States in the near future for a consideration of approximately US$80 million. We intend to fund this acquisition by a loan borrowed by one of our US solar farm subsidiaries and guaranteed by the Company.

For the years ended December 31, 2009 and 2010, our total revenue was HK$4,943.6 million and HK$18,471.9 million (US$2,368.2 million), respectively. For the years ended December 31, 2009 and 2010, profit/(loss) for the year was HK$(150.1) million and HK$4,388.1 million (US$562.6 million), respectively.

Our Competitive Strengths

Dominant market leader with established economies of scale and cost advantage

We believe we are one of the world's largest polysilicon producers and the world's largest wafer producer as of December 31, 2010 in terms of production capacity. We plan to increase the aggregate production capacity of our existing wafer production facilities and have also begun preparation for the construction of additional wafer production facilities in the PRC, which we expect will expand our aggregate wafer production capacity to 6.5 GW by the end of 2011. We also plan to increase our polysilicon production capacity to 46,000 MT by the end of 2011 and to 65,000 MT by June 30, 2012.

We believe our established economies of scale, research and development capabilities, advanced production processes as well as our PRC-based production facilities provide us with a cost structure that will be competitive with the other leading polysilicon and wafer manufacturers.

We use trichlorosilane ("TCS") to produce polysilicon, which is one of the main and most costly production inputs. Silicon tetrachloride ("STC") is a waste product that is emitted during our polysilicon production process. In February 2008, we successfully integrated a hydrochlorination process, a process by which STC is recycled to produce TCS, into our polysilicon production process, which significantly reduced the production cost for polysilicon. Since then we have continued to streamline our polysilicon production and by-product recycling processes to further reduce polysilicon production costs. During 2010, we successfully increased our hydrochlorination capacity from 300,000 MT to 500,000 MT, which allowed full recycling of by-products. In the fourth quarter 2010, approximately 99.8% of the TCS we consumed was produced in-house through our hydrochlorination process. As a result, our polysilicon production cost reduced to US$22.5 per kilogram by the end of December 2010, which we believe is one of the lowest in the solar industry based on publicly available information. Our wafer production cost was reduced from US$0.63 per W in the first quarter of 2010 to US$0.55 per W in the fourth quarter of 2010. We target to further reduce our polysilicon production and wafer processing cost to approximately US$20 per kilogram and US$0.20 per W by the end of 2011, respectively.

Also, although we only commenced our in-house wafer production in January 2010, we have already been able to reduce our wafer production costs to competitive levels. This is partially attributable to our acquisition of Konca Solar in March 2010. While we have been developing our wafer facilities independently, our acquisition of Konca Solar has significantly enhanced our know-how with respect to wafer production.

Co-locating our wafer facilities near to our major customers' downstream production facilities

We are a pioneer in co-locating our wafer production close to the downstream production facilities of our customers. Currently, we have wafer facilities near the downstream production facilities of Trina Solar, Canadian Solar and Suntech. We have plans to construct additional wafer facilities near the downstream production facilities of our customers, such as JA Solar and Goldpoly. This enables us to establish close sales cooperation with these customers. With our co-location strategy, we are able to respond to customer orders quicker, reduce our logistic costs and save packaging costs. One other major benefit of this co-location strategy is the reduction of wafer breakage during transportation which enhances the overall quality of our delivered goods. Producing thinner and more efficient wafers is a trend in and a major challenge for the solar industry. Thin wafers tend to be more fragile than thick ingots and are easily broken during transportation. Shorter transportation distances will enable us to reduce breakage rates and costs associated with providing replacement goods.

Sustainable revenues through long-term supply contracts

As of March 31, 2011, we had entered into long-term supply contracts with leading cell and module manufacturers, such as JA Solar, Trina Solar, Goldpoly, Canadian Solar, Hareon, China Sunergy, Solarfun, Indosolar and Neosolar, that provide for aggregate sales of approximately 55 GW of wafers. These contracts generally require customers to make advance payments or provide other financial guarantees or support and have pre-set volumes that increase substantially in the latter years of the contract. See "— Customers and Markets." As of December 31, 2010, we had received HK$3.0 billion (US$ 380.4 million) of non-refundable deposits from our customers under these supply contracts. These contracts provide us long-term customer relationships, sustainable demand and protection against spot price volatility.

Proven capability in constructing and ramping up production capacity

We have proven our capability to construct and increase our polysilicon and wafer production capacities. During 2008, we increased our production capacity of polysilicon from 1,500 MT to 3,000 MT and produced 1,850 MT of polysilicon in that year. In the years ended December 31, 2009 and 2010, our polysilicon production capacity increased to 18,000 MT and 21,000 MT, respectively. During the year ended December 31, 2009 and 2010 we produced 7,454 MT and 17,853 MT of polysilicon, respectively. For the year ended December 31, 2010, we increased our in-house wafering production capacity from zero to 3.5 GW. Part of this growth was achieved by our acquisition of Konca Solar, one of the leading suppliers of solar wafers in the PRC, in March 2010, which at the time of acquisition had a production capacity of 300 MW. We funded and cooperated with Konca Solar to increase its production capacity to 1.65 GW by December 31, 2010. The remaining 1.85 GW of production capacity was constructed and developed by ourselves.

We believe that we achieved these milestones by leveraging our management's strategic vision, execution and coordination capability, our technical and engineering resources and our supply chain management expertise which overcomes certain difficulties associated with the design, installation and operation of our production facilities. Our management team's strong experience in development of large-scale projects on an engineering, procurement and construction ("EPC") basis and execution capabilities have been fundamental to our significant increase of polysilicon and wafer production capacity in a short period and the successful integration of our solar business with our power business.

Advanced technology and product quality

Technological innovation is essential for our continued development. In 2009, we established the United States Research and Development Center and the Suzhou Industrial Technology Research Institute to provide technical support which has enabled us to take advantage of current best

technologies, materials and manufacturing know-how. In cooperation with our United States Research and Development Center, our solar business has completed several major technological improvements and is continuously seeking to minimize energy and material consumption in our polysilicon production process. For instance, with our in-house developed innovative technology, we have been able to lower the energy consumption of CVD reactors to below 60 kWh per kilogram of polysilicon produced, and during the year of 2010, we successfully increased our hydrochlorination capacity from 300,000 MT to 500,000 MT, which allowed full recycling of the by-products of production and reduced the cost of TCS. As a result of our commitment to technological advancement, we have been able to produce both solar and electronic grade polysilicon since 2010 with standards achieving a level of 11-nines, referring to a high level of purity. With respect to wafer production, we have achieved production scale that further reduces wafer processing cost by more efficient use of crucibles, producing crucibles in-house, making use of diamond wires in our ingot squaring process, and reducing the usage of steel wire in our slicing process. In December 2010, we also commenced operation of our slurry recovery project with an annual production capacity of 20,000 MT, which has further reduced our wafer processing cost. At end of year 2010, our polysilicon production cost was US$22.5 per kilogram, which we believe was amongst the lowest in the industry based on publicly available information. Our wafer production cost was reduced from US$0.63 per W in the first quarter of 2010 to US$0.55 per W in the fourth quarter of 2010 as a result of our acquisition of Konca Solar in March 2010.

In recognition of our achievements, we were selected by the Xuzhou government as one of the "Top Ten Enterprises with Technology Advancements" in February 2009. The Jiangsu government also named our polysilicon as one of their "High-Tech Products." To date, we have successfully obtained 43 patents and there are more than 75 patent applications pending approval.

High barriers to entry

The PRC government has recently imposed additional measures to regulate polysilicon production. Some of these measures impose strict regulation regarding the expansion of polysilicon production capacities. The aim of such measures is to reduce pollution and high-energy consuming polysilicon producers in the industry. Under these new regulations, a qualified polysilicon producer must maintain an annual production scale of at least 3,000 MT, its energy consumption for CVD reactors should be reduced to below 60 kWh per kilogram of polysilicon and total energy consumption for polysilicon production should be lower than 200 kWh per kilogram by the end of 2011. In addition, polysilicon production facilities are required to recycle at least 95% of water, 98.5% of STC and 99% of hydrogen chloride and hydrogen. Any polysilicon producer who cannot fulfill these requirements will need to overhaul its facilities or face possible closure. We expect that a significant amount of initial capital expenditures would be needed for a new entrant to meet these new requirements. We are able to comply with these stringent requirements and operate cost efficiently in such a strict regulatory environment and we believe these recent measures have further increased the entry barriers to the PRC's polysilicon industry. Our strengths in terms of scale, efficiency, technology and the environmental protection systems implemented in our facilities allow us to take advantage of the trend of consolidation in the PRC polysilicon industry and we are committed to achieving improved market share, production efficiency and economies of scale in the consolidation process. As of the date of this document, we are fully in compliance with these regulations in relation to polysilicon industry.

Experienced management team

Our management team consists of an experienced group of industry experts and professionals who have positioned us to take advantage of the increased demand for solar products. They have had a vision for strategic planning and a successful track record of execution. Our chairman, chief executive officer and founder of our group, Mr. Zhu Gong Shan is a pioneer in the development of polysilicon production and power plant construction and operation in China. Members of our senior management team have a track record of managing enterprises as well as constructing and operating large power plants. Mr. Sha

Hong Qiu, one of our executive directors, has been with us since November 2006 and has over 10 years experience in the operation and management of power plants. Mr. Tong Yee Ming, our chief financial officer and executive director, has broad financial management and accounting experience and has been the chief financial officer and finance director for a number of companies, including several companies listed on the SEHK. Mr. John Russell Hamilton, our chief technology officer, has extensive industry experience gained from working with REC, Chevron and Unocal.

Our Strategies

Strengthen our market position

We plan to continue to expand our production capacity of polysilicon and wafers in order to strengthen our market position and continue meet our customer obligations. We expect our polysilicon production capacity to reach 46,000 MT by the end of 2011 and our polysilicon output to reach 31,000 MT in 2011. Meanwhile, through implementing technical upgrades and reducing energy consumption, we could lower our polysilicon production costs to further enhance our cost leadership position.

We also plan to continue to focus on the development of our wafer business in 2011. Apart from our current wafer production bases in Xuzhou, Wuxi, Changzhou and Suzhou, we plan to establish new wafer facilities in Yangzhou, Taicang, Quanzhou and Nanjing. We expect that by the end of 2011, our wafer production capacity will increase to 6.5 GW and our wafer output will reach 5.5 GW by the year ended 2011. As a result of this proposed expansion in our wafer production capacity, we expect the majority of our polysilicon output to be consumed for our own wafer production by the end of 2011. This will extend our cost leadership in the polysilicon production to our wafer business, making us one of the most cost-efficient producers of polysilicon and wafers in the world.

Continue to drive down our cost of production through technological improvements

We aspire to be one of the most cost-efficient polysilicon and wafer producers globally. The long-term goal of the solar industry is to achieve grid parity so that no further government subsidies and incentives are required to promote the use of solar energy. As demand for solar photovoltaic ("PV") products increase and production capacity expands across the value chain, the ability to maintain a competitive cost structure will be crucial to our success. We intend to do so by investing in technological advancements and applying prudent manufacturing principles. We plan to devote substantial resources to enhance the efficiency of our production processes and in particular, reducing our polysilicon and ingot production cycle times, electricity consumption and the use of raw materials. We have thus far been able to shorten our production cycles by adjusting reactor parameters as well as lowering electricity usage. We will also focus our research and development efforts on the application of next generation solar technologies in order to strengthen our market position and capture future development opportunities in the solar industry.

Continue to secure long-term supply contracts

While the market price of polysilicon is increasing due to the supply shortage, we have foregone any short-term gains by not increasing our wafer prices significantly. This has enabled us to build up our customers' trust, promote the acceptance of our products and our image, establish order in the industry and stabilize the business operating environment. As a result of our market strategy, we had entered into a number of supply contracts for wafers with leading cell and module manufacturers that provide for aggregate sales of over 55 GW of wafers through the period of 2011 to 2016 as of March 31, 2011. We plan to continue to adopt this market strategy in order to ensure our stable sales growth and stable revenues in the near- and medium-term, business certainty and sustainability and to protect us against spot price volatility.

Concentrate on production of polysilicon and wafer without competing with our downstream customers

With our competitive cost structure and production capacity, we believe we will continue to be well positioned to benefit from the growth of the solar industry. Our position as an upstream polysilicon and wafer producer minimizes competition and conflicts of interest with our customers in the cell and module segments. It enables us to form strong strategic partnerships with our customers enabling us to gain feedback and be responsive to any future changes in industry trends.

We plan to continue to focus on the production of polysilicon and wafers, as we believe that the production of these upstream products yields the highest margins in the solar materials value chain and also has the highest barriers to entry compared with the production of solar cell and solar modules. We have and will continue to dedicate a significant amount of our management efforts and financial, technical, research and human resources to the design, research and development, manufacturing and distribution of both our polysilicon and wafer products. As the difference between the costs of generating electricity from solar versus traditional means narrows, we anticipate global demand for new installations of PV systems to continue to grow in 2011, which in turn will increase demand for our polysilicon and wafers.

Our Facilities

Our solar business is focused in Jiangsu, China, where all of our polysilicon and wafer production capacities are located. Our power business is also focused in Jiangsu where we operate 15 cogeneration power plants and one solar farm. We also have three cogeneration power plants in Zhejiang, one gas-fired power plant in Beijing and one wind farm in Inner Mongolia. We have two research and development ("R&D") centers in Suzhou, China and Richland, United States.

The following map illustrates the locations of our polysilicon and wafer production facilities (including future facilities), existing power plants and operating centers in China:

Solar Business

We currently have one polysilicon production facility in Xuzhou, Jiangsu and four wafer production facilities in Suzhou, Xuzhou, Changzhou and Wuxi in Jiangsu. As of December 31, 2010, our aggregate polysilicon production capacity achieved 21,000 MT per annum and our aggregate wafer production capacity was 3.5 GW per annum. The following table sets forth our solar production facilities in Jiangsu as of December 31, 2010:

Polysilicon facility	**Annual production capacity**	**Actual output in the year ended December 31, 2010**
		(in MT)
Xuzhou, Jiangsu	21,000	17,853

Wafer facilities	**Annual production capacity**	**Actual output in the year ended December 31, 2010**
		(in GW)
Xuzhou, Jiangsu	0.65	0.4
Suzhou, Jiangsu	0.6	0.1
Changzhou, Jiangsu	0.6	0.2
Wuxi, Jiangsu[(1)]	1.65	0.7
Total	3.5	1.4

(1) We acquired Konca Solar in Wuxi in March 2010, which had an initial wafer production capacity of 0.3 GW per annum.

Operating Center

We set up an operating center in the industrial park in Suzhou which is responsible for overseeing our solar business, including sourcing and allocation of raw materials, purchase and maintenance of equipment, sales and marketing and executive management.

Expansion and Development Projects

We plan to increase our polysilicon production capacity to 46,000 MT by the end of 2011 and to 65,000 MT by June 30, 2012. To further expand our production capacity and to implement our co-location strategy, we intend to construct four additional wafer production facilities located in Taicang, Yangzhou, Nanjing and Quanzhou. These facilities are all close to one or two of our major customers. We anticipate that construction of these four facilities will complete by the end of 2011, and will increase our wafer annual production capacity by 3 GW.

Power Facilities

We own and invest in a total of 18 cogeneration power plants, one incineration power plant, one wind power plant and a 20 MW solar farm in Xuzhou, Jiangsu province, which is currently the largest solar farm in China. Most of these plants are located in Jiangsu and Zhejiang provinces in China. Among the 18 cogeneration power plants, 16 are wholly owned or controlled by us. The table below sets out the details of our subsidiary power plants and associated power plants as of the date of this document:

Plant	Fuel(s)	Current Interest in the Plant	Approved Generators	Installed Capacity[1]	Current Attributable Installed Capacity[2]	Approved Boilers	Installed Boilers
				(MW)	(MW)		
Subsidiary Plants							
Kunshan Cogeneration Plant	Coal	51%	2	2 × 24	24.48	3	3
Haimen Cogeneration Plant	Coal	51%	2	2 × 15	15.30	3	2
Huzhou Cogeneration Plant	Coal	94.77%	3	2 × 15	28.43	4	2
Rudong Cogeneration Plant	Coal	100%	2	2 × 15	30.00	3	3
Jiaxing Cogeneration Plant	Coal	95%	3	2 × 15+1 × 6	34.20	4	4
Lianyungang Xinneng Cogeneration Plant	Coal/Coal Sludge	100%	2	1 × 6+1 × 15	21.00	3	3
Puyuan Cogeneration Plant	Coal	100%	3	2 × 15+1 × 6	36.00	3	3
Suzhou Cogeneration Plant	Natural Gas	51%	2	2 × 180	183.60	2	2
Fengxian Cogeneration Plant	Coal/Coal Sludge/Gangue	51%	2	2 × 15	15.30	3	3
Yangzhou Cogeneration Plant	Coal/Coal Sludge/Gangue	51%	2	2 × 24	24.48	3	2
Baoying Cogeneration Plant	Biomass	100%	2	2 × 15	30.00	3	3
Lianyungang Xiexin Cogeneration Plant	Biomass	100%	2	2 × 15	30.00	3	3
Taicang Incineration Plant	Municipal Solid Waste	100%	2	2 × 6	12.00	3	3
Taicang Poly Cogeneration Plant	Coal	100%	3	3 × 15	45.00	4	4
Dongtai Cogeneration Plant	Coal/Coal Sludge	100%	2	2 × 15	30.00	3	2
Peixian Cogeneration Plant	Coal/Coal Sludge/Gangue	100%	2	2 × 15	30.00	3	3
Xuzhou Cogeneration Plant	Coal/Coal Sludge/Gangue	75%	2	2 × 15	22.50	3	3
Guotai Wind Power Plant	Wind Power	100%	—	49.5	49.50	N/A	N/A
Xuzhou Solar Farm	Solar Power	100%	—	20	20.00	N/A	N/A
Subtotal				945.50	681.79		
Associated Plants							
Funing Cogeneration Plant	Coal/Coal Sludge	60%	2	2 x 15	18.00	3	3
China Resources Beijing Cogeneration Plant	Natural Gas	49%	2	2 x 75	73.50	2	2
Total				1,125.50	773.29		

(1) Installed capacity equals number of generators in use times the power generation capacity of each generator.

(2) The attributable installed capacity is calculated by multiplying the equity interest currently held by us in the relevant power plant by the installed capacity of that plant.

Our Products

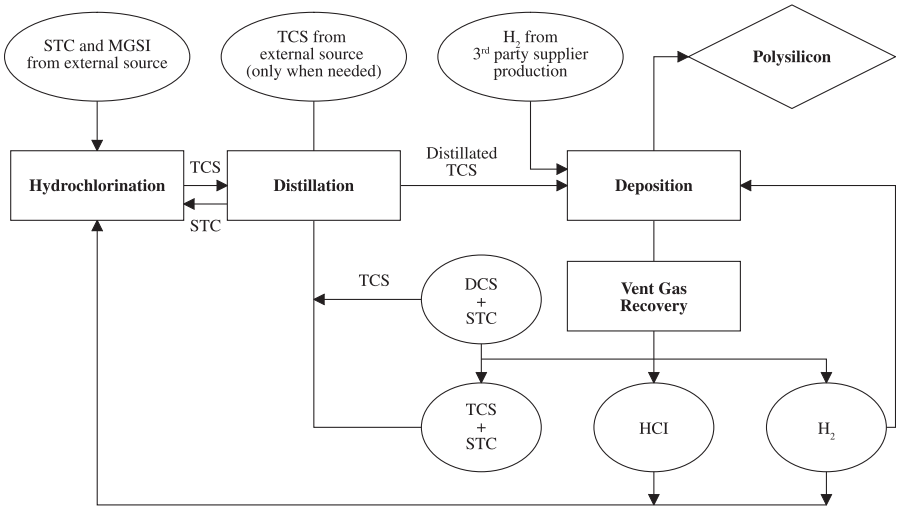
We sell polysilicon and wafers to companies operating in the solar industry. We are also one of the largest independent power plant operators in the PRC.

Polysilicon

Manufacturing Process

We use a modified Siemens process to produce polysilicon. The modified Siemens process results in a lower cost of production by way of by-products recycling, requiring less energy measured as a combination of electricity, steam and gas. It also produces higher purity polysilicon when compared to

the original Siemens reactor process and the silane-based FBR technology. The process includes four distinct steps: (1) hydrochlorination; (2) distillation; (3) deposition; and (4) vent gas recovery. The reactor in which polysilicon is formed is a key production component.



Hydrochlorination. This process is used to convert the STC produced as a by-product from the poly deposition process, combining the STC with hydrogen gas to produce TCS. HCl, a by-product from this reaction, will be mixed with MG-Si simultaneously, to further produce TCS.

Distillation. This process involves separating the unused HCl and STC from the TCS through distillation and condensation, that is, pressure and temperature separation. The TCS will then undergo further distillation removing other detrimental contaminants like phosporous and boron and resulting in high purity TCS feedstock to be used in poly deposition process. High purity TCS is required for our 11-N Quality standard polysilicon.

Deposition. The resulting purified TCS is mixed with hydrogen and vaporized into a gas, which is then released into the reactor with heated (1,200 degrees Celcius) silicon rods inside the cooled bell jar of the reactor. Silicon rods are produced in separate machines and have a diameter of approximately 8 mm. These rods are etched in acid to remove any excess impurities prior to being placed in the polysilicon deposition reactor. The silicon contained in the gas is deposited on the heated rods, which gradually grow until the desired diameter has been reached. We grow our polysilicon rods to approximately 150 mm in diameter. The reactor must then be shut down, and the rods cooled before being broken down into chunks for filling ingot crucibles at our wafer facilities.

Vent Gas Recovery. The production of polysilicon generates vent gases comprised primarily of hydrogen, chlorosilanes and hydrogen chloride. The vent gases are separately recovered using a low temperature absorption method. We use both CDI and an improved GCL technology-based vent gas recovery system, which combines compression, cryogenic condensation, distillation, ambient absorption and absorption, to separate the vent stream into components that are readily recycled. Mixed chlorosilanes are recovered as a liquid stream suitable for distillation of TCS for reuse, and STC which can be converted to TCS through the hydrochlorination process. Anhydrous hydrogen chloride is recovered with high purity, suitable for use in TCS production. Recovered hydrogen typically contains contaminants of less than 10 parts per million (“ppm”), in total and can be recycled to the TCS vaporizer without further treatment. For some applications, the process has achieved less than 1 ppm total contaminants (99.9999% pure hydrogen). The Siemens reactor recovers and utilizes the vent gas, which enhances the quality of the polysilicon produced and reduces the need to store or dispose of by-products. A waste stream with dichlorosilane is removed and passed through a catalytic reactor to convert the waste into TCS.

Materials Used in Polysilicon Production

Metallurgical-grade Silicon/Silica

MG-Si, which is silicon of 95% to 99% purity, is one of the primary raw materials used in the production of TCS. MG-Si is readily available in the PRC. The price at which MG-Si can be purchased has been quite stable.

Trichlorosilane

TCS is one of the main and most costly production inputs. In February 2008, we pioneered in the PRC the integration of hydrochlorination process into our polysilicon production process, which is able to recycle STC, a waste product that is emitted during the polysilicon production process, to produce TCS and thus significantly diminish our reliance upon external supply of TCS and reduce the production cost for polysilicon. Since then we have continued to streamline the polysilicon production and by-product recycling processes to further reduce our polysilicon production cost. In the year ended December 31, 2010, we successfully increased our hydrochlorination capacity from 300,000 MT to 500,000 MT, which allowed full recycling of the by-products and reduced the cost of TCS. In the fourth quarter of 2010, approximately 99.8% of the TCS we consumed was produced by our hydrochlorination process. As a result, our polysilicon production costs decreased to US$22.5 per kilogram by the end of December 2010.

Electricity

Electricity is a significant cost in the production of polysilicon. We obtain our electricity supply from the Xuzhou Electricity Company in the Jiangsu Xuzhou Economic Development Zone, or the Industrial Park, in Xuzhou, China. We have minimal control over the costs of electricity as we purchase from the local power grid. The Xuzhou Electricity Company manages the power grid that provides electricity to the Xuzhou Chemical Industrial Park.

Steam

Steam supply is important to the production of polysilicon. We have stable supply of steam from two related cogeneration power plants.

Others

The most significant other inputs for the production of polysilicon are deionized water, HCl, nitrogen, calcium oxide, hydrogen and recycled water. We have in-house facilities for our hydrogen and nitrogen synthesis, compressed air production, deionized water production and recycled water pumps at our Xuzhou polysilicon production facility. Hydrogen is also produced on site by a specialty gas vendor.

Wafers

Manufacturing Process

Wafer production can be divided into two main steps: (1) production of ingots, and (2) wafering.

Production of Ingots. Monocrystalline ingots and multicrystalline ingots are manufactured using different equipment, with monocrystalline ingots having a single orientation and which then produce wafers with lower electrical resistance and therefore higher conversion efficiencies. Polysilicon feedstock is prepared with de-ionized water in etching stations. The prepared polysilicon feedstock is then placed in crucibles. Each crucible is then loaded into a furnace for melting and crystallization.

[2] Is this one of the related party transactions? Which power plants are the ones producing/selling steam to the solar business.

Multicrystalline ingots formed during the crystallization process are large square parcels which are then cut into smaller blocks with a squarer, a process known as squaring. The resulting ingot is then cropped. Monocrystalline ingots are formed from a single seed crystal which is dipped in molten polysilicon and pulled into a single cylindrical ingot; such ingot is cropped and, then squared. These blocks are then prepared for slicing.

Wafering. Using wire saws, the prepared blocks are sliced into wafers. Wafers are then washed and dried at wafer cleaning stations before final inspection and packaging for shipment.

Illustrated below is a diagram of the ingot production and wafering process.

Materials Used in Wafer Production

Polysilicon Feedstock. The main raw material for both ingot and wafer production is polysilicon feedstock. We use most of our own polysilicon to manufacture wafers.

Crucibles. A crucible is a container used to hold polysilicon feedstock for melting in a furnace and has to withstand extremely high temperatures. Quartz crucibles used to produce multicrystalline ingots are currently not reusable, as once the ingot is formed, the crucible holding the ingot has to be broken to remove the ingot. Quartz crucibles which hold the molten polysilicon used to pull a monocrystalline cylindrical ingot from a seed crystal also cannot be reused. In 2010, we started to produce a portion of the crucibles that we use.

Slurry and Wire. Slurry is used in the wire sawing process. It is a fluid composed of silicon carbide, or SiC, which functions as an abrasive, and polyethylene glycol, or PEG, which acts as a coolant. Wires are used in wire saws to carry the slurry in order to create an abrasive cutting tool.

Electricity

For the year ended December 31, 2010, revenue from our power business was HK$4,428.6 million (US$567.8 million), representing approximately 24.0% of our total revenue.

According to the Electric Power Law of the PRC, a power plant is required to sell its power to the State Grid through the provincial power grid companies, to which it is connected pursuant to power sale agreements. In China, a power plant sells its electricity output only to the power grid companies in the same province. Our power sales to the power grid companies are calculated and settled on a monthly basis according to our total output. The power sales of each of our 21 power plants, in which we have investments and operations in the PRC, are determined by two factors:

- Our planned output; and
- The on-grid tariff.

Planned Output

Each year the relevant provincial government issues guidelines on the planned output of each power plant in the form of utilization hours on the basis of the average utilization hours of comparable generating units in the relevant province. Pursuant to such guidelines, each of the power plants operated by us are given notices on the estimated amount of the planned output for the current year. Since power

plants operated by us are primarily cogeneration power plants that meet the PRC Government's heat to power ratio and thermal efficiency requirements, our plants are entitled to higher dispatch priority than conventional coal-fired power plants. In addition, we benefit from government policies that encourage the use of more environmentally friendly fuels, such as gangue, coal sludge, municipal solid waste and biomass, pursuant to which the plants operated by us using such fuels are also entitled to higher dispatch priority.

On-grid Tariff

On-grid tariff differs in accordance with the fuel types of each power plant and whether the power plant has installed desulphurization equipment. In addition, in the event that the number of the actual utilization hours of a power plant is higher than its planned output, the excess output of electricity may be subject to a lower on-grid tariff.

The following table indicates total electricity sales for each of the powers plants operated by us during the period indicated:

	For the year ended December 31,	
	2009[1]	2010
	(MWh)	(MWh)
Subsidiary power plants		
Kunshan Cogeneration Plant	179,490	391,866
Haimen Cogeneration Plant	59,860	117,320
Rudong Cogeneration Plant	78,287	165,525
Huzhou Cogeneration Plant	66,057	148,667
Taicang Poly Cogeneration Plant	117,563	214,634
Jiaxing Cogeneration Plant	91,353	209,871
Lianyungang Xinneng Cogeneration Plant	49,437	91,153
Puyuan Cogeneration Plant	98,855	204,167
Fengxian Cogeneration Plant	80,075	157,466
Yangzhou Cogeneration Plant	116,460	267,002
Dongtai Cogeneration Plant	72,820	143,089
Peixian Cogeneration Plant	86,333	180,448
Xuzhou Cogeneration Plant	78,613	152,248
Suzhou Cogeneration Plant	662,006	1,789,106
Baoying Cogeneration Plant	75,880	154,253
Lianyungang Xiexin Cogeneration Plant	73,202	144,120
Taicang Incineration Plant	26,252	72,224
Xilingol Guotai Wind Power Plant	27,000	84,263
Xuzhou Solar Farm	—	21,663
Total subsidiary power plants	2,039,543	4,709,085
Associated power plants		
Funing Cogeneration Plant	80,530	103,179
China Resources Beijing Cogeneration Plant	283,298	642,701
Total subsidiary and associated power plants	2,403,371	5,454,965

(1) These figures reflect our electricity sales during the period between August 1, 2009 and December 31, 2009.

The average utilization hours of a power plant refers to the amount of electricity produced in a specified period (in MWh) divided by the average installed capacity of the power plant in such period. Theoretically, the maximum utilization hours of a power plant is approximately 8,760 hours per year. During the years ended December 31, 2009 and 2010, our average utilization hours were 6,291 hours and 5,465 hours, respectively.

Steam

The cogeneration plants operated by us sell steam to customers. Most of our steam is sold for industrial and commercial use, including wood processing, food product manufacturing, chemical engineering, dyeing and electronics manufacturing. Our industrial customers are highly reliant on the steam produced by our plants, as they generally do not have the capability to operate their own boilers in an efficient manner. As part of the incentives provided by the PRC government, we have exclusive rights to sell steam to the customers within the heat zone of our cogeneration plants, generally within an eight km radius of our cogeneration plants.

The table below total steam sales for each of the power plants operated by us during the period indicated:

	For the year ended December 31,	
	2009[(1)]	2010
	(tonne)	(tonne)
Subsidiary power plants		
Kunshan Cogeneration Plant	221,986	692,116
Haimen Cogeneration Plant	189,501	482,847
Rudong Cogeneration Plant	184,535	651,420
Huzhou Cogeneration Plant	153,658	360,697
Taicang Poly Cogeneration Plant	171,016	423,697
Jiaxing Cogeneration Plant	413,546	909,017
Lianyungang Xinneng Cogeneration Plant	74,418	221,368
Puyuan Cogeneration Plant	376,033	840,530
Fengxian Cogeneration Plant	164,065	379,595
Yangzhou Cogeneration Plant	82,388	254,049
Dongtai Cogeneration Plant	164,178	449,191
Peixian Cogeneration Plant	62,706	168,129
Xuzhou Cogeneration Plant	78,875	264,555
Suzhou Cogeneration Plant	220,683	625,172
Baoying Cogeneration Plant	66,916	186,962
Lianyungang Xiexin Cogeneration Plant	54,654	133,148
Total subsidiary power plants	2,679,108	7,042,493
Associated power plants		
Funing Cogeneration Plant	34,326	88,167
China Resources Beijing Cogeneration Plant	120,869	358,272
Total subsidiary and associated power plants	2,834,303	7,488,932

(1) These figures reflect our steam sales during the period between August 1, 2009 and December 31, 2009.

Repair and Maintenance

Each of the power plants operated by us has a timetable for routine maintenance, regular inspection and repair. Such timetables and the procedures for repair and maintenance are established by each plant pursuant to the relevant regulations promulgated by the local government. Under our procedures, existing power generation units are operating on a cycle of three to five years, after which they undergo an overhaul lasting between seven to fifteen days.

Equipment

Polysilicon Production

The major production equipment for our polysilicon production includes hydrochlorination synthesizers, distillation chambers, CVD reactors, hydroelectrolysis devices, vent gas recovery system, vent gas washing towers and power supply control systems. Historically, we purchased key equipment for polysilicon production such as CVD reactors, vent gas recovery mechanisms, vent gas washing towers and power control systems from manufacturers in the United States, Europe and Japan. We now source the majority of these equipment from manufacturers in China except our CVD reactors, which are purchased from a combination of suppliers from China and the United States, and some large-scale compressors, which are purchased from suppliers from Japan.

The contracts are denominated in RMB or US$. Under the terms of the equipment supply contracts, we are typically obliged to make a prepayment which constitutes a portion of the total contract price. The remainder of the contract price is payable in installations, either upon lapse of intervals of time since the effective date of the contract or achievement of performance milestones of the equipment. The total contract price generally includes the purchase price for the equipment, parts, technical support, training and maintenance services as are reasonably required by us for a specified number of years. Additional services may be provided by the supplier at specified rates. The supplier grants a licence to us for using the equipment. Most of the international suppliers provide an indemnity for any loss suffered by us in relation to infringement of third party intellectual property rights. Most of these contracts are governed by the laws of the PRC.

We maintain close relationships with several market leading equipment manufacturers and work closely with selected equipment manufacturers to develop, build and refine our production lines and system. In addition, we developed technical specifications for the design of our power supply systems and reactors and have engaged manufacturers to construct the equipment in accordance with our specifications. In the meantime, we have purchased and will continue to purchase equipment that are appropriately designed and manufactured by domestic suppliers to lower our expenditures on plant and machines. Our technical team is responsible for overseeing the installation of our manufacturing lines to ensure that the interaction between the various individual components of the entire production process is optimized. They work together with our equipment suppliers' technical teams on site.

Wafer Production

As wafer production process focuses mainly on changing the physical attributes of polysilicon, wafer production involves less complexity and technicality compared to polysilicon production. To mold ingots and slice wafers, we utilize crystallization furnaces, ingot pulling machines, DDS furnaces, wire saws and certain other equipment. Historically, we sourced our ingot pulling machines from international manufacturers. As the quality of the machines manufactured in the PRC has improved, we intend to purchase ingot pulling machines from domestic suppliers starting in 2011. We will continue to purchase wafer sawing machines from international suppliers, as the wafer slicing process requires very high standards on the precision of the saws.

Quality Assurance and Customer Support and Service

Our quality control consists of three components: incoming inspection through which we ensure the quality of the raw materials that we source from third parties; in-process quality control of our production processes; and output quality control of products through inspection and testing. We have a team of professional technicians at our operating center in Suzhou and at each of our polysilicon and wafer production facilities to perform quality control and inspection. We also have a laboratory responsible for the analysis of raw material in-process quality control and finished products and the supervision of environmental pollution and safety.

To ensure the quality of polysilicon we produce, we conduct various experiments and testing of our production equipment and facilities and make adjustments of our controlling system from time to time to ensure all parameters for polysilicon production are optimized. Real-time monitor and examination are given during the entire polysilicon production process. We control the quality of our wafers in two steps. We rely upon machines and our technicians to examine all of our ingots before they are sliced into wafers. After slicing, substantially all of the wafers will be examined by our technicians before packaging and delivery. After delivery, our wafers will be further examined by customers on a random basis. If any delivery exceeds the breakage rate setting forth in the supply contracts, we agree to replace those broken wafers at our own costs for our customers. Broken wafers will be collected and are recycled at our facilities to produce new wafers. As of the date of this document, we have not received complaints from our customers about the quality of our wafers that have a material adverse impact on our business and operations.

Sales and Marketing

Solar Business

We sell our polysilicon and wafers primarily through three to five year supply contracts. Depending on the relevant contracts, we may deliver our products to our customers or they may collect the products at our warehouses. Selling prices are either fixed for the first year or for longer terms in our supply contracts. The selling price, once fixed, will not be changed in the absence of any significant change of market conditions, in which case both parties agree to re-negotiate price in good faith. We require our customers to pay deposits in cash or by other instruments after we sign the supply contracts, and the contracted amount are paid irrevocably in cash or by other instruments at the commencement of the contract. Typically, customers are entitled to deduct certain amounts of the value of the deposit against the price paid for our products they purchase toward the end of the term of the supply contracts, depending on the specific schedule determined between the parties. Customers are normally required to place orders to confirm the unit price, quantity and shipment dates in advance. Our supply contracts typically contain provisions that require us to deliver polysilicon and wafers that meet certain customer specifications. Failure to meet these specification can result in price adjustments, economic penalties, cancellation of shipments or termination of contracts.

We have established a worldwide marketing capability through our sales team, which is based in the PRC. Our marketing events include attending industrial conferences and trade fairs, as well as advertising and public relations events. Our sales and marketing team works closely with both our research and development team and production team to coordinate our ongoing supply and demand planning. While the market price of silicon material is increasing due to a shortage in supply, we have foregone the short-term gains and did not increase our polysilicon and wafer prices unduly. Hence, we are able to build up our customers' trust, promote our acceptance and image, establish order in the industry and stabilize business operating environment. As a result of this market strategy, we had entered into supply contracts with leading cell and module manufacturers that provide for aggregate sales of over 55 GW of wafers as of March 31, 2011. Under our current long-term supply contracts, we have contracted to sell substantially all of our planned annual production in the coming years. As of

December 31, 2010, we received HK$3.0 billion (US$380.4 million) of non-refundable deposits from our customers under the wafer sales contracts. These contracts provide us with stable revenues in the near- and medium-term and protection against price volatility as they generally require our customers to make advance payments or provide other financial guarantees or support and have pre-set volumes that increase substantially in the latter years of the contract. We plan to continue to adopt this market strategy in order to guarantee stable sales growth and stable revenues in the near- and medium-term and protect us against price volatility.

Power Business

While the power sale agreements typically have various standard terms, the on-grid tariffs are reviewed and determined by the provincial price bureaus. In the event that there are material changes in the operational environment, such as dramatic fluctuation in coal prices, the PRC government will adjust the approved on-grid tariff. Currently, among the provinces and cities covered by the East China Power Grid, Zhejiang Province has the highest on-grid tariffs, followed by Shanghai and Jiangsu Province.

Most of the co-generation plants operated by us sign steam supply contracts with customers on an annual basis and renegotiate the price and volume upon signing a new contract. Unlike on-grid tariffs, steam prices are negotiated between the customers and the plants. Although local governments give pricing guidelines, cogeneration plants and end users agree on the actual steam price through negotiations. Before accepting any new customer for our steam, we assess the potential customer's credit quality and define credit limits on a case-by-case basis. Limits attributed to customers are reviewed once a year. The credit period granted to the steam customers is normally within 30 to 90 days.

Customers and Markets

Solar Business

We expect the solar industry to continue to be the principal market for our polysilicon and wafers and account for a substantial majority of our polysilicon production volume and wafer sales volume. We expect that the demand for polysilicon and wafers will increase with the expected growth of the solar industry. In the three years ended December 31, 2010, we sold substantially all of our polysilicon and wafers to customers in the PRC. In the second half of 2010, we have entered into long-term supply contracts with some major international customers in the solar industry such as Indosolar and Neosolar. The sales to our five largest customers accounted for approximately 63.2% and 46.1% of solar business's total revenues in the years ended December 31, 2009 and 2010, respectively.

Power Business

Most of the power plants operated by us are connected with and sell power to either the Zhejiang Electric Power Corporation or the Jiangsu Electric Power Company. The credit period granted to each of the Jiangsu Electric Power Company and the Zhejiang Electric Power Corporation is normally within 30 to 60 days.

Land and Properties

Most of our properties are located in the PRC and are used as our offices and plants. We have obtained the land use rights for all of our existing polysilicon and wafer production facilities and our power plants and we have obtained the building ownership certificates of our production facilities and power plants. We are in the process of applying the land use rights certificate for our new facilities to be constructed in the future.

Research and Development

We believe that the continual development of our technology is vital to maintain our long-term competitiveness. Our senior management team spearheads our research and development efforts and sets strategic directions for the advancement of our products and production processes, focusing on efforts to improve product quality, reduce manufacturing costs and broaden our product markets.

We established a United States Research and Development Center in 2009 in Richland, Washington State, United States and the Suzhou Industrial Technology Research Institute in 2010 to provide leading-edge technical support, enabling us to take better advantage of new technologies, materials and techniques. The United States Research and Development Center is located beside the largest United States DOE Research Center, Pacific Northwest National Laboratory, which engages in activities supportive of our solar research and development efforts. This research center has approximately 10 engineers, researchers and technicians and is primarily focused on the development of polysilicon production technologies. With close cooperation between the United States Research and Development Center and us, the solar business has completed several major technical improvements and continuously minimized the unit energy consumption and unit material consumption in production. In addition, this research center helps us advance our testing and procedures in order to improve quality control throughout our entire polysilicon production process. Our Suzhou Industrial Technology Institute has over 50 technicians and supporting employees who work closely with our customers and suppliers to obtain a better knowledge of our their material requirements and improve the modeling and wafering techniques in our wafer production.

Intellectual Property

Solar Business

To date, we have successfully obtained 43 patents and there are 75 patent applications pending approval in the PRC. We have registered one trademark in Hong Kong. Our intellectual property is an essential element of our business. We rely on patents, copyrights, trademarks, trade secrets and other intellectual property laws, as well as non-competition and confidentiality agreements with our employees, suppliers, business partners and others, to protect our intellectual property rights.

We believe that most elements of our production processes involve proprietary know-how, technology or data that are not covered by patents or patent applications, including technical processes, equipment designs, algorithms and procedures. We have taken security measures to protect these elements. All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of their inventions, designs and technologies that they develop, when primarily utilizing our resources or when performing their duties during their employment. Our supply contracts with our customers also typically include confidentiality undertakings.

Over the years we have worked closely with our equipment manufacturers to develop our production technologies and process and refine relevant equipment, which we are using for our polysilicon and wafer production today. We have registered, or are in the process of registering, these research achievements as patents or other intellectual property rights.

Power Business

To date, we have registered one trademark in both the PRC and Hong Kong.

Competition

Solar Business

The solar wafer market is highly competitive and the polysilicon market is expected to become increasingly competitive. Many solar cell and module manufacturers have announced the intention of establishing wafer and/or polysilicon production or affiliate relationships with manufacturers of polysilicon or wafers, including some of our customers and potential customers. We compete with these in-house capabilities, which could limit our ability to expand our sales. Our competitors include major polysilicon producers, such as Hemlock, Wacker Chemie, OCI and Tokuyama and certain vertically integrated solar product manufacturers such as LDK, REC and MEMC.

We believe the key competitive factors are and will continue to be the ability to control cost and quality. We anticipate that production technology, energy costs and economies of scale will determine the competitive position of the different polysilicon and wafer manufacturers going forward.

Environmental Matters

Solar Business

Our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes. Our production facilities are subject to various pollution control regulations with respect to noise and air pollution and the disposal of waste and other hazardous materials. We have adopted the modified Siemens process for our polysilicon production to reduce waste discharge. Liquid waste containing sodium silicate is sold. We process all our waste water and waste gas by various treatments so that they meet the respective national discharge standard. In addition, most of our solid waste can be reused and does not contain poisonous materials. We have established a pollution control system and installed various types of anti-pollution equipment in our facilities to reduce, treat, and where feasible, recycle the wastes generated in our manufacturing process. We are required to undergo the acceptance inspections of environmental protection, work safety and professional health and obtain respective approval with relevant governmental authorities before the manufacturing lines commence full production. We have obtained the pollutant discharge permit, the work safety permit for storage and use of hazardous chemicals and permit for the registration of use of atmospheric pressure containers for the pressure containers we have installed. All of our existing polysilicon and wafer manufacturing facilities have passed the environmental protection examination and work safety examination. See "Risk Factors — Risks Relating to Our Business — Any failure by us to control the use of, to adequately restrict the discharge, of hazardous substances, or to obtain work safety and professional health approvals could subject us to potentially significant monetary damages and fines or suspensions in any business operations."

TCS is used to produce polysilicon. It is highly combustible if exposed to moisture in the air. STC is a by-product produced in the polysilicon production process. In early 2008, we were able to recycle STC to produce TCS. The STC produced is initially stored in storage tanks on site after each batch of polysilicon is produced and later recycled in subsequent batches resulting in little to no excess STC produced requiring disposal. The polysilicon manufacturing process generates other hazardous by-products. Our operations are subject to regulation and periodic monitoring by local environmental protection authorities. We have not been subject to any material proceedings or fines for environmental violations. If we fail to comply with present or future environmental laws and regulations, we could be subject to fines, suspension of production or a cessation of operations. See "Risk Factors — Risks Relating to Our Business — Any failure by us to control the use of, or to adequately restrict the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations."

Power Business

The main PRC environmental protection laws and regulations applicable to our power plants' operation include the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of the Air Pollution, the Law of the People's Republic of China on the Prevention and Control of the Water Pollution, the Law of the People's Republic of China on Appraising Environment Impacts and the Administrative Regulation on the Levy and Use Discharge Fees. During the power generation process, a power plant discharges waste water and emits air pollutants, such as sulphur dioxide ("SO_2") and particulate matter ("PM").

All our existing coal-fired cogeneration plants and our associated power plants are either installed with circulating fluidized-bed ("CFB") boilers, or in the case of pulverized coal boilers in such cogeneration plants, we have installed desulphurization equipment to reduce the emission of air pollutants. We also employ methods to minimize the emission of dioxins. All our power plants and the associated cogeneration plants have obtained the required approvals from, and have satisfied the emission requirements set forth by, local governments.

In addition, according to a notice issued by State Environmental Protection Administration of China on May 21, 2004, all thermal power plants are required to install the continuous emissions monitoring system ("CEMS system") connected to the environmental protection authorities before January 1, 2008 for the purpose of monitoring the pollutants emission of thermal power plants. Failure to comply with such notice may lead to a fine or suspension of operation imposed by the local government. All our power plants and our associated cogeneration plants have installed the CEMS system.

Employees

As of December 31, 2010, we had approximately 12,387 employees worldwide including approximately 12,312 employees in mainland China, 61 employees in Hong Kong, 13 employees in the United States and one employee in Taiwan. We plan to hire additional employees, primarily in China, as we expand. We have established human resources departments at each of the group company level, subsidiary holding company level and individual project company level to maintain effective management of human resources.

Substantially all of our employees are members of trade unions. We have set up policies and procedures to provide information and to consult and negotiate with trade unions and employee representatives on a regular basis, so that views of employees can be taken into account in making decisions that are likely to affect their interests.

We understand a team of quality management and employees are key to the sustainable development of a company, therefore we design and offer various training programs to our employees to improve their credentials. Save for a two-week orientation, we have set up one-on-one mentorship practice for our new employees and we periodically organize internal class training. In addition, we have entered into a cooperative arrangement with Nanjing University to open MBA and EMBA programs exclusively for our management.

We offer our employees competitive compensation packages and various training programs, as a result, we have generally been able to attract and retain qualified personnel. We also effectively maintain employee benefit pension schemes in various jurisdictions where we operate. As required by PRC regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowance of our employees, up to a

maximum amount specified by the local government from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date.

The total amount of contributions we made to employee benefit plans for the years ended December 31, 2009 and 2010 was HK$23.0 million and HK$36.9 million (US$4.7 million), respectively.

We typically enter into a standard confidentiality and employment agreement with our management and research and development personnel. These contracts involve a covenant that prohibits each of them from engaging in any activities that compete with our business.

We believe we maintain a good working relationship with our employees. As a result, we are able to maintain a low employee turnover rate of less than 1% in the three years ended December 31, 2010 based on our corporate records, and we have not experienced any material labor disputes or any difficulty in recruiting staff for our operations.

Health and Safety

We are in compliance with related health and safety laws and regulations. All facilities within our Group have implemented internal safety policies that include protective measures against health and safety hazards. Health and safety is reviewed regularly by our board of directors and we have established a department to carry out more detailed reviews of our overall performance in this category as part of our commitment to create a safer work place. As of the date of this document, we have not experienced any material health and safety accident at our facilities during operation.

Insurance

We maintain property all risk insurance, project construction insurance and profit loss insurance with insurance companies covering our inventory, equipment, facilities, buildings, properties and their improvements and our business operations.

We have three property all risk insurance schemes, one covering our polysilicon business, one covering our wafer business and one covering power and steam business, which insure us against a range of risks, including material damage and consequential loss, third party liability, public and products liability, employers' liability, professional indemnity, marine cargo liability and etc. Our projects, including those under construction, are insured against a range of risks, including fire, earthquake, flood and a wide range of other natural disasters and human accident. We also maintain business interruption insurance, based on our gross profit, covering our various operating units as well as director's and officer's insurance. We have encountered no difficulties in renewing our policies when they come due. We consider our insurance coverage is adequate.

Legal Proceedings

We are currently not a party to any material legal or administrative proceedings, and we are not aware of threatened material legal or administrative proceedings against us.

This section sets forth a summary of the most significant regulations or requirements that affect our business activities in China and our shareholders' right to receive dividends and other distributions from us.

Principal Regulatory Authorities Relating to Our Business

We are principally subject to the governmental supervision and restriction by the following PRC agencies and regulatory authorities:

The NDRC and provincial Development and Reform Commission ("DRC") are responsible for:

- setting and implementing major policies concerning China's economic and social development;
- reviewing and approving investment projects in the power industry at a certain scale;
- promulgating regulations and rules in connection with the operation of power plants;
- approving power tariffs; and
- accepting and approving Clean Development Mechanism ("CDM") projects.

The SERC and its local branches are mainly responsible for:

- promulgating rules for the power industry;
- supervising the operations and legal compliance of the power industry;
- issuing and administering Electric Power Business Permits (電力業務許可證); and
- supervising the power market.

The Ministry of Environmental Protection ("MEP") is responsible for the supervision of environmental protection and monitoring of the PRC's environmental system at the national level.

The State Administration of Work Safety ("SAWS") is responsible for supervising work safety of power generation operations and project construction, and formulating various safety regulations.

The Ministry of Commerce ("MOFCOM"), together with the NDRC and the Ministry of Finance ("MOF"), encourages energy saving and rational development and utilization of renewable energy through tax incentives and designating special funds for the development of renewable energy.

The State Administration of Taxation ("SAT") is responsible for promulgating and implementing tax policies and regulations.

Renewable Energy Law and Other Government Directives

On December 26, 2009, China revised its Renewable Energy Law, which originally became effective on January 1, 2006. The revised Renewable Energy Law became effective on April 1, 2010 and sets forth policies to encourage the development and on-grid application of solar energy and other renewable energy. The law also sets forth a national policy to encourage the installation and use of solar energy waterheating systems, solar energy heating and cooling systems, solar photovoltaic systems and other systems that use solar energy. It also provides financial incentives, such as national funding,

preferential loans and tax preferential treatment for the development of renewable energy projects and authorizes the relevant pricing authorities to set favorable prices for electricity generated from solar and other renewable energy sources.

In January 2006, China's National Development and Reform Commission ("NDRC") issued two implementing rules relating to the Renewable Energy Law: (1) the Trial Measures on the Administration over the Pricing and Cost Allocation of Renewable Energy Power Generation and (2) the Administrative Regulations Relating to the Renewable Energy Power Generation. These implementing rules, among other things, set forth general policies for the pricing of on-grid power generated by solar and other renewable energy. In addition, the PRC Ministry of Finance issued the Provisional Measures for Administration of Specific Funds for Development of Renewable Energy in June 2006, which provides that the PRC government will establish a fund specifically for the purpose of supporting the development of the renewable energy industry, including the solar energy industry.

The solar power industry ranked prominently in the Guidelines of Prioritized Hi-tech Industrialization Areas in 2007 promulgated by the NDRC, Ministry of Science and Technology, Ministry of Commerce and State Intellectual Property Office on January 23, 2007.

On August 31, 2007, the NDRC promulgated the Medium and Long-Term Development Plan for the Renewable Energy Industry. This plan sets forth national policy to provide financial allowance and preferential tax regulations for the renewable energy industry. The PRC government similarly demonstrated its commitment to renewable energy in the Eleventh Five-Year Plan for Renewable Energy Development, which was promulgated by the NDRC in March 2008. In the third quarter of 2010, the NDRC approved a RMB5.0 trillion (US$739.0 billion) new energy plan, pending State Council approval. This new energy plan is intended to stimulate the development of selected energy industries over the next ten years.

The PRC government has promulgated a number of directives to support energy conservation and the use of solar energy. On April 1, 2008, the PRC Energy Conservation Law came into effect. Among other objectives, this law encourages the utilization and installation of solar power facilities on buildings for energy-efficiency purposes.

On September 4, 2006, China's MOF and Ministry of Construction jointly promulgated the Interim Measures for Administration of Special Funds for Application of Renewable Energy in Building Construction, pursuant to which the Ministry of Finance will arrange special funds to support the application of renewable energy systems in building structures, or building integrated photovoltaics system applications ("BIPV"), to enhance building energy efficiency, protect the environment and reduce consumption of fossil fuel energy. Under these measures, applications to provide hot water supply, refrigeration, heating and lighting are eligible for such special funds.

On March 23, 2009, China's MOF promulgated the Interim Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology in Building Structures, or the Interim Measures, to support the promotion of solar photovoltaic applications in China. Local governments are encouraged to issue and implement supporting policies for the development of solar photovoltaic technology. Under these Interim Measures, a subsidy of RMB20 per kWp covering BIPV applications installed on or after March 23, 2009 was set for 2009.

On July 16, 2009, China's MOF, Ministry of Science and Technology and Resource Bureau of the NDRC jointly published an announcement containing the guidelines for the Golden Sun Demonstration Program. Under the program, the PRC government will provide, up to 20 MW of PV projects per province, a 50% to 70% subsidy for the capital costs of PV systems and the relevant power transmission and distribution systems. The program further provides that each PV project must have a minimum capacity of 300 kWp with an operation period of not less than 20 years. On September 21, 2010,

China's MOF, Ministry of Science and Technology and Ministry of Housing and Urban-Rural Development jointly released an announcement to strengthen the administration of, and provide details for, the implementation of the Golden Sun Demonstration Program and government subsidies for BIPV applications. Among other things, the announcement clarified that the PRC government will subsidize 50% of the cost of key equipment for on-grid PV projects and 70% of that for off-grid PV projects in remote regions. In addition, the government will offer subsidies of RMB4 per watt for on-grid PV projects, RMB6 per watt for BIPV projects and RMB10 per watt for off-grid PV projects in remote regions.

On September 26, 2009, the PRC State Council approved and circulated the Opinions of National Development and Reform Commission and other Nine Governmental Authorities on Restraining the Production Capacity Surplus and Duplicate Construction in Certain Industries and Guiding the Industries for Healthy Development. These opinions concluded that polysilicon production capacity in China has exceeded demand and adopted a policy to impose more stringent requirements on the construction of new facilities for manufacturing polysilicon in China. These opinions also stated in general terms that the government should encourage polysilicon manufacturers to enhance cooperation and affiliation with downstream solar product manufacturers to expand their product lines. However, these opinions do not provide any detailed measures for the implementation of this policy.

On October 10, 2010, the PRC State Council promulgated a decision to accelerate the development of seven strategic new industries. Pursuant to this decision, the PRC government will promote the popularization and application of solar thermal technologies by increasing tax and financial policy support, encouraging investment and providing other forms of beneficial support.

On December 31, 2010, the PRC government released the Entry Thresholds of the Polysilicon Industry ("Entry Thresholds"). Pursuant to the release, Polysilicon production projects must satisfy certain requirements in respect of construction conditions and manufacturing layout, manufacturing scale and technical facilities, energy recycling, environmental protection, safety, etc. Polysilicon production projects constructed in the areas of energy shortage, lacking in safety and hygiene facilities, or that cannot pass environmental protection test, will not be permitted to operate. In addition, polysilicon production projects will not be approved if they are constructed within 1,000 meters around the areas with high power prices, basic farmlands, natural preservation areas or food manufacturing areas. NDRC or its local delegates will examine and approve each newly-built polysilicon production project or the expansion of old projects pursuant to the Entry Thresholds. Owners of these projects are also required to report to the Ministry of Industry and Information Technology, NDRC and environment protection authorities at the provincial level for examination within 6 months after commercial operation. If the authorities have no objection, those owners will have satisfied all the requirements of the Entry Thresholds and will be announced publicly.

Overall Regulatory Scheme in the PRC Power Industry

The regulatory framework of the PRC power industry is mainly manifested in the Electric Power Law of the PRC (hereinafter referred to as "Electric Power Law" (中華人民共和國電力法) and the Electric Power Regulatory Ordinance (電力監管條例), which became effective on April 1, 1996 (revised and effected on August 27, 2009) and May 1, 2005, respectively. One of the stated purposes of the Electric Power Law is to protect the legitimate interests of investors, operators and users and to ensure the safety of power operations. The Electric Power Law also states that the PRC government encourages and regulates PRC and foreign investment in the power industry. The Electric Power Regulatory Ordinance sets forth regulatory requirements for many aspects of the power industry, including, among others, the issuance of Electric Power Business Permit, the regulatory inspections of power generators and grid companies and the legal liabilities from violations of the regulatory requirements.

Electric Power Business Permit

Pursuant to the SERC's Provision on the Administration of the Electric Power Business Permit (hereinafter referred to as the "Permit Provision" (電力業務許可證管理規定), which became effective on December 1, 2005, the PRC power industry adopted the market-access permit system. Pursuant to the Permit Provision, unless otherwise provided by the SERC, any company or individual in the PRC may not engage in any electric power business (including power generation, transmission, dispatch and sales) without obtaining an electric power business permit promulgated by the SERC.

Application for an electric power business under the Permit Provision must comply with the following requirements:

- the construction of power generation projects have been approved or verified by relevant competent authorities;
- power generation facilities are capable of power generation and operation; and
- power generation projects have been in compliance with the relevant environmental protection requirements and regulations.

According to the SERC, power plants which were constructed and became operational after December 1, 2005 and before July 31, 2006 must obtain the electric power business permit applicable to power generation companies by the end of 2006. For power plants having newly constructed power generating projects which became operational after August 1, 2006, such power plant shall obtain an electric power business permit for its newly constructed projects as well as its existing projects within three months from the commencement of operations.

Project Approvals

In accordance with the Decision on the Reform of Investment System (關於投資體制改革的決定), the Interim Measures on the Examination and Approval of Enterprise Investment Projects (企業投資項目核准暫行辦法), the Interim Measures on the Administration of the Examination and Approval of Foreign Invested Projects (外商投資項目核准暫行管理辦法) and the Notice Regarding the Strengthening and Regulation of the Administration of Newly-commenced Projects (關於加強和規範新開工項目管理的通知), the construction of a power projects may only commence after obtaining government approvals and requisite permits.

Dispatch

All electric power generated in China is dispatched through power grids, except for electric power generated by facilities not connected to a grid. Dispatch of power to each grid is administered by dispatch centers. Dispatch centers are responsible for the administration and dispatch of planned output of power plants connected to the grid. The Regulations on the Administration of Electric Power Dispatch to Networks and Grids (hereinafter referred to as the "Dispatch Regulations" (電網調度管理條例) promulgated by the State Council, effective on November 1, 1993, regulates the operation of dispatch centers.

Pursuant to the Dispatch Regulations, dispatch centers are established at each of five levels; the national dispatch center, the dispatch centers of the interprovincial power grid, the dispatch centers of the provincial-level power grid, the dispatch centers of the power grid of municipalities under provinces and the dispatch centers of the county power grid. Each power plant receives on a daily basis from its

local dispatch center a projected hour-by-hour output schedule for the following day, based on expected demand, the weather and other factors. The dispatch centers must dispatch electricity in compliance with electricity consumption schedules, which are generally determined according to:

- power supply agreements entered into between a power grid and large or primary electricity customers, where such agreements take into account the electricity generation and consumption plans formulated annually by the PRC government;
- agreements entered into between a dispatch center and each power plant subject to the dispatch center's dispatch (hereinafter referred to as the "Dispatch Agreements");
- interconnection agreements between power grids;
- the actual conditions of the grid, including equipment capacities and safety reserve margins.

On-grid Tariff

Since it came into effect in 1996, the Electric Power Law has set forth the general principles for the setting of power tariffs. Tariffs are to be formulated to provide reasonable compensation for costs and a reasonable return on investment, to share expenses fairly and to promote the construction of further power projects. The on-grid tariffs for planned output and excess output are subject to the procedures involving review and approval by the NDRC and the provincial pricing bureaus.

In July 2003, the State Council approved the Power Tariff Reform Plan (hereinafter referred to as the "Reform Plan" (電價改革方案) and stated that their long-term objective is to establish a standardized and transparent on-grid tariff-setting mechanism.

On March 28, 2005, the NDRC promulgated the Provisional Measures for the Administration of On-grid Tariff (上網電價管理暫行辦法), which provides regulatory guidance for the Reform Plan. For power plants within the regional grids that have not implemented competitive bidding mechanisms, on-grid tariffs will be determined and announced by relevant pricing bureaus based on production costs plus a reasonable investment return. For power plants within the regional grids that have implemented competitive bidding tariff-setting mechanisms, on-grid tariffs are two folds: (i) a capacity tariff determined by the NDRC based on the average investment cost of the power generators competing within the same regional grid; (ii) a competitive tariff determined through the competitive bidding process. This regulation became effective from May 1, 2005.

On September 30, 2007, the NDRC, together with the MOF and SERC, promulgated the Circular on Relevant Issues Concerning Further Implementing the Differential Power Tariff Policy (進一步貫徹落實差別電價政策有關問題的通知), which provides guidance for the determination of differential power tariffs for high-energy-consumption industries. Perform rectification in areas which still adopt tariff concessions for high-energy-consumption industries. It has become effective from the promulgated date.

Mandatory Purchase and Dispatch Priority

Mandatory Purchase

The Renewable Energy Law imposes mandatory obligations on grid companies to purchase all the electricity generated from renewable energy projects that are within the coverage of their grids, and to provide grid-connection services and related technical support.

In addition, pursuant to the Supervision Measures on Purchase of the Full Amount of Renewable Energy Power by Grid Enterprises (電網企業全額收購可再生能源電量監管辦法), which became effective on September 1, 2007, the SERC and its local branches should supervise the buyout of grid-connection power projects of renewable resources in the area covered by grid enterprises for grid-connection volume. Grid companies that fail to satisfy these obligations may be penalized. The SERC may also prescribe a time limit within which the grid companies must compensate the losses incurred by such renewable energy enterprises and remedy their failure; otherwise they may be fined to a sum no more than double losses of renewable energy enterprises.

The Renewable Energy Law emphasizes enforceable on-grid and full purchase system, Sub-clauses 1 and 2 of Rule 14 of the Renewable Energy Law stipulate "The country will carry out renewable energy related full purchase system." "The energy supervisory department(s) of the State Council, together with electricity regulatory commission(s) and finance supervisory department(s) of the State Council, will ensure, in accordance with plans for national exploitation and utilization of renewable energy, that we will achieve the targeted level of the ratio of renewable energy to the overall energy in the period. Also, the dispatch prioritization of grid industries and precise solution of full purchase of renewable energy will be formulated.

All will be monitored by energy supervisory organizations of the State Council and state electricity regulatory commission(s) throughout the year to ensure the implementation." A more realistic and detailed stipulation related to the responsibility and obligation of grid companies and power enterprises has been put forward according to sub-clauses 3 and 4 of Rule 14 of the Renewable Energy Law that, "Grid companies should enter into grid connection agreements with renewable energy enterprises, which are constructed in line with the renewable energy exploitation and utilization scheme, obtaining administrative permission or putting on file. Grid companies are required to purchase the entire electricity generated by the renewable energy companies within the coverage their grids which meet the relevant grid connection requirements. Power enterprises have the obligation to cooperate in coordination with grid companies to ensure the safety of grids." "Grid companies should enforce the grid construction, widening the accessible area of renewable power, developing and applying smart grid, energy saving technology, etc. Also, the management of the grid operation should be improved and adsorptive capacity of renewable power should also be enhanced to provide on-grid service for the renewable energy."

The Renewable Energy Law Rule 29 stipulates "Any violation to this Law Rule 14, that is, grid enterprises who do not complete purchase of renewable power as stipulated will be responsible to indemnify any loss incurred to renewable power enterprises. Such practice will be corrected within a definite time under stringent supervision of state electricity regulatory commission(s). If the situation continues, the double (or more) indemnity clause would be applied."

Dispatch Priority

On August 2, 2007, the State Council approved the Provisional Measures on the Dispatch of Energy Saving Power Generation (節能發電調度辦法(試行)), which is aimed at optimizing the efficient use of natural resources and encouraging energy savings to achieve sustainability. Pursuant to this regulation, power generators are able to enjoy the highest dispatch priority if they use renewable energy including wind, solar and tidal power. Pursuant to such regulation, the dispatch priority of power generation units is determined in the following sequence: (a) non-adjustable power generation units utilizing renewable fuels; (b) adjustable power generation units utilizing renewable fuels; (c) nuclear power generation units; (d) cogeneration units and resources comprehensive utilization power generation units; (e) gas-fired power generation units; (f) other coal power generation units, including cogeneration units without heat load; and (g) oil-fired power generation units.

Tariff and Cost Sharing Program

According to the Renewable Energy Law and the Provisions on the Administration of Power Generation from Renewable Energy (可再生能源發電有關管理規定), the relevant pricing authority under the State Council sets the on-grid tariffs for renewable energy power based on various factors, including the power generated from different types of renewable energy, different geographic locations, and the need to facilitate the development and use of renewable energy on a reasonable commercial basis.

The Provisional Administrative Measures on the Price of Renewable Electricity and Cost Sharing Program (可再生能源發電價格和費用分攤管理試行辦法), the "Price and Cost Sharing Regulation," which was promulgated by the NDRC and became effective on January 1, 2006, provides details for the setting of renewable energy tariffs. According to the Cost and Sharing Program, there are two types of on-grid tariff for electricity generated from renewable energy; government fixed price and government guided price.

For wind power projects that obtained approvals from the NDRC or provincial DRCs after December 31, 2005, the on-grid tariff is the "government guided price." On-grid tariffs of concession projects are determined through public tender and then approved by the government; on-grid tariffs of non-concession projects are approved by the relevant pricing authorities by reference to the approved prices of concession projects in the neighboring areas.

Investors of biomass power projects shall be determined through bidding, and the on-grid tariff shall be governmental recommended, that is, determined by bidding, and shall not exceed the benchmark electricity price of the region. If the on-grid tariff is governmental set for such projects, the related local price authorities under State Council shall define the benchmark electricity price, and the rate consists of the on-grid power tariff of desulfurized coal unit and subsidy electricity price of 2005 of each province (autonomous region and municipality). The rate of subsidy tariff is RMB0.25 per kwh. Since launch of production of power generation project, it will be entitled to subsidy tariff within 15 years; upon expiration of 15 years, the subsidy will be withdrawn. Since 2010, the subsidy tariff of newly approved power generation projects each year shall be 2% lower than that of last year on an annual basis.

As for the projects of power generation by solar energy, ocean energy and geothermal energy, the on-grid tariff shall be governmental set, at the rate determined by related price authorities under State Council in the principle of rational cost plus rational profit.

In addition, pursuant to the Price and Cost Sharing Regulation, for the renewable energy projects approved after January 1, 2006, for the part the on-grid tariff exceeds the local benchmark on-grid tariff of desulfurized coal unit, and the part the operation maintenance expense for independent electric system of public renewable energy with state investment or subsidy exceeds the average sales tariff of the local provincial grid, and the grid-connecting expense of renewable resource power generation projects, additional electricity price can be charged toward electric users. According to the Circular of NDRC on adjustment of on-grid tariff across China, the additional on-grid tariff shall be increased to RMB4 per MWh as of December 20, 2009.

On January 11, 2007, NDRC promulgated Provisional Measures on Adjustment to Additional On-grid Tariff for renewable energy (可再生能源電價附加收入調配執行辦法) to make subsidy rate for renewable energy consistent, as shown below:

(1) Subsidy amount for power generation projects of renewable energy = (on-grid tariff of renewable energy – local provincial-level benchmark electricity price of desulfurized coal unit) grid power by generation of renewable energy.

(2) Subsidy amount of independent electric system of public renewable energy = operation maintenance expense for independent electric system of public renewable power – average sales tariff of the local provincial grid* power generation of independent electric system of public renewable energy.

(3) Grid-connecting expense of renewable resource power generation projects refers to the investment and operation maintenance expense for power transmission and transformation for connecting the renewable resource power generation projects to connect to the grid. The rate shall be dependent on the length of route: RMB0.01 per kwh for less than 50 km, RMB0.02 per kwh for 50–100 km, and RMB0.03 per kwh for 100 km and more.

Designated Funds

The Interim Measures on Administration of Designated Fund for the Development of Renewable Energy, which became effective on May 30, 2006, states that the MOF will allocate funds from the PRC central financial budget to support the development of renewable energy.

The MOF will also be responsible for granting the final approval for applications for funding support submitted by companies and individuals. The MOF may provide grants (primarily to unprofitable renewable energy projects that provide substantial public benefit) or subsidized loans/ primarily to renewable energy projects that satisfy the necessary requirements for financing and are within the descriptions in the Catalogue.

The Renewable Energy Law Rule 24 stipulates "The Ministry of Finance has established renewable power development fund, the funding comes from sources including special purpose fund arranged during this financial year, additional income collected from renewable power tariff according to the law, and etc."

CDMs

CDM is an arrangement under the Kyoto Protocol and the United Nations Framework Convention on Climate Change ("UNFCCC"). It allows industrialized countries with a greenhouse gas emission reduction commitment to invest in emission reducing projects in developing countries in order to earn CERs. These credits can be used by investors from industrialized countries against domestic emission reduction targets or sold to other interested parties, and therefore provides an alternative to more expensive emission reductions in their own countries.

The PRC approved and ratified the UNFCCC in 1993 and the Kyoto Protocol in 2002, but with no binding obligation to meet emission reduction targets. Among the central organizations that are responsible for policy-making, approval and supervision of CDM projects in the PRC, the National Climate Change Coordination Committee is responsible for policy-making and general coordination, while the National CDM Board is responsible for the examination and approval of CDM projects to be implemented in the PRC.

On October 12, 2005, the Measures for Operation and Management of Clean Development Mechanism Projects, hereinafter referred to as the "CDM Measures") (清潔發展機制項目運行管理辦法) were promulgated by the NDRC jointly with the Ministry of Science and Technology ("MOST"), the Ministry of Foreign Affairs ("MFA") and MOF. The CDM Measures set forth general rules and specific requirements for the application for, and approval of, CDM projects, including, among others, the following:

- only companies wholly-owned or controlled by Chinese parties may carry out CDM projects in the PRC. Consequently, a company controlled by foreign parties does not qualify to apply for PRC government's approval for a CDM project. The exception is that, according to Supplemental Explanation on HK-invested Enterprises Carrying Out CDM Projects in Mainland China promulgated on December 1, 2009 by HK environmental project department, the HK-invested company in line with HK enterprise certification letter for the Management Method of CDM Project promulgated by HK environmental project department, such companies shall be identified as Chinese-invested enterprises by the NDRC, to be eligible for carrying out CDM projects in China.

- the approval procedures of CDM projects includes (i) a review by experts from relevant organizations appointed by the NDRC, (ii) an examination of applications for approval of a CDM project by the National CDM Board and (iii) approval jointly by the NDRC, MOST and MFA, promulgated by the NPRC.

- the CDM Board will review the floor price of the sale of the CERs generated in the PRC.

- for CDM projects approved on or after October 12, 2005, (i) the resources of emission reductions are owned by the PRC government, (ii) CERs produced from a particular CDM project are owned by the PRC project owner, (iii) the PRC government imposes a levy on the proceeds from selling CERs under a CDM project at various levels depending on the types of projects. With respect to wind power projects that develop and utilize renewable energy and are encouraged as a matter of the government policy, only 2% of the proceeds are payable to the PRC government. On November 25, 2009, a standing meeting is held in State Council, at which it is decided by 2020, CO2 emission per unit of GDP of China will be reduced by 40% to 45% than 2005, and such index shall be a restraining guideline, and incorporated into the middle and long term plan of social economic development, and related domestic statistic, monitoring and examination methods will be made.

Safety and Labor Protection

The Work Safety Law of the PRC (中華人民共和國安全生產法), which became effective on November 1, 2002, is the principal law governing the supervision and administration of work safety and labor protection for power projects. In accordance with the Measures on Supervision and Administration of the Work Safety of Electricity Industry (電力安全生產監督管理法), promulgated by the SERC in March 2004, power plants are responsible for maintaining their safety operations in accordance with requirements set by the regional grid in which they are located. Power plants are required to report to the SERC, the SAWS and relevant local government authorities, within 24 hours, any safety accident that causes worker fatalities or is classified as a serious or extraordinary accident.

The main PRC employment laws and regulations applicable to our power plants include the Labor Law of the PRC (中華人民共和國勞動法), the Employment Contract Law of the PRC (中華人民共和國勞動合同法) and the Implementing Regulations of the Employment Contract Law of the PRC (中華人民共和國勞動合同法實施條例).

The Employment Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated on June 29, 2007 and became effective on January 1, 2008. This law governs the establishment of employment relationships between employers and employees, and the execution, performance, termination of, and the amendment to, employment contracts. Compared to the PRC Labor Law, the new PRC Employment Contract Law provides additional protection to employees by requiring written labor employment contracts and long-term contractual employment relationships, limiting the scope of the

circumstances under which employees could be required to pay penalties for breach of employment contracts and imposing stricter sanctions on employers who fail to pay remuneration or social security premiums for their employees.

Environmental Regulations

We use, generate and discharge toxic, volatile or otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. We are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. The major environmental regulations, professional health regulations and work safety regulations applicable to us include the Environmental Protection Law of the PRC, the Safety Production Law of the PRC, the Law of the PRC on the Prevention and Control of Water Pollution, Implementation Rules of the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on the Prevention and Control of Air Pollution, the Law of the PRC on the Prevention and Control of Solid Waste Pollution, the Law of the PRC on the Prevention and Control of Noise Pollution, the Law of the PRC on Appraising Environment Impacts, Regulation on Work Safety Permits, Administrative Regulation on the Safety of Hazardous Chemicals, the Administration Regulation on the Levy and Use Discharge Fees, the Regulation of Hazardous Chemicals Safety Management and the Law of the PRC on Occupational Disease Prevention.

According to the laws above, the construction of all power plants shall be subject to environmental impact assessment procedures which are different depending on the environmental impact of different types of power plants. After the completion of construction and before commercial operation, all power plants shall be subject to the environmental protection inspection for construction completion, and shall satisfy the specific environmental protection requirements on the projects formulated by the environmental authorities.

Status of Our Business in Foreign Investment Industrial Guidance Catalogues

The principal regulation governing foreign ownership of businesses in the solar industry in the PRC is the Foreign Investment Industrial Guidance Catalogue (effective as of December 1, 2007). Under the regulation, the polysilicon manufacturing business falls into the category of encouraged foreign investment industry. Encouraged foreign investment companies are entitled to certain preferential treatment, including exemption from tariff on equipment imported for their operations, after obtaining approval from the PRC government authorities.

PRC Enterprise Income Tax

With effect from January 1, 2008, the PRC Enterprise Income Tax Law or EIT Law adopts a uniform tax rate of 25% for all enterprises (including FIEs) and revokes the tax exemption, reduction and preferential treatments formerly applicable to Foreign Exchange Enterprises (“FIEs”). The EIT Law also provides for transitional measures for enterprises established prior to the promulgation of the EIT Law. These enterprises are eligible for lower tax rate preferential treatment in accordance with the then prevailing tax laws, up until March 16, 2007, as well as administrative regulations. These enterprises will gradually become subject to the unified tax rate over a five-year period from January 1, 2008; enterprises eligible for regular tax reductions or exemptions may continue to enjoy tax preferential treatments after the implementation of the EIT Law until their preferential treatments expire. The preferential treatment period for enterprises which have not enjoyed any preferential treatments for the reason of not having made any profits, however, shall be deemed as starting from the implementation of the EIT Law.

In addition, under the EIT Law, an enterprise established outside of the PRC with “de facto management bodies” within the PRC may be considered a resident enterprise and will normally be subject to the enterprise income tax at the rate of 25% on its global income. The Implementation Rule

provides that the term "de facto management bodies" refers to management bodies which have material management and control over all aspects of the business, including without limitation, the production, operation, personnel, finance, and assets of the enterprise. However, it is still unclear if the PRC tax authorities would subsequently determine that, notwithstanding our status as the Cayman Islands holding company of our operating business in the PRC, with administrative headquarters and personnel in Hong Kong, we should be classified as a resident enterprise, whereby our global income will be subject to PRC income tax at a tax rate of 25%. Furthermore the exemption to the withholding tax on dividends distributed by FIEs to their foreign investors under the former tax laws is no longer available. The Implementation Rule provides a 10% statutory dividend withholding rate.

Also, under the EIT Law, a preferential tax rate of 15% continues to be applicable to certified high and new technology enterprises and current preferential tax treatments for FIEs would be grandfathered for a period of five years following the effective date of the EIT Law. The PRC Ministry of Science, Ministry of Finance and State Administration of Tax issued the Recognition and Administration Measures for High and New Technology, or the Measures, on April 14, 2008, which have retroactive effect from January 1, 2008. The Measures set forth detailed criteria for the recognition of a high and new technology enterprise.

PRC Value Added Tax

Pursuant to the Provisional Regulation of the PRC on VAT, and its implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay value-added tax of 17% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to a portion of or all of the refund of the VAT that it has already paid or borne. According to former VAT levy rules, equipment imported for qualified projects was entitled to import VAT exemption and domestic equipment purchased for qualified projects was entitled to VAT refund. However, such import VAT exemption and VAT refunds were both eliminated as of January 1, 2009.

Foreign Currency Exchange

Foreign currency exchange in China is primarily governed by the following regulations:

- Foreign Exchange Administration Rules (1996), as amended; and
- Regulations of Settlement, Sale and Payment of Foreign Exchange (1996).

Under the Foreign Exchange Administration Rules, the Renminbi is freely convertible for routine current account items, including distribution of dividends, payment of interest, trade and service-related foreign exchange transactions. Conversion of Renminbi for most capital account items, such as direct investment, overseas loan, securities investment and repatriation of investment, however, is still subject to the approval of the State Administration of Foreign Exchange ("SAFE").

Under the Regulations of Settlement, Sale and Payment of Foreign Exchange, FIEs may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business complying with certain procedural requirements, such as providing valid commercial documents and, in the case of certain capital account item transactions, obtaining approval from the SAFE.

Dividend Distribution

The principal regulations governing distribution of dividends paid by FIEs:

- Wholly Foreign-Owned Enterprise Law (1986), as amended;

- Wholly Foreign-Owned Enterprise Law Implementation Rules (1990), as amended;
- Sino-Foreign Equity Joint Venture Enterprise Law (1979), as amended;
- Sino-Foreign Equity Joint Venture Enterprise Law Implementation Rules (1983), as amended;
- Sino-Foreign Cooperative Joint Venture Enterprise Law (1988), as amended;
- Sino-Foreign Cooperative Joint Venture Enterprise Law Implementation Rules (1995); and
- Company Law of the People's Republic of China (2005).

Under these regulations, our subsidiaries in the form of FIEs may pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, before the distribution of dividends, such subsidiaries are required to set aside a portion of its after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that cannot be distributed as cash dividends.

Circular No. 75

According to Circular No. 75 issued by SAFE, PRC residents, including both legal persons and natural persons, must register with the relevant local SAFE branches before establishing or controlling any company outside of China with assets or equities interest in PRC companies for the purpose of capital financing. Any such company is referred to as an "offshore special purpose company." Such PRC residents must also file amendments to their registrations if their offshore companies experience capital variation, such as changes in share capital, share transfers, mergers and acquisitions, long-term equity or debt investments or creation of any security interest over any assets located in China or any other material change in share capital.

Directors

Our board of directors consists of fourteen directors, four of whom are independent non-executive directors and two of whom are non-executive directors. The powers and duties of the Board include convening shareholders' meetings and reporting the board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, overseeing business operations, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by our articles of association. All the non-executive directors have entered into service contracts with us.

The following table sets forth information regarding the current directors:

Name	Age	Position
Zhu Gong Shan (朱共山)	53	Chairman, executive director and chief executive officer
Executive Directors		
Sha Hong Qiu (沙宏秋)	52	Executive director
Shu Hua (舒樺)	48	Executive director
Ji Jun (姬軍)	63	Executive director
Yu Bao Dong (于寶東)	47	Executive director
Sun Wei (孫瑋)	39	Executive director
Tong Yee Ming (湯以銘)	58	Executive director
Zhu Yu Feng (朱鈺峰)	29	Executive director
Non-executive Directors		
Chau Kwok Man, Cliff (周國民)	44	Non-executive director
Bai Xiao Qing (白曉晴)	43	Non-executive director
Independent non-executive Directors		
Qian Zhi Xin (錢志新)	65	Independent non-executive director
Dr. Raymond Ho Chung Tai (何鍾泰)	72	Independent non-executive director
Xue Zhong Su (薛鍾甦)	71	Independent non-executive director
Yip Tai Him (葉棣謙)	40	Independent non-executive director

Executive Directors

ZHU Gong Shan (朱共山), aged 53, has been our executive director since July 2006 and is our chairman, chief executive officer and a member of our strategic planning committee. Mr. Zhu, the founder of our Group, and his family (including his son, Mr. Zhu Yu Feng, who is also a director) are the beneficiaries of a trust which owns about 32.4% issued share capital of our Company at December 31, 2010. He is currently a member of the Chinese People's Political Consultative Conference of Jiangsu Province, the deputy chairman of China Fortune Foundation Limited, the co-chairman of China Photovoltaic Industry Alliance, the vice chairman of the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering (中國電機工程學會熱電專業委員會), the honorable chairman of the 4th board of directors of Nanjing University, the vice director-general of Jiangsu Foundation for the Wellbeing of the Youth, the honorable chairman of Jiangsu Residents Association in

Hong Kong, the honorable chairman of Jiangsu Yancheng Residents Association in Hong Kong, the chairman of Hong Kong Yancheng Chamber of Commerce Limited, the honorable chairman of Jiangsu Chamber of Commerce in Guangdong, the honorable chairman of Xuzhou Chamber of Commerce in Shenzhen, the vice director of The Prince's Charities Foundation, the vice president of Chinese Renewable Energy Industries Association, member of Chinese Entrepreneur Club on Renewable Energy and American Council on Renewable Energy, and the honorable chairman of Africa Food Fund. Mr. Zhu has been named an honorable citizen of the State of Texas, an honorable citizen of Taicang, Jiangsu Province of the PRC, an honorable citizen of Xuzhou, Jiangsu Province of the PRC and an honorable citizen of Xilinheote, Inner Mongolia of the PRC. Mr. Zhu majored in electrical automation and obtained a Ph.D. in business administration.

SHA Hong Qiu (沙宏秋), aged 52, has been our executive director since November 2006. He is also the executive president (Power) and a member of our strategic planning committee. Mr. Sha is responsible for the overall operation and management of our power business. Mr. Sha had been awarded various titles, including the Outstanding Entrepreneur of Xuzhou (徐州市優秀企業家) in 2000 and the Outstanding Enterprise Manager of Taicang (太倉市優秀企業管理人才) in 2005. He graduated from the China University of Mining and Technology in 1986, majoring in enterprise management. Mr. Sha is a Senior Economist. He has over 10 years experience in the operation and management of power plants.

SHU Hua (舒樺), aged 48, has been our executive director since October 2007. Mr. Shu was appointed as the executive president of our silicon division in May 2010 and he is responsible for the overall operation and management of our polysilicon and wafer businesses. He has over 15 years experience in the energy industry. Mr. Shu has obtained a Master's degree in Business Administration for Senior Management from the Tongji University in the PRC.

JI Jun (姬軍), aged 63, has been our executive director since November 2006. He is also a member of our strategic planning committee. Mr. Ji focuses on strategic planning and business development of the Group. He has extensive experience in the power industry and has experience in handling corporate finance projects.

YU Bao Dong (于寶東), aged 47, has been our executive director since November 2006. Mr. Yu is responsible for the overall development strategy and project implementation for us. He has over 10 years experience in project investment and corporate management. Mr. Yu holds a Ph.D. in economics from the Wuhan University in the PRC. Mr. Yu is also the chairman and a non-executive director of Asia Energy Logistics Group Limited.

SUN Wei (孫瑋), aged 39, re-joined us as our executive director in October 2007. She is responsible for our financial management, including participation in our budget planning process. Ms. Sun holds a Ph.D. in Business Administration. Ms. Sun has over 10 years experience in power plant investment and management. Ms. Sun is currently a non-executive director of Asia Energy Logistics Group Limited.

TONG Yee Ming (湯以銘), aged 58, has been our executive director since July 2008 and is our chief financial officer. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Cost and Management Accountants of the United Kingdom. He obtained a Bachelor of Arts degree in Business Administration from the University of Washington in 1979. In 1980, Mr. Tong obtained a Master of Business Administration degree from Oregon State University. Mr. Tong has broad financial management and accounting experience and had also acted as the chief financial officer and finance director for a number of companies, including listed companies in Hong Kong.

ZHU Yu Feng (朱鈺峰), aged 29, has been our executive director since September 2009. He graduated from George Brown College (Business Administration Faculty) in 2005. Mr. Zhu and his family (including his father, Mr. Zhu Gong Shan) are beneficiaries of a trust which owns about 32.4% of our issued share capital at December 31, 2010. Mr. Zhu joined a subsidiary of our Company in 2006. Mr. Zhu is responsible for internal control, human resources, administration, and project tender of the power business of our Company.

Non-executive Directors

CHAU Kwok Man, Cliff (周國民), aged 44, has been our non-executive director since December 2009. He is currently the managing director and Head of Finance Department of China Investment Corporation. China Investment Corporation, through its wholly-owned subsidiary, owns approximately 20% of our issued share capital. Mr. Chau was a partner in the Financial Advisory Services Department at KPMG before he joined China Investment Corporation. Before that Mr. Chau was a financial controller for various companies in the United States and was with KPMG Los Angeles for a number of years. Mr. Chau holds an MBA degree from the State University of New York and is also a Certified Public Accountant (USA).

BAI Xiao Qing (白曉晴), aged 43, has been our non-executive director since December 2009. She is currently the managing director of the Special Investments Department of China Investment Corporation. China Investment Corporation, through its wholly-owned subsidiary, owns approximately 20% of our issued share capital. Ms. Bai was the director of the General Office of the Ministry of Finance of China before she joined China Investment Corporation. Ms. Bai obtained a Bachelor degree in Economy at Tianjin Foreign Trade Institute and obtained a Doctorate in Economy at the Research Institute for Fiscal Science.

Independent non-executive Directors

Dr. QIAN Zhi Xin (錢志新), aged 65, has been our independent non-executive director since July 2007. He is also a member of our audit committee, remuneration committee and strategic planning committee. Prior to that, he was a principal of the Development and Reform Commission of the Jiangsu Province in February 2004. Mr. Qian holds a Doctorate in Management from the Nanjing Agricultural University in the PRC.

Dr. Raymond HO Chung Tai (何鍾泰), SBS, MBE, S.B.St.J., JP, aged 72, has been our independent non-executive director since September 2007. He is also the chairman of our remuneration committee and our strategic planning committee and a member of our audit committee. Dr. Ho is a member of the Legislative Council of Hong Kong and a Deputy to the National People's Congress. He holds a Doctorate degree in Civil Engineering from the City University of London, United Kingdom, an Honorary Doctorate of Business Administration from the City University of Hong Kong, an Honorary Doctorate of Laws from the University of Manchester, United Kingdom, a Postgraduate Diploma in Geotechnical Engineering from the University of Manchester, United Kingdom and a Bachelor's degree in Engineering from the University of Hong Kong. Dr. Ho is currently a Member of the Commission on Strategic Development, a Board Member of the Airport Authority of Hong Kong, the Chairman of the Hong Kong Trade Development Council Infrastructure Development Advisory Committee and the Chairman of the Guangdong Daya Bay Nuclear Plant and Ling Ao Nuclear Plant Safety Consultative Committee. In addition, he is an independent non-executive director of Deson Development International Holdings Limited and China State Construction International Holdings Limited.

XUE Zhong Su (薛鍾甦), aged 71, has been our independent non-executive director since October 2007. He is also a member of our strategic planning committee. He graduated from Shanghai Jiaotong University in 1962. Mr. Xue worked for the Shanghai Municipal Power Company (上海市電力公司) in 1985 as the deputy general manager. From 1986 to 2000, Mr. Xue was the vice president of the

Shanghai Municipal Power Bureau (上海市電力工業局) and deputy general manager of Shanghai Municipal Power Company. From 1994 to 2000, Mr. Xue was also the general manager of the Huaneng International Power Development Company, Shanghai Branch (華能國際電力開發公司上海分公司). From 2000 to 2005, Mr. Xue was the party secretary and general manager of the China Huaneng Group Company, Shanghai Branch (中國華能集團公司上海分公司). Mr. Xue has over 20 years of experience in the power industry.

YIP Tai Him (葉棣謙), aged 40, has been our independent non-executive director of since March 2009. He is also the chairman of the audit committee and a member of our remuneration committee. Mr. Yip is a practicing accountant in Hong Kong. He is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has over 15 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following listed companies in Hong Kong, namely, Wing Lee Holdings Limited, China Communication Telecom Services Company Limited, Vinco Financial Group Limited, KH Investment Holdings Limited and iOne Financial Press Limited.

Company Secretary

Chan Yuk Chun has been our company secretary since July 3, 2008. Ms. Chan is an associate member of The Hong Kong Institute of Company Secretaries and Institute of Chartered Secretaries and Administrators, United Kingdom.

Board Committees

Audit Committee

The primary duties of our audit committee are, among other things, monitoring the integrity of the financial statements, reviewing annual and interim reports, monitoring and assessing internal control systems (including the adequacy of resources and the qualifications and experience of accounting and financial reporting staff) and the risk management system of our Company. The audit committee is comprised of three members, namely, Yip Tai Him, Mr. Qian Zhi Xin and Dr. Raymond Ho Chung Tai. They are all independent non-executive directors. The audit committee is chaired by Mr. Yip Tai Him.

Remuneration Committee

We have a remuneration committee which consists of three independent non-executive directors, namely Dr. Raymond Ho Chung Tai, Mr. Yip Tai Him and Mr. Qian Zhi Xin and is chaired by Dr. Raymond Ho Chung Tai. The primary duties of the remuneration committee are reviewing and approving the performance-based remuneration evaluation system, recommending the remuneration policy and structure of directors and senior management to the Board for approval and reviewing, approving and advising the compensation arrangement to directors and senior management.

Strategic Planning Committee

Our strategic planning committee comprises six members, three independent non-executive directors and three executive directors. The independent non-executive directors include Dr. Raymond Ho Chung Tai, Mr. Qian Zhi Xin and Mr. Xue Zhong Su. The executive directors who are also committee members are Mr. Zhu Gong Shan, Mr. Sha Hong Qiu and Mr. Ji Jun. Dr. Raymond Ho Chung is the chairman of the committee. The primary responsibilities of the strategic planning committee include reviewing long-term strategic development plans, reviewing our annual performance and assessing implementation and progress of the long term strategic development plans, reviewing and recommending to the board opportunities of upgrading facilities, expansion, mergers and acquisitions,

reviewing and recommending to the board with regard to the political, social and economic development in the PRC affecting or potentially affecting our business activities and reviewing and monitoring our relationship with its key strategic joint-venture partners.

Remuneration of Directors and Senior Management

We reimburse the directors for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in our operations. When reviewing and determining the specific remuneration packages for the executive directors and senior management, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment and services elsewhere in our Company and desirability of performance-based remuneration.

In the years ended December 31, 2009 and 2010, the total remuneration (comprising basic salaries, housing allowances, other allowances, pension and benefits) paid to our executive directors was approximately HK$16.7 million and HK$42.9 million (US$5.5 million), respectively. The aggregate remuneration payable to our executive directors for the year ending December 31, 2011 is estimated to be HK$20.7 million, excluding share options and remuneration linked to our profitability and share price performance. We also expect to pay our independent non-executive directors approximately HK$0.9 million, for their services, for the year ended December 31, 2011. The non-executive directors do not receive any remuneration from the Company.

Share Option Scheme

We adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on October 22, 2007. The Pre-IPO Share Option Scheme is to give our employees an opportunity to have a personal stake in us and to motivate our employees to optimize their performance and efficiency, and to retain our employees whose contributions are important to our long-term growth and profitability. The Pre-IPO Share Option Scheme was valid and effective until the listing date of the shares of the Company on the Hong Kong Stock Exchange, on November 13, 2007, after which period no further options could be issued but the provisions of the Pre-IPO Share Option Scheme remain in full force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as required in accordance with the provisions of such scheme.

We adopted a share option scheme (the "Share Option Scheme") on October 22, 2007 which became effective on November 13, 2007. The purpose of the Share Option Scheme is to motivate personnel to optimize their future contributions to us and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such personnel who are significant to and/or whose contributions are or will be beneficial to our performance, growth or success, and additionally in the case of executives of our Company, to enable us to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The Share Option Scheme is valid and effective for a period of 10 years from October 22, 2007, after which no further options will be granted or offered but the provisions of the Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as required in accordance with the provisions of the Share Option Scheme.

During the year ended December 31, 2010, no options were granted by the Company, a total of 620,000 option shares were lapsed, 2,414,000 option shares were exercised and there were 38,952,000 option shares outstanding as at December 31, 2010. Save as disclosed above, neither we nor any of our subsidiaries is a party to any arrangement to enable the directors of us to acquire benefits by means of the acquisition of shares in, or debt securities of, our Company or any associated corporation and none of the directors had any right to subscribe for the securities of our Company, or had exercised any such right during the year. Subsequent to the year December 31, 2010 we granted 25,000,000 option shares under the Share Option Scheme to the employees of the Group on January 12, 2011.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of December 31, 2010 by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Name of Shareholder	Nature of Interest	Number of Ordinary Shares	Approximate Percentage of Issued Shares of Company
Asia Pacific Energy Fund Limited[1]	Interest in a controlled corporation	5,015,343,327	32.41%
China Investment Corporation[2]	Beneficial interest	3,111,103,054	20.09%

Notes:

(1) Highexcel Investments Limited and Happy Genius Holdings Limited collectively hold 5,015,343,327 of our shares, both of which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust by Credit Suisse Trust Limited for Mr. Zhu Gong Shan (one of our directors and our chairman) and his family, including Mr. Zhu Yu Feng, a director and the son of Mr. Zhu Gong Shan. Mr. Zhu Gong Shan and his family are beneficiaries under the discretionary trust.

(2) China Investment Corporation owns approximately 3,111,103,054 of our shares, of which Chengdong Investment Corporation (a wholly-owned subsidiary of China Investment Corporation) owns 3,108,163,054 shares. Mr. Chau Kwok Man, Cliff and Ms. Bai Xiao Qing, both non-executive directors, are currently employees of China Investment Corporation.

(3) The total number of ordinary shares of the Company in issue as at December 31, 2010 is 15,473,963,268.

Save as disclosed above, so far as is known to any directors or chief executive of the Company, as at December 31, 2010, no other persons (other than a director or chief executive of the Company) had an interest or short position in our shares or underlying shares as recorded in the register kept pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our Company and our directors, executive officers and controlling shareholders and, in each case, the companies with whom they are affiliated during the three years ended December 31, 2008, 2009 and 2010.

Acquisitions and Transfers

Termination of Acquisition of 55% Equity Interest in the Duolun Mine Project

On August 11, 2008, Get Famous Investments Limited ("Get Famous"), a company wholly-owned by Mr. Zhu Gong Shan, entered into a sale and purchase agreement (the "S&P Agreement") as vendor with a subsidiary of our Company, to conditionally acquire the entire issued shares of a company which indirectly owns 55% of the equity interests of Duolun Mine. Pursuant to a technical report as at June 30, 2008, the total in-place resources of all seams of the Duolun Mine amount to approximately 82.44 million tonnes and that the commercial operation of the mine would be commenced in early 2009. On August 7, 2009 we announced that the parties under the S&P Agreement entered into a supplemental agreement to extend the first long stop date for completion from August 10, 2009 to February 10, 2010. We further announced on February 5, 2010 that the parties under the S&P Agreement entered into an agreement of the same date to terminate the S&P Agreement (as amended on August 7, 2009) due to failure to satisfy a condition precedent to the agreement.

Joint Venture Company

On April 21, 2010, we announced that Fengxian Xinyuan Biological Environmental Heat and Power Co., Ltd (豐縣鑫源生物質環保熱電有限公司) ("Fengxian Cogeneration") and its substantial shareholder, a related party, entered into a joint venture agreement to set up a joint venture company in the PRC, principally engaged in the business of generation and sale of steam. The registered capital and total investment of the joint venture company were RMB46 million and RMB230 million respectively. The difference between the total investment and the registered capital would be funded by borrowings. Fengxian Cogeneration holds 80% of the registered capital of the joint venture company with the balance owned by the joint venture partner. The joint venture company was duly established on June 8, 2010.

Acquisition of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. (江蘇中能矽業科技發展有限公司) ("Jiangsu Zhongneng")

On June 3, 2009, we entered into two conditional sale and purchase agreements to acquire a 100% equity interest in Jiangsu Zhongneng and its subsidiaries for a total consideration of approximately HK$26.350 billion. The consideration for the acquisition was satisfied by (i) the issue of 10,039,772,727 new shares, (ii) the issue of US$350 million secured notes; and (iii) US$200 million in cash. The acquisition was completed on July 31, 2009. Happy Genius, being one of the vendors, is beneficially wholly-owned by Mr. Zhu Gong Shan and his family.

Disposal of Park Bright Investments Limited

On November 12, 2008, we entered into a sale and purchase agreement with Sinopro Enterprises Limited ("Sinopro") pursuant to which we agreed to conditionally dispose of the entire issued shares of Park Bright Investments Limited for consideration of HK$25 million to Sinopro. The sale of shares was completed on March 31, 2009. Sinopro is wholly-owned by Mr. Zhu Gong Shan.

China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd. (*華潤協鑫（北京）熱電有限公司*) ("China Resources Beijing Cogeneration")

A share transfer agreement dated October 22, 2007 was entered into between Guotai Energy Investment Co., Ltd. (國泰能源投資股份有限公司) ("Guotai"), which is indirectly owned by Mr. Zhu Yu Feng and a wholly-owned subsidiary of our Company. Pursuant to the agreement, Guotai agreed to transfer its 49% equity interest in China Resources Beijing Cogeneration Plant to us for a total consideration of approximately RMB145,988,000. The principal activity of China Resources Beijing Cogeneration is the operation of a cogeneration plant in Beijing. The transfer of the interest was completed in January 2008.

Xilingol Guotai Wind Power Generation Co., Ltd (*錫林郭勒國泰風力發電有限公司*) ("Huitengliang Project Company")

Huitengliang Project Company was formerly wholly-owned by Guotai. The principal activity of Huitengliang Project Company is the development and operation of a wind farm power project in the Inner Mongolia Autonomous Region of the PRC. A sale and purchase agreement dated October 22, 2007 was entered into between Guotai and a wholly owned subsidiary of our Company pursuant to which Guotai would transfer its entire interest in Huitengliang Project Company for a total consideration of approximately RMB20,014,000. The acquisition of Huitengliang Project Company was completed on March 28, 2008.

Service Agreements

Operation, Management and Consultation Services

Nanjing Xiexin Life Sludge Power Co., Ltd. (南京協鑫生活污泥發電有限公司) ("Nanjing Cogeneration") and Lanxi Golden Concord Environmental Protection Cogen-Power Co., Ltd. (蘭溪協鑫環保熱電有限公司) ("Lanxi Cogeneration") are owned by a trust to which Mr. Zhu Gong Shan and his family (including Mr. Zhu Yu Feng) are beneficiaries. In addition, Mr. Zhu Gong Shan and his family have a 59% interest in Xuzhou Longgu Mine-site Gangue Power Generation Co., Ltd. (徐州龍固坑口矸石發電有限公司) ("Longgu Cogeneration"). On October 20, 2008, Shanghai GCL-Poly Electricity Operating Management Co., Ltd. (上海保利協鑫電力運行管理有限公司) (the "Management Company"), a subsidiary of our Company, entered into (i) an agreement with Nanjing Cogeneration (the "Previous Nanjing Agreement") and (ii) an agreement with Longgu Cogeneration (the "Previous Longgu Agreement") for the provision of operation and management services at an annual service fee of RMB2.88 million and RMB2.4 million respectively for two year terms from January 1, 2009 to December 31, 2010. The Previous Longgu Agreement was amended by a supplemental agreement dated March 27, 2009 to reduce the annual service fee to RMB1.2 million by providing limited management services in addition to the original agreed operational services.

The Management Company also entered into an agreement dated October 20, 2008 with Lanxi Cogeneration (the "Previous Lanxi Agreement") to provide similar operation and management services for a two year term at an annual fee of RMB1 million for the period from November 1, 2008 to December 31, 2010. On January 26, 2010 the Management Company and Xuzhou Jinshanqiao Cogeneration Co., Ltd. (徐州金山橋熱電有限公司) ("Jinshanqiao Cogeneration") entered into an agreement (the "Previous Jinshanqiao Agreement"), pursuant to which the Management Company agreed to provide operation and management services to Jinshanqiao Cogeneration for a term of one year commencing January 1, 2010 at an annual service fee of RMB1.3 million. Jinshanqiao Cogeneration is wholly owned by Mr. Zhu Yu Feng, our director.

On January 26, 2010, the Management Company and Xuzhou GCL-Poly Renewable Energy Company Limited (保利協鑫 (徐州) 再生能源有限公司) ("Xuzhou Incineration") entered into an agreement (the "Previous Xuzhou Agreement"), pursuant to which the Management Company agreed to provide operation and management services to Xuzhou Incineration for a term of one year at an annual service fee of RMB550,000. Mr. Zhu Yu Feng owns 25% of Xuzhou Incineration. The remaining 75% is owned by a trust to which Mr. Zhu Gong Shan and his family are beneficiaries.

As the Previous Nanjing Agreement, the Previous Longgu Agreement (as amended), the Previous Lanxi Agreement, the Previous Jinshanqiao Agreement and the Previous Xuzhou Agreement expired on December 31, 2010, the Management Company entered into renewed agreements on January 7, 2011 with each of Nanjing Cogeneration, Longgu Cogeneration, Lanxi Cogeneration, Jinshanqiao Cogeneration, and Xuzhou Incineration for a term of three years commencing January 1, 2011.

On February 13, 2009 the Management Company entered into an operation consultation agreement (the "Operation Consultation Agreement") with Palace View International Limited ("Palace View"), a subsidiary of Asia Energy Logistics Group Limited, to provide consultation services in relation to the operation of an incineration power plant indirectly owned by Palace View from February 13, 2009 to February 12, 2010, for a monthly fee of RMB200,000. On July 31, 2009, Mr. Zhu Gong Shan sold 70% (and retained the remaining 30% interest) in the issued share capital of Gofar Holdings Limited to a subsidiary of Asia Energy Logistics Group Limited.

We announced on October 8, 2008 that we, through a wholly-owned subsidiary, entered into a service agreement with Team Profit International Holdings Limited ("Team Profit") to provide technical support and consultation services before commencing construction of an incineration plant for a service fee of RMB9.7 million. The service agreement was completed in March 2009. Team Profit was indirectly wholly-owned by Mr. Zhu Gong Shan.

On October 8, 2008, we also announced that it, through its wholly-owned subsidiary, entered into a preliminary agreement with Jiangsu Zhongneng to provide planning and organizing services to Jiangsu Zhongneng for the construction of a 2x25 MW power generation facility for a service fee of RMB10 million. At the time the agreement was commenced, Mr. Zhu Gong Shan controlled more than 30% of the voting power at the general meetings of Jiangsu Zhongneng. A termination agreement dated March 2, 2009 was executed by the same parties, due to the construction schedule of the power plant not meeting Jiangsu Zhongneng's production schedule.

We announced on December 3, 2008 that we, through our wholly-owned subsidiary, entered into a consultant agreement with Jinshanqiao Cogeneration to provide consultation services for a fee of RMB4 million. The agreement was completed in February 2009. Mr. Zhu Yu Feng indirectly controls the entire equity interest of Jinshanqiao Cogeneration.

On November 27, 2008, Peixian Mine-site Environmental Cogen-Power Co., Ltd. (沛縣坑口環保熱電有限公司) ("Peixian Power Plant"), our wholly-owned subsidiary entered into a consultation agreement with Jinshanqiao Cogeneration, pursuant to which Peixian Power Plant will provide consultation services to Jinshanqiao Cogeneration for a fee of RMB4 million. Mr. Zhu Yu Feng indirectly owns the entire equity interest in Jinshanqiao Cogeneration.

We, through our indirectly wholly-owned subsidiary, Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co. Ltd. (桐鄉濮院協鑫環保熱電有限公司) ("Puyuan Cogeneration") entered into an operation and management services agreement with Jiangsu Zhongneng for seven sets of 25 tonne boilers and the rental of four sets of boilers to be installed in the Jiangsu Zhongneng plant. The aggregate annual fee of the agreement was RMB10 million for a two year term commencing November 1, 2008 to October 30, 2010. Mr. Zhu Gong Shan, then controlled 30% or more of the voting power at the general meetings of Jiangsu Zhongneng as at the date of the announcement of the agreement.

Pursuant to an agreement dated December 28, 2006 and a supplemental agreement dated August 15, 2007 between Suzhou Chonggao Power Investment Co., Ltd. ("Chonggao") and the Management Company (collectively the "Management Agreement"), Chonggao, in its capacity as an equity interest holder of the Taicang Harbour Golden Concord Electric-Power Generation Co., Ltd. (太倉港協鑫發電有限公司) ("Taicang Harbour Power Plant"), contracted the Management Company to provide certain services on its behalf for a fixed term of two years from January 1, 2007 to December 31, 2008. The services to be provided include (i) exercising rights as an equity interest holder of the Taicang Harbour Power Plant (excluding the right to receive dividends or disposing of the equity interest); (ii) supervision of the operation of the Taicang Harbour Power Plant including evaluation of management team performance, financial management and compliance with legal and environmental protection regulations. The aggregate fee paid under the services for the year ended December 31, 2008 was RMB5.6 million. Mr. Zhu Gong Shan and his associate then owned an aggregate equity interest of 37% in Taicang Harbour Power Plant, which we has a right to acquire pursuant to a non-competition agreement.

Construction Agreements

Kunshan Xinyuan Environmental Protection Cogen-Power Co., Ltd. (昆山鑫源環保熱電有限公司) ("Kunshan Cogeneration"), an indirect non-wholly owned subsidiary of the Company, entered into a construction agreement dated May 13, 2009 with Suzhou Industrial Park Public Utilities Project Construction Co., Ltd. (蘇州工業園區市政公用工程建設有限公司) ("Suzhou Industrial Park Utilities Construction"), pursuant to which Suzhou Industrial Park Utilities Construction is responsible for the construction and installation of steam supply pipes for Kunshan Cogeneration at a tentative contract fee of RMB9.22 million. The construction agreement was completed in November 2009 with a total paid contract fee of RMB10.142 million. Our Company, Suzhou Industrial Park Utilities Construction and an independent third party collectively own equity interest in a subsidiary entity, Suzhou Industrial Park Blue Sky Gas Cogen-Power Co., Ltd. (蘇州工業園區藍天燃氣熱電有限公司) ("Suzhou Cogeneration") in the amounts of 51%, 30% and 19% respectively.

Jiangsu Zhongneng entered into a construction management agreement dated October 28, 2008 with Jiangsu Golden Concord Construction Management Co., Ltd. ("Golden Concord Construction Management"), pursuant to which Golden Concord Construction Management agreed to provide management services in relation to the construction of Jiangsu Zhongneng's Phase III and expansion project at a fee of 8.5% of the total estimated construction cost of RMB5.8 billion. As of December 31, 2009, a total of RMB420 million has been paid to Golden Concord Construction Management. No payment has been made to Golden Concord Construction Management during the year ended December 31, 2010. Mr. Zhu Gong Shan owns, directly or indirectly, more than a 30% equity interest in Golden Concord Construction Management.

On November 10, 2008, we entered into a construction agreement with Suzhou Industrial Park through our non-wholly owned subsidiary (the "Owner"). Suzhou Industrial Park, as contractor, was responsible for the construction of steam supply pipes for the Owner at a contract fee of RMB2.855 million. We owns 51% of the equity interest of the Owner, while 30% of its equity interest is owned by Suzhou Industrial Park Utilities Development Co., Ltd. (中新蘇州工業園區市政公用發展集團有限公司) (the "Substantial Shareholder"). The construction work was completed in November 2008.

Emission Reductions Consultation and Agency Agreement with Golden Concord (Singapore) Energy Investment Holding Pte Ltd. ("Golden Concord Energy")

On June 3, 2009, we announced that four of our subsidiaries, including Baoying Xiexin Biomass Electric-Power Co., Ltd. (寶應協鑫生物質發電有限公司), Xilinggol Guotai Wind Power Generation Co., Ltd. (錫林郭勒國泰風力發電有限公司), Lianyungang Xiexin Biomass Electric-Power Generation Co., Ltd. (連雲港協鑫生物質發電有限公司) and Taicang Xiexin Refuse Incineration Power Co. Ltd. (太

倉協鑫垃圾焚燒發電有限公司) entered into separate emissions reductions consultation and agency agreements with Golden Concord Energy. Pursuant to these agreements Golden Concord Energy provides consultation and agency services to each power plants for a period commencing June 1, 2009 to May 31, 2012 at a service fee of 25% of net proceeds received by each power plant.

We also announced that Suzhou Cogeneration, our non-wholly owned subsidiary, entered into an agreement dated December 3, 2008 (as amended by a supplemental agreement dated May 30, 2009) with Golden Concord Energy and an independent third party as broker for a period from December 3, 2008 to November 30, 2011, pursuant to which, Golden Concord Energy will provide consultation services regarding the preparation of the relevant documents for the verification and validation of emissions reductions. A service fee of 25% of net proceeds of the sale of verified emissions reductions after deduction of fees and/or costs payable to the broker shall be paid to Golden Concord Energy. Golden Concord Energy is indirectly owned by Mr. Zhu Gong Shan.

Energy Supply Agreement

On March 30, 2010, we acquired an effective 70.19% equity interest in Konca Solar Cells Co., Ltd. ("Konca Solar"). Prior to the acquisition, Konca Solar had entered into an energy supply agreement, pursuant to which Wuxi Huilian Cogeneration Company Limited ("Wuxi Huilian") agreed to supply energy to Konca Solar at RMB0.498 per kwh for the period commencing August 1, 2009 to July 31, 2010. Wuxi Huilian is a subsidiary of Wuxi Guolian Development (Group) Co., Ltd., a substantial shareholder of Konca Solar.

Lease of Assets

Suzhou Industrial Park Blue Sky Gas Co-generation Power Co., Ltd. (蘇州工業園區藍天燃氣熱電有限公司) ("Suzhou Cogeneration"), our indirect non-wholly owned subsidiary, entered into an assets lease agreement ("Previous Assets Lease Agreement") with Suzhou Industrial Park Municipal Utilities Development Group Co., Ltd (蘇州工業園區市政公用發展集團有限公司) ("Suzhou Industrial Park") for buildings and related facilities, equipment and machineries. Suzhou Cogeneration also entered into a lease ("Previous Lease") with Suzhou Industrial Park Construction Development Co., Ltd. (蘇州工業園建屋發展集團有限公司) ("Suzhou Construction Development"), a fellow subsidiary of Suzhou Industrial Park, for land and a power generation plant for a term of one year commencing September 15, 2008 to September 14, 2009. As the Previous Assets Lease Agreement and the Previous Lease expired on September 14, 2009, Suzhou Cogeneration entered into (i) a new assets lease agreement (the "Assets Lease Agreement") with Suzhou Industrial for a fee of RMB3.5 million; and (ii) a new lease (the "Lease") with Suzhou Construction Development for rental fees of RMB500,000, both for a term of one year commencing September 15, 2009 to September 14, 2010. Suzhou Industrial Park owns a 30% equity interest in Suzhou Cogeneration.

Shanghai Office Rental

A lease agreement took effect from January 1, 2007 (amended by a supplemental lease agreement dated August 15, 2007) (collectively the "Shanghai Office Lease") between the Management Company, our wholly owned subsidiary, and Shanghai Yueyuan Machinery and Equipment Co., Ltd. (上海越源機械成套設備有限公司) ("Shanghai Yueyuan") for office premises located at 9th Floor, 360 Pudong South Road, Shanghai. The term of the lease was for three years ending December 31, 2009. The lease was subsequently novated on April 1, 2008 from Shanghai Yueyuan to Shanghai Guoneng Investment Co., Ltd. (上海國能投資有限公司), a company beneficially owned by Mr. Zhu Yu Feng. The aggregate rent paid for the year ended December 31, 2009 was approximately RMB2.827 million.

Office Services in Hong Kong

We entered into an agreement dated October 22, 2007 (the "Office Services Agreement") with Golden Concord Holdings Limited ("GCL (Hong Kong)"), a company wholly owned by Mr. Zhu Gong Shan, for the procurement of office services for a term commencing from May 1, 2007 to December 31, 2009. Such services include a license to use the premises at Suites 3601-3604, Two Exchange Square, 8 Connaught Road Central, Hong Kong, including access to facilities and furniture therein and administrative assistance services provided by GCL (Hong Kong). The aggregate value of the procurement of office services for the year ended December 31, 2008 was approximately HK$2.33 million.

Procurement of Coal

Zhengzhou Coal Industry & Electric Power Co., Ltd. (鄭州煤電股份有限公司) and Zhengzhou Coal Industry (Group) Co., Ltd. (鄭州煤炭工業(集團)有限責任公司)

On December 9, 2007, we, through GCL-Poly Power Fuel Co., Ltd. (保利協鑫電力燃料有限公司) ("GCL-Poly Fuel"), entered into a coal supply agreement with Zhengzhou Coal Industry & Electric Power Co., Ltd (鄭州煤電股份有限公司) ("ZCIE") and Zhengzhou Coal Industry (Group) Co., Ltd. (鄭州煤炭工業(集團)有限責任公司) ("ZCIG"), which was supplemented by two agreements dated April 14, 2008 and June 10, 2008 (the "Coal Supply Agreements"). Under the Coal Supply Agreements, blended coal will be supplied to GCL-Poly Fuel Company for a term of three years commencing June 10, 2008 to June 10, 2011 at the market price. ZCIE is the holding company of a joint venture company of which Mr. Zhu Gong Shan owns more than a 30% equity interest. ZCIE is also a subsidiary of ZCIG.

Inner Mongolia Duolun Golden Concord Mining Limited (內蒙古多倫協鑫礦業有限責任公司)

We, through GCL-Poly Fuel, entered into a coal supply agreement on August 14, 2009 ("Previous Coal Supply Agreement") with Inner Mongolia Duolun Golden Concord Mining Limited (內蒙古多倫協鑫礦業有限責任公司) ("Duolun Golden Concord") to purchase coal for the period commencing August 11, 2009 to February 28, 2010. On February 10, 2010, both parties entered into a coal supply framework agreement to renew the coal supply for the period commencing March 1, 2010 to December 31, 2012. A discretionary trust, to which Mr. Zhu Gong Shan and his family (including Mr. Zhu Yu Feng) are beneficiaries, owns a 55% interest in Duolun Golden Concord.

Huarun Tianneng Group Co. Ltd. (華潤天能集團公司) ("Huarun Tianneng")

Each of the following subsidiaries of our Company, namely (i) Fengxian Xinyuan Biological Environmental Heat and Power Co. Ltd. (豐縣鑫源生物質環保熱電有限公司) ("Fengxian Cogeneration"), (ii) Peixian Mine-site Environmental Cogen-Power Co., Ltd. (沛縣坑口環保熱電有限公司) ("Peixian Cogeneration") and (iii) Xuzhou Western Environmental Protection Co-generation Power Co., Ltd (徐州西區環保熱電力有限公司) ("Xuzhou Cogeneration"), have each entered into coal supply agreements dated September 18, 2004 for the period commencing October 1, 2007 to December 31, 2009 with Huarun Tianneng. Huarun Tianneng owns a 24% equity interest in Xuzhou Cogeneration, which is a subsidiary of our Company.

Supply of Coal

On January 31, 2007, GCL-Poly Fuel entered into a coal supply agreement with Nanjing Cogeneration for a period commencing February 1, 2007 to December 31, 2007, which is supplemented by an agreement dated August 15, 2007 to extend the effective period to December 31, 2009. The agreement was further amended on October 20, 2008 (the "Nanjing Supplemental Agreement") to

extend the effective period to June 30, 2011. A discretionary trust, to which Mr. Zhu Gong Shan and his family (including Mr. Zhu Yu Feng) are beneficiaries, owns the entire equity interest of Nanjing Cogeneration.

On October 20, 2008, GCL-Poly Fuel also entered into a coal sale agreement with each of Lanxi Cogeneration and Suzhou Dongwu Cogeneration Co., Ltd. (蘇州東吳熱電有限公司) ("Dongwu Cogeneration") for a period commencing November 1, 2008 to June 30, 2011 at market price. A discretionary trust, to which Mr. Zhu Gong Shan and his family (including Mr. Zhu Yu Feng) are beneficiaries, owns the entire equity interest of Lanxi. Suzhou Suxin Asset Investments Co., Ltd. (蘇州蘇鑫資產投資有限公司), the controlling shareholder of Dongwu Cogeneration, is also a substantial shareholder of a subsidiary of our Company.

Steam Supply

Steam Supply to Hande

On January 22, 2009, we, through Funing Cogeneration, a non-wholly owned subsidiary, entered into a technology service and steam supply agreement with Hande Wind Power Equipment (Funing) Co., Ltd. (漢德風電設備(阜寧)有限公司) ("Hande") for a period commencing January 22, 2009 to September 30, 2011, at the then approved steam price of RMB199 per tonne. Mr. Zhu Gong Shan previously owned more than a 30% equity interest in Hande, which he subsequently sold to a third party independent from us in December 2010.

Steam Supply to Huarun Tianneng

On February 17, 2009, we, through Peixian Mine-site Environmental Cogen-Power Co., Ltd. (沛縣坑口環保熱電有限公司), a non-wholly owned subsidiary, entered into a steam supply agreement (the "Peixian Steam Supply Agreement") with Huarun Tianneng Group Co. Ltd. (華潤天能集團公司) ("Huarun Tianneng") for a period commencing February 17, 2009 to December 31, 2011 at the then approved price of RMB190 per tonne. Huarun Tianneng is a substantial shareholder of a non-wholly-owned subsidiary of our Company.

Steam Supply to Jiangsu Zhongneng & Jiangsu GCL

On December 30, 2009, Jiangsu Zhongneng entered into a steam supply agreement with each of (i) Jinshanqiao at a unit price of RMB180 per tonne; and (ii) Xuzhou GCL-Poly Renewable Energy Company, Limited (保利協鑫(徐州)再生能源有限公司) ("Xuzhou Incineration") at a unit price of RMB200 per tonne. The term of both agreements was for one year commencing January 1, 2010 to December 31, 2010. On November 26, 2010, Jiangsu Zhongneng renewed both of these agreements for a period commencing January 1, 2011 to October 31, 2013. The current agreed unit prices are RMB180 per tonne and RMB185 per tonne for Jinshanqiao and Xuzhou Incineration respectively. Mr. Zhu Yu Feng indirectly owns the entire equity interest of Jinshanqiao. In addition, On November 26, 2010, Jiangsu GCL Silicon Material Technology Development Co., Ltd. (江蘇協鑫矽材料科技發展有限公司) ("Jiangsu GCL"), our wholly-owned subsidiary, entered into a steam supply agreement with Xuzhou Incineration. Pursuant to the agreement, Xuzhou Incineration agreed to supply steam to Jiangsu GCL for the period commencing November 26, 2010 to October 31, 2013 at a unit price of RMB190 per tonne. Mr. Zhu Yu Feng also indirectly owns 75% of Xuzhou Incineration's equity interest with the remaining 25% held by a trust to which both Mr. Zhu Gong Shan and his family (including Mr. Zhu Yu Feng) are beneficiaries.

Jiangsu Zhongneng Connection Agreement

On November 26, 2010, Jiangsu Zhongneng, our wholly-owned subsidiary, and Jinshanqiao Cogeneration entered into a connection agreement, pursuant to which Jinshanqiao Cogeneration charged Jiangsu Zhongneng for an one-off connection fee for the supply of steam at various standards. The aggregate value of the agreement was RMB310 million for 620 tonnes of steam per hour at RMB500,000 per tonne. Jinshanqiao Cogeneration is wholly owned by Mr. Zhu Yu Feng.

Loan and Facility Agreements

Facility Agreement with Golden Concord Real Estate

Jiangsu Zhongneng entered into a facility agreement to lend an amount of RMB65 million to Golden Concord Real Estate Co., Ltd. (蘇州協鑫置業有限公司) ("Golden Concord Real Estate") for the period from October 10, 2008 to October 9, 2009 at an annual interest rate of 5.841%. The proceeds were used in the construction of residential buildings which Jiangsu Zhongneng intends to acquire as its staff quarters when completed. The October 9, 2009 due date for the outstanding balance of RMB65 million was extended for six months to April 9, 2010 by a new facility agreement dated October 12, 2009. The principal amount of RMB65 million and all outstanding payments have been paid in full as of April 2010. Mr. Zhu Gong Shan, through his associates, owns more than 30% equity interest in Golden Concord Real Estate.

Loan Arrangement with Jinshanqiao Cogeneration

Jiangsu Zhongneng entrusted Jiangsu Bank, Xuzhou Xuanwu Branch (the "Bank") to lend RMB100 million to Jinshanqiao Cogeneration for the provision of working capital and the repayment of indebtedness. Jiangsu Zhongneng entered into a loan arrangement agreement with the Bank on November 7, 2008. Accordingly, the Bank entered into a back-to-back lending agreement dated November 7, 2008 with Jinshanqiao Cogeneration. The annual interest rate payable by Jinshanqiao Cogeneration was 6.66%, payable quarterly with a term of one year commencing November 7, 2008. The loan was repaid in full by Jinshanqiao Cogeneration on November 7, 2009.

Loan Arrangement with Suzhou Golden Concord Real Estate Co., Ltd. (蘇州協鑫置業有限公司) ("Golden Concord Real Estate")

Jiangsu Zhongneng entrusted Jiangsu Bank, Xuzhou Xuanwu Branch (the "Bank") to lend RMB100 million to Golden Concord Real Estate for project construction. Jiangsu Zhongneng entered into an entrusted loan agreement with the Bank on December 10, 2008. Accordingly, the Bank entered into a back-to-back lending agreement dated December 10, 2008 with Golden Concord Real Estate. The annual interest rate payable by Golden Concord Real Estate was 5.58%, for a term of one year commencing December 10, 2008. The loan was repaid in full by Golden Concord Real Estate on December 10, 2009.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

The following is a summary only of the principal terms of our material indebtedness as of December 31, 2010 and does not purport to be complete. Please refer to our audited, consolidated financial statements and the notes thereto included elsewhere in this document for additional information with respect to our indebtedness.

To fund our general corporate purposes and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions.

As of December 31, 2010, our total outstanding indebtedness totaled HK$14,343.0 million (US$1,838.8 million).

We set forth below a summary of the material terms and conditions of these financing arrangements and other material indebtedness.

Loan from China Development Bank Corporation

On August 19, 2010 we entered into an unsecured facility agreement with China Development Bank Corporation Hong Kong Branch (“CDBC”) (as amended and supplemented on December 29, 2010) (the “CDBC Facility Agreement”). Under the CDBC Facility Agreement, CDBC made available to us two facilities — a facility in the amount of US$ 220,000,000 (the “US$ Facility”) and a facility in the amount of RMB530,000,000 (the “RMB Facility”, and together with the US$ Facility, the “Facilities”). We are permitted to use the Facilities for the general corporate funding requirements of the Group.

As of the date of this document, both Facilities have been fully drawn.

Interest & Repayment

Amounts outstanding under the US$ Facility bear interest at a rate equal to the British Bankers’ Association interest settlement rate for US$ for the relevant interest period (“LIBOR”) plus a margin. On the other hand, amounts outstanding under the RMB Facility bear interest at a rate equal to the interbank offered rate calculated and announced by the National Interbank Funding Center (“SHIBOR”) plus a margin for the relevant interest period. Interest payments are payable on a six monthly basis.

Default interest is payable on unpaid amounts at a rate of 2% per annum above the relevant prevailing interest rate. Both Facilities are due for repayment three years from the date of first utilization (October 13, 2010), being October 13, 2013.

Covenants

We have agreed under the CDBC Facility Agreement, among other things, not to take any of the following actions:

- creating or permitting to subsist (at the company level) any security over any of our assets;
- selling, transferring or otherwise disposing of any of our assets (at the company level) on terms whereby they are or may be leased or re-acquired by us;
- selling, transferring or otherwise disposing of any of our receivables on recourse terms or entering into any title retention arrangement;
- entering into or permitting to subsist any arrangement under which money or benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts;
- entering into or permitting to subsist any other preferential arrangement having a similar effect as any action set out above;
- entering into any amalgamation, demerger, merger or corporate reconstruction; or
- substantially changing the general nature of our business.

Furthermore, we are not permitted, without the prior written consent of CDBC, to take any of the following actions:

- selling or disposing of any asset, except for sales or disposals:
  - (i) made in the ordinary course of trading;
  - (ii) made by a member of our Group to another member of our Group;
  - (iii) of used, worn out, obsolete or surplus property by any member of our Group in the ordinary course of business;
  - (iv) made in connection with any sale/leaseback transaction or transaction with a similar economic effect;
  - (v) of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose;
  - (vi) the market value or consideration receivable for which does not exceed a certain threshold; or
- acquiring any company, business or assets, except for assets or businesses of a similar nature and the value of which does not exceed a certain threshold.

Financial Covenants

Pursuant to the CDBC Facility Agreement, we agreed to all of the following financial covenants:

- our consolidated tangible net worth shall not be less than HK$8,000,000,000;
- our consolidated total liabilities shall not be greater than 230% of our consolidated tangible net worth; and

- our consolidated EBITDA shall not be less than 2.5 times of our consolidated finance charges.

These financial covenants are tested by reference to our financial statements on a six monthly basis.

Reserve account

We are obliged to maintain a reserve account into which we must deposit an amount not less than the amount of interest owing or payable on the next interest payment date and principal due on the final repayment date, in each case one month before such amounts are due and payable. We are not permitted to withdraw or create or permit to subsist any security over such reserve account without the prior written consent of CDBC.

Mandatory Prepayment

Upon a change of control event, where Mr. Zhu Gong Shan, Mr. Zhu Yu Feng and other members of their family and their associates cease to collectively remain our single largest shareholder or cease to control us, CDBC may cancel all its commitment and accelerate the Facilities. If CDBC does not exercise its right to accelerate, we are obliged to repay each loan made under the Facilities on the immediately following interest payment date relating thereto.

Voluntary Prepayment

We may, on prior notice to CDBC, prepay the whole or any part of any Facility on an interest payment date. If any Facility is prepaid in part, the prepayment amount must reduce the amount outstanding under the Facility by certain integral amounts.

We may also give notice to CDBC to cancel the commitment under the Facilities: (i) if we are required to make a tax deduction; or (ii) if CDBC claims any indemnity from us for tax payments or increased costs resulting from changes in law or regulation. In such event, we shall prepay the relevant Facility on the next interest payment date after notice to CDBC.

Events of Default

The CDBC Facility Agreement contains certain customary events of default, such as failure to pay the amount payable on the due date, breach of certain financial covenants, cross default by us or any of our material subsidiaries, misrepresentation, cessation of business, material adverse change, insolvency events and breach of any other provision of the finance documents. If an event of default is continuing, CDBC may cancel the commitment and/or accelerate the Facilities immediately.

Project Loans

One of our wholly-owned subsidiaries, GCL Solar Energy, Inc. ("GCL Solar"), entered into two term loan facility agreements with Standard Chartered Bank (Hong Kong) Limited ("SCBHK") — one on June 9, 2010 (the "June SCBHK Facility Agreement") and the other on December 21, 2010 (the "December SCBHK Facility Agreement", and together with the June SCBHK Facility Agreement, the "SCBHK Facility Agreements"). Under the SCBHK Facility Agreements, SCBHK made available to GCL Solar a term loan facility of US$50,000,000 under the June SCBHK Facility Agreement (the "June SCBHK Facility") and a term loan facility of US$55,000,000 under the December SCBHK Facility Agreement "the December SCBHK Facility", and together with the June SCBHK Facility, the "SCBHK Facilities"). The aggregate principal amount outstanding under both SCBHK Facilities cannot exceed US$75,000,000. GCL Solar is permitted to use the SCBHK Facilities towards payments of costs, fees and expenses to complete and commission the 1.2MW University of San Diego solar farm project, the

5.21 MW San Diego Unified School District solar farm project, the 6.4 MW Palmdale School District solar farm project and the 9.7MW Antelope Valley High School District solar farm project, each involving the installation of photovaltic panels on rooftops and in parking structures. As at December 31, 2010, GCL Solar had borrowed US$27,501,000 under the June SCBHK Facility, while no amount had been borrowed under the December SCBHK Facility. The availability period in respect of the June SCBHK Facility has now expired so no further drawings are permitted under it.

GCL Solar's payment obligations under both SCBHK Facility Agreements are guaranteed by us.

Interest & Repayment

Amounts outstanding under the SCBHK Facilities in each case bear interest at a rate equal to LIBOR plus a margin. According to the SCBHK Facility Agreements, GCL Solar may select interest periods of one month, three months, or any other period as agreed with SCBHK. GCL Solar has selected to make interest payments either every three months or every six months.

Default interest is payable on unpaid amounts at a rate of 1.5% per annum above the relevant prevailing interest rate. The facility is due for repayment on June 30, 2011.

Covenants

GCL Solar has agreed under the SCBHK Facility Agreements, among other things, not to take any of the following actions (subject to certain carve-outs):

- creating or permitting to subsist (at the GCL Solar level and including its subsidiaries) any security over its assets;
- selling, transferring or otherwise disposing of any of its assets (at the GCL Solar level and including its subsidiaries) on terms whereby they are or may be leased or re-acquired by GCL Solar or any of its subsidiaries;
- selling, transferring or otherwise disposing of any of it receivables on recourse terms or entering into any title retention arrangement;
- entering into or permitting to subsist any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts;
- entering into or permitting to subsist any other preferential arrangement having a similar effect as any action set out above;
- entering into any amalgamation, demerger, merger or corporate reconstruction; or
- substantially changing the general nature of our business.

Furthermore, GCL Solar is not permitted (and GCL Solar shall ensure that none of its subsidiaries will), without the prior written consent of SCBHK, to take any of the following actions:

- selling or disposing of any asset, except for sales or disposals:
  - (a) made in the ordinary course of trading;
  - (b) of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose; or

(c) required in connection with a sale and leaseback arrangement provided that its proceeds have been applied by GCL Solar to prepay the SCBHK Facility in accordance with the SCBHK Facility Agreement;

- acquiring any company, business or assets, except for assets or businesses of a similar nature and/or are contemplated by certain project contracts and sale and purchase agreements specified in the SCBHK Facility Agreements.

Additionally, neither GCL Solar nor any of its subsidiaries is permitted to provide any guarantees other than those specifically relating to the solar farm projects described above.

Voluntary Prepayment

GCL Solar may, if it gives prior notice to SCBHK, prepay the whole or any part of any SCBHK Facility in certain integral amounts.

GCL Solar may also give notice to SCBHK to cancel the commitments under any SCBHK Facility (i) if we are required to make a tax deduction; or (ii) if SCBHK claims any indemnity from GCL Solar for tax payments or increased costs resulting from changes in law or regulation. In such event, GCL Solar shall prepay the relevant SCBHK Facility on the next interest payment date after notice to SCBHK.

Events of Default

The SCBHK Facility Agreements contain certain customary events of default, such as failure to pay any amount payable on its due date, cross default by us, GCL Solar or any of our subsidiaries, misrepresentation, cessation of business, material adverse change, insolvency events and breach of any other provision of the finance documents (including if GCL Solar ceases to be a subsidiary of us). If an event of default is continuing SCBHK may cancel the commitment and/or accelerate the SCBHK Facility immediately.

PRC Bank Loans

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks (“PRC bank loans”), including, but not limited to, Standard Chartered Bank, China Development Bank, Shenzhen Development Bank, Agricultural Development Bank of China, Shanghai Pudong Development Bank, Industrial and Commercial Bank of China, China Construction Bank, Bank of China, China Merchants Bank, Ping An Bank, Bank of Communications, China Citic Bank, China Minsheng Banking Corp Ltd, China Everbright Bank and Agricultural Bank of China. These loans are typically made to finance the construction of our onshore projects, provide working capital, pay off utilities, purchase raw materials and honour other current obligations. Some of these PRC bank loans are secured by property, plant and equipment, land use rights and bank deposit, and/or guaranteed by our subsidiaries or companies in which we have minority interests.

Interest

The principal amounts outstanding under RMB-denominated loans generally bear interest at fixed or floating rates calculated with reference to the benchmark interest rate set by the People’s Bank of China (“PBOC benchmark rate”) or SHIBOR. The principal amounts outstanding under US$ denominated loans generally bear interest at rates calculated with reference to LIBOR. Floating interest rates are generally subject to review by the lenders monthly, quarterly or annually, depending on the

term of the loan. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2010, the interest rates with respect to these loan agreements ranged from 3.5% to 10% per annum.

Covenants

Under these PRC bank loans, our subsidiary borrowers have agreed, among other things, not to take any or all of the following actions without first obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing their registered capital;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing assets;
- transferring a substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restriction

Pursuant to the PRC bank loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to distribute any dividends until the principal amount of and accrued interest under the relevant loan have been paid in full.

Events of Default

The loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan and financing documents. Upon the occurrence of an event of default, the lenders may terminate the relevant loan agreement and demand immediate repayment.

Guarantee and Security

We and certain of our subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the PRC bank loans to which such subsidiaries or minority interest companies have guaranteed the liabilities of the subsidiary borrowers under these loans up to certain limits. Our obligations under certain of these loan agreements are secured by mortgages over bank deposits, property, plant and equipment and the land use rights relating to the relevant projects. As at December 31, 2010, HK$1,823.6 million of our PRC bank loans were secured.

Finance Leases

Jiangsu Zhongneng, one of our indirect wholly-owned subsidiaries (the "lessee"), has entered into two sale and leaseback agreements denominated in RMB, with China National Foreign Trade Financial & Leasing Co., Ltd. (中國外貿金融租賃有限公司), as lessor (the "lessor") in respect of certain of its manufacturing equipment. Under each sale and leaseback agreement, the lessor purchases the manufacturing equipment from the lessee at a price lower than the initial acquisition price paid by the lessee. Throughout the lease term, the lessee pays to the lessor a rental amount which covers the purchase price paid by the lessor and the interest rate under the lease. At the end of the lease term, the lessee shall pay a nominal repurchase price to acquire the leased manufacturing equipment from the lessor. The lease term under each finance lease agreement is 5 years. As at December 31, 2010, the total liabilities due under the finance leases are HK$552.8 million.

Interest

Interest rates underlying the obligation under the finance leases are 85% of the five-year PBOC benchmark rate. As at December 31, 2010, the average effective interest rate was 6.55% per annum after considering the effect of indirect costs.

Events of Default

Failure to pay the amount payable on the due date constitutes an event of default under the finance lease agreements. Furthermore, where there is cessation of business, change in the nature or scope of business operations in any material respect, changes in the corporate structure of the lessee such as entering into mergers, acquisitions or reorganisations, these could also potentially constitute events of default if the lessee fails to notify the lessor in accordance with the finance lease agreements. Upon the occurrence of an event of default, the lessor may accelerate any sums payable, terminate the finance lease agreement, regain possession of the leased equipment and/or seek damages against the lessee.

Guarantee and Security

The lessee's obligations under the leases are secured by a charge over the leased assets, a guarantee given by GCL Solar Energy Technology Holdings Limited, another of our wholly-owned subsidiaries, and a deposit of HK$73.4 million made to the lessee at the commencement of the leases.

US Sale and Leaseback Transactions

Certain of our subsidiaries incorporated in the United States (the "US subsidiaries") have entered into a series of sale and leaseback transactions with Wells Fargo Bank Northwest, N.A. and/or its related entities ("Wells Fargo") in relation to certain of our power projects in the United States. Such transactions are governed by: (i) lease funding agreement between, among others, WF-GCL I Solar Statutory Trust as lessor (the "lessor"), each of various US subsidiaries as lessee (the "lessees") and Wells Fargo dated December 31, 2010 (the "Lease Funding Agreement"); (ii) a master lease agreement amended and restated on December 31, 2010 (the "Master Lease Agreement") and schedules dated various dates between, among others, GCL ML-I LLC as master lessee, the lessor and the lessees (the Master Lease Agreement, together with each executed schedule, a "Lease"); (iii) a certain other participation agreement amended and restated on December 31, 2010 (as amended) governing the parties' participation in the financing, purchase and lease of the projects; and (iv) other documents and instruments executed by the parties under the foregoing documents.

Under these arrangements, Wells Fargo, through the lessor, purchases the lessees' interest in the projects and leases the projects to the lessees in return for rental payments. The term of the Lease for each project is generally between 20 and 25 years. The lessee may purchase the project from the lessor

before or at the end of each Lease term upon payment of outstanding rental amounts and the fair market value of the project and satisfaction of other terms and conditions. As at December 31, 2010, the lessees' rent payment obligations under the sale and leaseback transactions are approximately US$35.2 million.

Standby Letters of Credit

Pursuant to the terms of the sale and leaseback transactions, GCL Solar Energy Limited, one of our wholly-owned subsidiaries ("GCL SEL"), entered into a standby letters of credit facility with SCBHK on December 6, 2010 (the "Standby Letters of Credit Facility"). Under the Standby Letters of Credit Facility, SCBHK made available to GCL SEL standby letters of credit ("SLCs") of up to US$11,000,000 as security for the lessees' obligations under the sale and leaseback transactions. The SLCs have a term of 2 years. The beneficiary of the SLCs is Wells Fargo. GCL SEL is obliged to pay an issuance fee. Interest on sums owing by GCL SEL to SCBHK accrue at a margin above the prime lending rate announced by SCBHK from time to time or SCBHK's cost of funding, whichever is higher. As at December 31, 2010, SLCs of US$5,993,000 were issued in favour of Wells Fargo. As at May 11, 2011, no amounts have been drawn by Wells Fargo under the SLCs.

The SLCs are secured by: (i) a security agreement executed by GCL SEL over its bank account; and (ii) a guarantee executed by the Company under which the liability of the Company is limited to US$4,950,000 plus interest and other charges.

Other Guarantee and Security

The lessees' obligations under the Lease Funding Agreement and the Leases are secured by, among other things, a guarantee given by each of the Company and GCL Solar.

INDUSTRY EXPERT

Solarbuzz, Inc. has given and not withdrawn their written consent to the issue of this document with the inclusion herein of their name and all references thereto and to the inclusion of the "Industry Overview" section in this document, in the form and context in which they appear in this document and to act in such capacity in relation to this document.

AUDITORS

The audited consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this document have been audited by Deloitte Touche Tohmatsu, Certified Public Accountant, Hong Kong. Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong has delivered an unqualified report in respect of our audited financial statements included in this document, which report is included herein.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the independent auditor's report and the audited financial statements of the Group as extracted from the annual report of the Group for the year ended December 31, 2010:

Deloitte.
德勤

TO THE MEMBERS OF GCL-POLY ENERGY HOLDINGS LIMITED
保利協鑫能源控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 159, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 the 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 Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$000	2009 HK$000 (restated)
Revenue	8	18,471,924	4,943,622
Cost of sales		(11,661,227)	(3,453,008)
Gross profit		6,810,697	1,490,614
Other income	9	575,194	219,309
Distribution and selling expenses		(46,346)	(7,469)
Administrative expenses		(996,317)	(408,321)
Finance costs	10	(606,427)	(348,814)
Other expenses		(187,455)	(159,349)
Share of results of associates		10,681	9,875
Share-based payment expenses	45	(12,658)	(852,742)
Profit (loss) before tax		5,547,369	(56,897)
Income tax expense	11	(1,159,320)	(93,236)
Profit (loss) for the year	12	4,388,049	(150,133)
Other comprehensive income			
Exchange differences arising from translation to presentation currency		536,231	(13,344)
Total comprehensive income (expenses) for the year		4,924,280	(163,477)
Profit (loss) for the year attributable to:			
Owners of the Company		4,023,577	(199,736)
Non-controlling interests		364,472	49,603
		4,388,049	(150,133)
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		4,522,758	(211,039)
Non-controlling interests		401,522	47,562
		4,924,280	(163,477)
		HK	**HK**
Earnings (loss) per share	15		
Basic		26.01 cents	(1.78 cents)
Diluted		25.96 cents	(1.78 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	23,662,411	15,573,737	5,729,472
Prepaid lease payments	17	980,186	740,987	208,465
Goodwill	18	1,036,297	545,485	—
Other intangible assets	19	110,202	40,786	5,715
Interests in a jointly controlled entity	20	120,644	—	—
Interests in associates	21	223,958	231,645	—
Available-for-sale investment	22	—	6,814	—
Deferred tax assets	23	39,835	9,077	7,999
Deposits for acquisitions of property, plant and equipment and prepaid lease payments		1,444,584	278,098	1,348,913
Pledged and restricted bank deposits	28	90,211	225,739	—
		27,708,328	17,652,368	7,300,564
CURRENT ASSETS				
Inventories	24	1,646,734	727,252	76,051
Trade and other receivables	25	2,370,216	1,569,473	115,643
Amounts due from related companies	26	36,205	14,858	35,560
Loans to related companies	27	90,150	79,116	300,491
Prepaid lease payments	17	22,797	18,924	4,236
Tax recoverable		11,484	1,767	—
Pledged and restricted bank deposits	28	1,960,798	803,712	313,733
Bank balances and cash	28	6,505,089	5,311,337	1,979,632
		12,643,473	8,526,439	2,825,346
CURRENT LIABILITIES				
Trade and other payables	29	4,192,716	2,395,549	739,651
Amounts due to related companies	30	88,185	139,386	3,552,528
Loan from a related company	31	—	56,787	—
Advances from customers	32	988,786	436,804	263,154
Deferred income		41,418	25,795	9,013
Tax payables		567,678	27,334	68,337
Bank borrowings — due within one year	34	6,410,831	5,032,745	1,112,270
Obligations under finance leases	35	111,288	—	—
Convertible loan notes	36	—	—	565,068
		12,400,902	8,114,400	6,310,021
NET CURRENT ASSETS (LIABILITIES)		242,571	412,039	(3,484,675)
TOTAL ASSETS LESS CURRENT LIABILITIES		27,950,899	18,064,407	3,815,889

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
NON-CURRENT LIABILITIES				
Advances from customers	32	1,977,998	1,906,632	1,986,321
Deferred income		320,366	168,855	121,446
Bank borrowings — due after one year	34	7,379,352	3,539,711	2,354,407
Obligations under finance leases	35	441,475	—	—
Convertible redeemable preferred shares	37	—	—	194,414
Derivative instruments		—	—	11,239
Deferred tax liabilities	23	452,422	230,964	105,933
		10,571,613	5,846,162	4,773,760
NET ASSETS (LIABILITIES)		17,379,286	12,218,245	(957,871)
CAPITAL AND RESERVES				
Share capital (1.1.2009: issued equity)	39	1,547,396	1,547,155	82
Reserves		14,604,806	10,068,095	(957,953)
Equity attributable to owners of the Company		16,152,202	11,615,250	(957,871)
Non-controlling interests		1,227,084	602,995	—
TOTAL EQUITY (NET DEFICIT)		17,379,286	12,218,245	(957,871)

The consolidated financial statements on pages 69 to 159 were approved and authorised for issue by the Board of Directors on 17 March 2011 and are signed on its behalf by:

Zhu Gong Shan
DIRECTOR

Tong Yee Ming
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company											
	Issued equity											
	Share capital	Other reserve	Share premium	Capital reserve	Statutory reserve fund	Special reserves	Share options reserve	Translation reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	HK$'000 (Note i)	HK$'000	HK$'000 (Note ii)	HK$'000 (Note iii)	HK$'000 (Note iv)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009 (restated)	957,280	(957,198)	—	62,470	299,431	(2,894,969)	—	(32,579)	1,607,694	(957,871)	—	(957,871)
Exchange differences arising from translation to presentation currency	—	—	—	—	—	—	—	(11,303)	—	(11,303)	(2,041)	(13,344)
(Loss) profit for the year	—	—	—	—	—	—	—	—	(199,736)	(199,736)	49,603	(150,133)
Total comprehensive (expenses) income for the year	—	—	—	—	—	—	—	(11,303)	(199,736)	(211,039)	47,562	(163,477)
Recognition of share-based payment expenses in respect of share options and restricted shares *(note 45)*	11,674	(11,674)	—	—	—	321,081	531,661	—	—	852,742	—	852,742
Adjustments arising from the reverse acquisition												
— deemed consideration *(note 40)*	102,297	3,437,191	—	—	—	—	—	—	—	3,539,488	—	3,539,488
— recognition of non-controlling interests *(note 40)*	—	—	—	—	—	—	—	—	—	—	555,433	555,433
— issue of shares under GCL Solar's options *(note 45)*	35,024	(35,024)	—	—	—	525,441	(525,441)	—	—	—	—	—
— non-share consideration paid	—	—	—	—	—	(4,262,534)	—	—	—	(4,262,534)	—	(4,262,534)
— assumption of liabilities	—	—	—	—	—	3,630,050	—	—	—	3,630,050	—	3,630,050
Transfer to reserves	—	—	—	—	104,695	—	—	—	(104,695)	—	—	—
Issue of new shares by placing	440,816	—	8,801,796	—	—	—	—	—	—	9,242,612	—	9,242,612
Exercise of share options	64	(117)	431	—	—	—	—	—	—	378	—	378
Transaction costs attributable to issue of shares	—	—	(218,576)	—	—	—	—	—	—	(218,576)	—	(218,576)
At 31 December 2009 and 1 January 2010 (restated)	1,547,155	2,433,178	8,583,651	62,470	404,126	(2,680,931)	6,220	(43,882)	1,303,263	11,615,250	602,995	12,218,245
Exchange differences arising from translation to presentation currency	—	—	—	—	—	—	—	499,181	—	499,181	37,050	536,231
Profit for the year	—	—	—	—	—	—	—	—	4,023,577	4,023,577	364,472	4,388,049
Total comprehensive income for the year	—	—	—	—	—	—	—	499,181	4,023,577	4,522,758	401,522	4,924,280
Recognition of share-based payment expenses in respect of share options *(note 45)*	—	—	—	—	—	—	12,658	—	—	12,658	—	12,658
Konca Solar Acquisition *(note 40)*	—	—	—	—	—	—	—	—	—	—	220,502	220,502
Contribution from non-controlling interest	—	—	—	—	—	—	—	—	—	—	104,625	104,625
Dividend declared to non-controlling interest	—	—	—	—	—	—	—	—	—	—	(102,560)	(102,560)
Transfer to reserves	—	—	—	—	494,410	—	—	—	(494,410)	—	—	—
Exercise of share options	241	(564)	1,859	—	—	—	—	—	—	1,536	—	1,536
At 31 December 2010	1,547,396	2,432,614	8,585,510	62,470	898,536	(2,680,931)	18,878	455,299	4,832,430	16,152,202	1,227,084	17,379,286

Notes:

(i) Issued equity represents the issued equity instruments of the Solar Group before the Acquisition and, in the case of after the Acquisition, plus the deemed consideration for the Acquisition, represented by the fair value of the Company's shares immediately prior to the Acquisition. The share capital before the completion of the Acquisition reflects the issued share capital of the Solar Group adjusted for the exchange ratio set out in the acquisition agreements.

(ii) Capital reserve represents the aggregate amounts of contribution from immediately holding company of GCL Solar of RMB116,337,000 (equivalent to HK$117,070,000) and the 500,000 ordinary shares of GCL Solar repurchased for a consideration of US$7,000,000 (equivalent to HK$54,600,000) and cancelled.

(iii) Pursuant to the relevant laws in the PRC, each of the subsidiaries established in the PRC is required to transfer 5%–10% (2009: 5%–10%) of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholder.

(iv) Special reserves relate to the reverse acquisition and the balance as at 1 January 2009 represents the difference between the consideration amounting to RMB3,088,827,000 (equivalent to HK$3,447,896,000) to acquire 30% of Jiangsu Zhongneng and 30% of Taixing Zhongneng and the carrying amounts of net assets acquired amounting to RMB495,344,000 (equivalent to HK$552,927,000).

Unless otherwise defined, capitalised terms used herein shall have the same meanings when used in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	HK$000	HK$000 (restated)
OPERATING ACTIVITIES		
Profit (loss) before tax	5,547,369	(56,897)
Adjustments for:		
Finance costs	606,427	348,814
Interest income	(45,466)	(38,697)
Depreciation of property, plant and equipment	1,264,778	393,967
Amortisation of prepaid lease payments	19,924	9,647
Amortisation of deferred income	(40,288)	(116,833)
Amortisation of other intangible assets	66,086	351
Loss on disposal of property, plant and equipment	5,354	1,080
Waiver of other payables	(30,878)	(8,630)
Share-based payment expenses	12,658	852,742
Share of results of associates	(10,681)	(9,875)
Impairment loss on available-for-sale investment	6,886	2,305
Gain on disposal of prepaid lease payments	(1,310)	—
Allowance for trade and other receivables	759	12,391
Exchange gain related to convertible loan notes	—	347
Exchange gain related to retranslation of monetary liabilities	—	(1,707)
Change in fair value of convertible loan notes	—	36,718
Change in fair value of convertible redeemable preferred shares	—	8,320
Change in fair value of derivative instruments	—	(11,250)
Impairment loss on goodwill	—	108,894
Operating cash flows before movements in working capital	7,401,618	1,531,687
Increase in inventories	(760,724)	(364,885)
Increase in trade and other receivables	(367,310)	(779,315)
Increase (decrease) in trade and other payables	1,469,774	(237,352)
(Decrease) increase in amounts due to related companies	(115,875)	74,021
Increase in advances from customers	522,141	90,298
Increase in deferred income	196,910	180,775
(Increase) decrease in amounts due from related companies	(22)	3,578
Cash generated from operations	8,346,512	498,807
Income taxes paid	(512,371)	(146,869)
NET CASH FROM OPERATING ACTIVITIES	7,834,141	351,938

	Note	2010 HK$'000	2009 HK$'000 (restated)
INVESTING ACTIVITIES			
Advances to related companies		(95,391)	(17,197)
Purchase of property, plant and equipment		(7,662,615)	(2,411,530)
Deposits paid for acquisitions of property, plant and equipment and prepaid lease payments		(1,410,795)	—
Acquisition of subsidiaries	40	(703,364)	921,961
Interest received		45,117	33,756
Increase in pledged and restricted bank deposits		(807,337)	(207,484)
Addition of prepaid lease payments		(213,720)	(83,272)
Capital contribution in jointly controlled entity		(120,644)	—
Repayment from related companies		79,949	306,026
Decrease (increase) in entrusted loan receivables		88,373	(102,150)
Proceeds from disposal of property, plant and equipment		13,989	2,306
Proceeds from disposal of prepaid lease payments		2,025	—
Purchase of other intangible assets		(6,274)	—
Dividend received from associates		13,071	—
NET CASH USED IN INVESTING ACTIVITIES		(10,777,616)	(1,557,584)
FINANCING ACTIVITIES			
Interest paid		(600,785)	(234,364)
New bank loans raised		14,214,479	6,233,758
Repayment of bank borrowings		(10,069,672)	(5,600,609)
Dividend paid to non-controlling interests		(93,436)	(29,794)
Advances from related companies		3,437	56,750
Contribution from non-controlling interests		104,625	—
Proceeds from obligations under finance leases		511,141	—
Repayment to related companies		(137,724)	(110,491)
Exercise of share options		1,536	378
Interest paid on convertible loan notes		—	(20,535)
Redemption of secured notes		—	(2,712,522)
Repayment of convertible loan notes		—	(581,598)
Proceeds from issue of shares		—	9,242,612
Non-share consideration paid to shareholders		—	(1,550,012)
Share issue expenses paid		—	(156,622)
NET CASH FROM FINANCING ACTIVITIES		3,933,601	4,536,951
NET INCREASE IN CASH AND CASH EQUIVALENTS		990,126	3,331,305
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		5,311,337	1,979,632
Effect of foreign exchange rate change		203,626	400
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		6,505,089	5,311,337

1. GENERAL INFORMATION

GCL-Poly Energy Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 12 July 2006 under the Companies Law, Cap 22 of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2007. The address of the registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at Unit 1703–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "Group"), associates and a jointly controlled entity are manufacture of polysilicon and related products to companies operating in the solar industry as well as the development, management and operation of power generation plant and trading of coal in the People's Republic of China (the "PRC").

Change of presentation currency

The functional currency of the Company is Renminbi ("RMB") as the principal operations of the Group are carried out in the PRC in which those transactions are predominantly denominated in RMB. In prior years, the consolidated financial statements of the Group were prepared using RMB as the presentation currency. During the year, the directors of the Company considered it is more appropriate to use Hong Kong dollars ("HK$") as the presentation currency of the consolidated financial statements because the Company is listed on the Stock Exchange in Hong Kong. The assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. As a result, the comparative figures have been restated to HK$ and resulted in accumulated translation loss of HK$32,579,000, recognised in equity (translation reserve) as at 1 January 2009 and translation gain of HK$499,181,000 recognised in the other comprehensive income for the year ended 31 December 2010 (2009: translation loss of HK$11,303,000).

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 31 July 2009, the Company completed the acquisition of 100% of the equity interest in 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") through the acquisitions of 100% of the issued share capital and entire preference shares of GCL Solar Energy Technology Holdings Inc. ("GCL Solar") and 100% of the issued share capital of Sun Wave Group Limited ("Sun Wave") and Greatest Joy International Limited ("Greatest Joy") (collectively, the "Solar Group") (the "Acquisition"). Under International Financial Reporting Standard ("IFRS") 3, Business Combinations, as the Acquisition resulted in the selling shareholders of the Solar Group becoming, as a group, the controlling shareholders of the Company, the Acquisition was accounted for as a reverse acquisition. For accounting purpose, the Solar Group was the accounting acquirer and the Company (the accounting acquiree) was deemed to have been acquired by the Solar Group.

As described in the Company's annual consolidated financial statements for the year ended 31 December 2009, the consolidated financial statements had been prepared as a continuation of the Solar Group, with adjustments to the equity structure of the Company using the exchange ratio established in the acquisition agreements to reflect the number of shares of the Company issued under the acquisition agreements.

Details of the deemed cost of the reverse acquisition and the fair values of assets, liabilities and contingent liabilities of the Company and its subsidiaries immediately prior to the Acquisition (the "Power Group") under the reverse acquisition are set out in note 40.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (''new and revised IFRSs'') issued by the International Accounting Standards Board (''IASB'') and International Financial Reporting Interpretations Committee (''IFRIC'').

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC-Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

IFRS 3 (as revised in 2008) ''Business Combinations''

IFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for the acquisition of 70.19% of the equity interest in Konca Solar Cell Co., Ltd. (''Konca Solar''), a joint stock limited liability company incorporated in the PRC during the current year.

The impact of adoption of IFRS 3 (as revised in 2008) has been:

- IFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as ''minority interests'') either at fair value or at the non-controlling interest's share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of 70.19% of the equity interest in Konca Solar (the ''Konca Solar Acquisition''), the Group has elected to measure the non-controlling interests at the proportionate share of net identifiable assets of the acquiree. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the excess of the consideration over the Group's share of the fair value of the identifiable net assets of the acquiree acquired;

    - IFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

    - IFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

    - IFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised approximately HK$2,853,000 of such costs as an expense in profit or loss included in administrative expenses for current year and approximately HK$6,000,000 for the year ended 31 December 2009 respectively, whereas previously they were accounted for as part of the cost of the acquisition.

    - The effect of the change in this accounting policy on the Group's basic and diluted earnings per share for the current and prior years is insignificant.

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss. In prior years, in the absence of specific requirements in IFRSs, on the disposal of a controlling interest of a subsidiary, any difference between the consideration received and the proportion of the carrying amount of the Group's interest in that subsidiary being disposed of is recognised in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The revised standard is expected to affect the accounting for changes in ownership interests in future accounting periods.

Amendments to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of the amendments to IAS 17 has had no impact on the consolidated financial statements of the Group.

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures: Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard may not have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2010.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation (other than the reverse acquisition set out in note 2)

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently and whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other

comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of electricity is recognised when electricity has been delivered on grid and is measured based on the tariff rates determined by the relevant local government authority.

Revenue from the sales of steam is recognised when steam has been delivered and is measured at prices specified under the terms of the relevant contracts.

Sales of goods and scrap materials are recognised when the goods are delivered and title has passed. Sales agreements typically do not contain product warranties except for return and replacement of defective products within 30 days from delivery. Sales agreements do not contain any post-shipment obligations or any other return or credit provisions.

Consultancy fee, management fee and waste processing management fee income are recognised when the services are provided.

Connection fee income in relation to transmission of steam is recognised on a straight-line basis over the period of expected lives of steam transmission services with reference to the terms of the operating licence of the relevant entities.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC and the remaining terms of the operating licence of the PRC entities, whichever is the shorter. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognised as income by the Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Translation of functional currency to presentation currency

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, loans to related companies, pledged and restricted bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the categories of financial assets set out above.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit and loss ("FVTPL") and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than financial liability classified as FVTPL, of which the interest expense is included in change in fair value of financial liabilities classified as FVTPL.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise convertible loan notes, convertible redeemable preferred shares and derivative instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Financial liabilities including trade and other payables, loan from a related company, amounts due to related companies, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

The convertible loan notes consist of liability component, conversion option and other embedded derivatives (including early redemption option and strike price adjustment derivatives (see note 36 for details) which are not closely related to the host liability contract. Conversion options that will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments are not equity instruments and are considered as embedded derivatives not closely related to the host contract (the liability component).

The Group has elected to designate its convertible loan notes with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible loan notes contain one or more embedded derivatives. Subsequent to initial recognition, the convertible loan notes are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The change in fair value recognised in profit or loss includes any interest paid for the convertible loan notes.

Transaction costs that are directly attributable to the issue of the convertible loan notes designated as financial liabilities at FVTPL are recognised immediately in profit or loss.

Convertible redeemable preferred shares

Convertible redeemable preferred shares that are redeemable and convertible to ordinary shares of the issuer at the option of the holder are accounted for in the same manner as convertible loan notes. The conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments are considered as embedded derivatives not closely related to the host contract.

The Group has elected to designate its convertible redeemable preferred shares with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible redeemable preferred shares contain one or more embedded derivatives. Subsequent to initial recognition, the entire convertible loan notes are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Derivative instruments

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Equity instrument

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Transaction costs of equity transaction

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

The settlement of the share options is accounted for as an acceleration of vesting. The amount that would otherwise have been recognised for service received over the remainder of the vesting period is therefore recognised immediately.

Restricted Shares

Share-based compensation expense related to restricted shares issued pursuant to the issuer's restricted share compensation plan is generally determined based on the closing price of the shares issued on the business day immediately prior to the date of grant. Subsequent to the date of grant, compensation expense is amortised to profit or loss over the corresponding vesting period, if any.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition,

intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise. As at 31 December 2010, the carrying amount of goodwill is HK$1,036,297,000 (31.12.2009: HK$545,485,000), net of accumulated impairment loss of HK$112,750,000 (31.12.2009: HK$108,966,000). Details of the recoverable amount calculation are disclosed in note 18.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2010, the carrying amount of property, plant and equipment is HK$23,662,411,000 (31.12.2009: HK$15,573,737,000).

Estimated impairment of trade and other receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade and other receivables is HK$2,370,216,000 (2009: HK$1,569,473,000), net of allowance for doubtful debts of HK$11,281,000 (2009: HK$12,399,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes loan from a related company, bank borrowings, obligations under finance leases, convertible loan notes and convertible redeemable preferred shares disclosed in notes 31, 34, 35, 36 and 37, respectively, and equity attributable to owners of the company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a periodical basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors, the Group will balance its overall capital structure through the issues of new shares, new debts or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Financial assets			
Loans and receivables (including cash and cash equivalents)	10,282,629	7,857,293	2,729,458
Available-for-sale investment, at cost	—	6,814	—
Financial liabilities			
Amortised cost	18,339,618	11,017,431	9,717,215
FVTPL			
Convertible loan notes	—	—	565,068
Convertible redeemable preferred shares	—	—	194,414
Derivative instruments	—	—	11,239

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, loans to related companies, pledged and restricted bank deposits, bank balances, available-for-sale investment, trade and other payables, loan from a related company, amounts due to related companies, bank borrowings, obligations under finance leases, convertible loan notes, convertible redeemable preferred shares and derivative instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group's exposure to foreign currency risk arose from certain bank balances, amounts due to related companies, trade receivables, convertible loan notes, convertible redeemable preferred shares and derivative instruments of the Group that are denominated in foreign currencies. The Group currently does not have a currency risk hedging policy. However, the management monitors foreign currency risk exposure by closely monitoring the movement of foreign currency rate and considers hedging against it should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2010	2009	2010	2009
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000 (restated)
Euro ("EUR")	49,147	57,879	26,294	—
Hong Kong dollar ("HK$")	419,614	3,098,862	7,552	35,414
United States dollar ("US$")	1,348,596	727,283	2,760,346	232,653
Japanese Yen ("JPY")	11,494	8,748	1,423	—
Swiss Franc ("CHF")	78,447	—	13,966	—

The foreign currency assets in 2010 mainly relates to the US$ trade and other receivables and bank deposits as set out in notes 25 and 28. For 2009, foreign currency assets mainly relates to the HK$ bank deposits arising from the placing of new shares.

The foreign currency liabilities in 2010 mainly relates to the US$ bank borrowings as set out in note 34. For 2009, foreign currency liabilities mainly relates to the US$ and HK$ amounts due to shareholders.

Sensitivity analysis

The sensitivity analysis details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. A positive number below indicates an increase in profit (2009: a decrease in loss) for the year where RMB had strengthened 5% against the relevant currency. A negative number below indicates a decrease in profit (2009: an increase in loss) for the year when RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year (2009: loss for the year).

	EUR	HK$	US$	JPY	CHF
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010					
(Decrease) increase in profit for the year	(857)	(15,452)	52,941	(378)	(2,418)
2009					
Increase in loss for the year	(2,315)	(122,538)	(19,785)	(350)	—

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate and interest-bearing loans to (from) related companies, pledged and restricted bank deposits, bank borrowings and obligations under finance leases (see notes 27, 28, 31, 34 and 35 for details of loans to related companies, pledged and restricted bank deposits, loan from a related company, bank borrowings and obligations under finance leases, respectively). The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of the loans to (from) related companies, pledged and restricted bank deposits, bank borrowings and obligations under finance leases.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged and restricted bank deposits, bank balances and bank borrowings (see notes 28 and 34 for details of pledged and restricted bank deposits, bank balances and bank borrowings, respectively). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest rate risk.

It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Variable-rate borrowing

If interest rates had been 50 basis points higher/lower on London Interbank Offer Rate ("LIBOR") and lending benchmark interest rate stipulated by the People's Bank of China ("Benchmark Rate") and all other variables were held constant, the Group's loss for the year ended 31 December 2009 would increase/decrease by approximately HK$931,000 and HK$25,714,000 respectively; and the Group's profit for the year ended 31 December 2010 would decrease/increase by approximately HK$7,495,000 and HK$31,684,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Variable-rate bank balance

If interest rate had been 20 basis point higher/lower and all other variable were held constant, the Group's loss for the year ended 31 December 2009 would decrease/increase by approximately HK$4,669,000; and the Group's profit for the year ended 31 December 2010 would increase/decrease by approximately HK$8,779,000.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate borrowings.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 43.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate impairment losses are made for irrecoverable amounts. Each major operating business has a policy of credit control in place under which credit evaluations of customers are performed on all customers requiring credit.

Credit terms are mainly granted to customers in the PRC which were secured by letters of credit issued by banks and with good credit quality customers. The management of the Group also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of its financial assets including trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk on sales of electricity is concentrated on a limited number of the local electric power bureaus. However, the management considers that the local electric power bureaus are state-owned and have strong financial ability and good creditability and accordingly, there is no significant credit risk on respective sales.

Credit risk on sales of steam and coal is dispersed since the customers are large in number and spread across different industries. Accordingly, the Group has no significant concentration of such credit risk.

Credit risk on sales of polysilcon and wafer products is not significant as the Group generally requires deposits received from customers before delivery of goods and the major customers are large-scale listed entities with good repayment history.

Credit risk on pledged and restricted bank deposits and bank balances is limited because the counterparties are reputable banks in the PRC and Hong Kong.

The Group has concentration of credit risk on loan to an associate amounting to HK$90,150,000 (2009: loan to a related company amounting to HK$79,116,000). Credit risk is considered as limited because the associates are with positive operating results/cash flows.

Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings to ensure unutilised banking facilities are adequate.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010								
Trade and other payables	—	3,585,502	322,985	—	—	—	3,908,487	3,908,487
Amounts due to related companies	—	88,185	—	—	—	—	88,185	88,185
Borrowings								
— fixed-rate	5.20	1,538,107	1,792,771	41,351	54,274	—	3,426,503	3,342,391
— variable-rate	5.19	819,878	2,767,441	2,200,132	5,196,101	713,942	11,697,494	10,447,792
Financial guarantee contracts	—	17,628	—	—	—	—	17,628	—
Obligations under finance leases	6.55	33,800	104,419	131,070	361,324	—	630,613	552,763
		6,083,100	4,987,616	2,372,553	5,611,699	713,942	19,768,910	18,339,618

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009 (restated)								
Trade and other payables	—	2,191,922	56,880	—	—	—	2,248,802	2,248,802
Amounts due to related companies	—	139,386	—	—	—	—	139,386	139,386
Loan from a related company	5.84	57,063	—	—	—	—	57,063	56,787
Borrowings								
— fixed-rate	4.90	458,428	1,036,251	141,008	222,075	223,566	2,081,328	1,911,265
— variable-rate	5.98	303,453	3,572,705	1,846,713	1,020,099	499,764	7,242,734	6,661,191
Financial guarantee contracts	—	36,344	—	—	—	—	36,344	—
		3,186,596	4,665,836	1,987,721	1,242,174	723,330	11,805,657	11,017,431

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable-rate borrowings is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of derivative instruments was calculated using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract;
- the fair values of convertible loan notes and convertible redeemable preferred shares were calculated using discounted cash flow analysis using the applicable yield curve for the duration of the instruments for debt instruments, and using option pricing models for other optional derivatives; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. SEGMENT INFORMATION

The Group is organised on the basis of the type of goods or services delivered or provided. Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group has internal reports about the solar business and power business that are regularly reviewed by the Board of Directors of the Company and accordingly, they are considered as two separate operating segments.

Specifically, the Group's operating segments under IFRS 8 are as follows:

(a) Solar business — manufacture and sale of polysilicon and wafer to companies operating in the solar industry.

(b) Power business — development, construction, management and operation of power plants and sales of coals. Power plants include coal fuelled cogeneration plants, resources comprehensive utilisation cogeneration plants, gas fuelled cogeneration plants, biomass fuelled cogeneration plants, an incineration plant, a wind power plant and a solar farm.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2010

	Solar business	Power business	Total
	HK$'000	HK$'000	HK$'000
Revenue			
— external customer	14,043,285	4,428,639	18,471,924
Segment profit	4,213,502	276,344	4,489,846
Unallocated income			5,009
Unallocated expense			(25,572)
Fair value adjustment arising from acquisition *(Note)*			(68,576)
Share-based payment expenses			(12,658)
Profit for the year			4,388,049

For the year ended 31 December 2009 (restated)

	Solar business	Power business	Total
	HK$'000	HK$'000	HK$'000
Revenue			
— external customer	3,177,327	1,766,295	4,943,622
Segment profit	671,498	204,380	875,878
Unallocated income			1,251
Unallocated expense			(58,063)
Fair value adjustment arising from acquisition *(Note)*			(7,563)
Impairment loss on goodwill			(108,894)
Share-based payment expenses			(852,742)
Loss for the year			(150,133)

Note: The effect arising from the fair value adjustment arising from acquisition is related to the assets of the Power Group and Konca Solar acquired in 2009 and 2010 which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets. The Acquisition and Konca Solar Acquisition set out in note 40.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.

Segment profit represents the profit earned by each segment excluding the effect arising from the fair value adjustments in relation to the assets of the Power Group and Konca Solar, impairment of goodwill and share option expenses incurred by the Group. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment starting from 1 January 2010.

The measurement basis for segment profit is consistent with 2009, except that during the current year, the management has allocated the corporate expenses incurred and management fee income and consultancy fee income earned by the Group's management companies and investment holding companies to the two operating segments provided that such expenses and income are specifically incurred and earned by the respective operating segments.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	31.12.2010	31.12.2009
	HK$'000	HK$'000 (restated)
Segment assets		
Solar business	29,958,527	13,896,203
Power business	8,346,608	8,099,568
Total segment assets *(Note)*	38,305,135	21,995,771
Fair value adjustments	489,457	412,400
Goodwill	1,036,297	545,485
Unallocated bank balances and cash	509,628	3,221,302
Unallocated corporate assets	11,284	3,849
Consolidated total assets	40,351,801	26,178,807

	31.12.2010	31.12.2009
	HK$'000	HK$'000 (restated)
Segment liabilities		
Solar business	18,467,758	9,007,528
Power business	4,365,873	4,729,111
Total segment liabilities *(Note)*	22,833,631	13,736,639
Fair value adjustments	120,478	101,965
Unallocated corporate liabilities	18,406	121,958
Consolidated total liabilities	22,972,515	13,960,562

Note: Segment assets and segment liabilities are based on the carrying amounts reported in the group entities' financial statements before the fair value adjustments identified upon the Acquisition of Power Group and the Konca Solar Acquisition set out in note 40.

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than goodwill and corporate assets of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments other than corporate liabilities of the management companies and investment holdings companies.

Other segment information

2010

	Solar business	Power business	Adjustment	Total
	HK$'000	HK$'000	HK$'000 *(Note)*	HK$'000
Amount included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment, prepaid lease payments and other intangible assets				
— arising from acquisition of subsidiaries	788,775	—	145,962	934,737
— other additions	7,829,140	141,404	—	7,970,544
Depreciation of property, plant and equipment	(920,417)	(342,386)	(1,975)	(1,264,778)
Amortisation of prepaid lease payments	(8,285)	(11,639)	—	(19,924)
Amortisation of other intangible assets	(1,368)	(852)	(63,866)	(66,086)
Loss on disposal of property, plant and equipment	(509)	(4,845)	—	(5,354)
Allowance for trade and other receivables	—	(759)	—	(759)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets and liabilities:				
Impairment loss on available-for-sale investment	—	6,886	—	6,886

2009

	Solar business	Power business	Adjustment	Total
	HK$'000	HK$'000	HK$'000 *(Note)*	HK$'000 **(restated)**
Amount included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment, prepaid lease payments and other intangible assets				
— arising from acquisition of subsidiaries	—	5,861,777	413,945	6,275,722
— other additions	4,453,914	175,785	—	4,629,699
Depreciation of property, plant and equipment	(275,907)	(114,935)	(3,125)	(393,967)
Amortisation of prepaid lease payments	(4,349)	(2,064)	(3,234)	(9,647)
Amortisation of other intangible assets	—	(351)	—	(351)
Loss on disposal of property, plant and equipment	—	(1,080)	—	(1,080)
Allowance for trade and other receivables	(11,280)	(1,111)	—	(12,391)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets and liabilities:				
Impairment loss on goodwill	—	108,894	—	108,894
Impairment loss on available-for-sale investment	—	2,305	—	2,305

Note: The adjustment represents the fair value adjustments on assets and liabilities identified upon the Konca Solar Acquisition and Acquisition set out in note 40.

Revenue from major products

An analysis of the Group's revenue for the year is as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Sales of wafer	9,181,692	297,679
Sales of polysilicon	4,293,233	2,879,648
Sales of electricity	2,673,061	1,113,789
Sales of steam	1,397,254	476,495
Sales of coal	358,324	176,011
Others	568,360	—
	18,471,924	4,943,622

Geographical information

The Group's operations are located in the PRC and the United States of America.

The Group's revenue from external customers by location of the operation and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets		
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000 (restated)	HK$'000 (restated)
The PRC	18,471,924	4,943,622	27,442,218	17,401,818	7,292,565
United States of America	—	—	133,084	999	—
Hong Kong	—	—	2,980	7,921	—
	18,471,924	4,943,622	27,578,282	17,410,738	7,292,565

Note: Non-current assets excluded deferred tax assets and financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Customer A[1]	2,673,061	1,113,789
Customer B[2]	2,092,443	878,848
Customer C[2]	1,889,534	537,329

1 Revenue from power business.

2 Revenue from solar business.

9. OTHER INCOME

	2010	2009
	HK$'000	HK$'000 (restated)
Government grants *(note 33)*	288,668	106,202
Consultancy fee income	65,012	12,411
Sales of scrap materials	61,390	11,498
Bank interest income	43,346	22,885
Waiver of other payables	30,878	8,630
Waste processing management fee	27,835	10,631
Management fee income	15,425	3,435
Interest income from related companies	2,120	15,812
Amortisation of connection fee income	1,881	7,343
Exchange gain, net	—	6,108
Others	38,639	14,354
	575,194	219,309

10. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000 (restated)
Interest on:		
Bank loans		
— wholly repayable within five years	610,201	353,457
— not wholly repayable within five years	43,258	17,776
Loans from related companies	11,412	1,328
Secured notes and discounted bills	16,044	21,917
Upfront fees *(Note a)*	22,307	136,962
Total borrowing costs	703,222	531,440
Less: Interest capitalised *(Note b)*	(96,795)	(182,626)
	606,427	348,814

Notes:

(a) For the year ended 31 December 2009, the upfront fees included US$17,100,000 (approximately HK$132,707,000) paid in respect of the three-year term loan of US$300,000,000 issued in July 2009. After the completion of the subscription of new shares, the Group early repaid the said bank loan on 30 December 2009 and all related deferred finance costs were fully expensed.

(b) Borrowing cost capitalised during the year arose on the general borrowings pool and are calculated by applying a capitalisation rate of 5.56% (2009: 5.82%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2010	2009
	HK$'000	HK$'000 (restated)
PRC Enterprise Income Tax ("EIT")		
Current tax	990,664	24,957
Overprovision in prior years	(16,715)	—
	973,949	24,957
PRC dividend withholding tax	40,998	65,684
Deferred tax *(note 23)*	144,373	2,595
	1,159,320	93,236

The income tax expense for the year represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries in the PRC.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from PRC EIT for two years starting from their first profit making year, followed by a 50% reduction for the next three years ended. The 50% exemption period will end on 31 December 2012.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No.39), certain Group entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period. The tax exemption and deduction from EIT for these entities are still applicable until the end of the five-year transitional period under the EIT Law based on the revised income tax rate.

In addition, certain PRC subsidiaries were granted income tax deduction for procuring domestic plant and machinery manufactured in the PRC.

The subsidiaries in jurisdictions other than the PRC and Hong Kong have no assessable profits for the year. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2010. No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for the year ended 31 December 2009.

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC resident immediate holding company registered in Hong Kong and the British Virgin Islands, respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008. Accordingly, a provision for deferred taxation in respect of withholding tax on undistributed earnings of HK$185,210,000 has been recognised for the year ended 31 December 2010 (2009: HK$4,900,000).

The income tax expense for the year can be reconciled to the profit (loss) before tax as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Profit (loss) before tax	5,547,369	(56,897)
Tax at PRC EIT rate of 25%	1,386,842	(14,224)
Tax effect of non-deductible share-based payment expenses	3,165	213,185
Tax effect of other expenses not deductible for tax purpose	89,037	51,584
Tax effect of income not taxable for tax purpose	(12,448)	(4,050)
Tax effect of impairment loss on goodwill	—	27,223
Tax effect of share of results of associates	(2,670)	(2,469)
Additional tax deduction for procuring domestic plant and machinery in PRC	(15,891)	(6,369)
Effect of tax exemption and tax concessions	(496,079)	(238,167)
Effect of different tax rates of group companies	(3,266)	—
Utilisation of deductible temporary difference previously not recognised	(16,683)	—
Utilisation of tax losses previously not recognised	—	(4,061)
Tax effect of tax losses not recognised	17,820	—
Withholding tax	226,208	70,584
Overprovision in prior years	(16,715)	—
Income tax expense for the year	1,159,320	93,236

12. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	HK$'000	HK$'000 (restated)
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	929,874	279,786
Retirement benefit scheme contributions	36,999	22,950
Share-based payment expenses	12,658	852,742
Total staff costs	979,531	1,155,478
Depreciation of property, plant and equipment	1,158,371	454,335
Amortisation of prepaid lease payments	19,924	9,647
Amortisation of other intangible assets (included in administrative expenses)	66,086	351
Total depreciation and amortisation	1,244,381	464,333
Add/(less): Amounts included in inventories	106,407	(60,368)
Amounts charged to profit or loss	1,350,788	403,965
Auditor's remuneration	12,328	12,978
Cost of inventories recognised as expenses	11,087,637	3,225,651
Allowance for trade and other receivables	759	12,391
Loss on disposal of property, plant and equipment	5,354	1,080
Gain on disposal of prepaid lease payments	1,310	—
Amounts included in other expenses (income):		
Exchange loss (gain), net	96,094	(6,108)
Research and development cost recognised as expenses	12,186	14,362
Impairment loss on available-for-sale investment	6,886	2,305
Impairment loss on goodwill	—	108,894
Change in fair value of convertible loan notes *(note 36)*	—	36,718
Change in fair value of convertible redeemable preferred shares *(note 37)*	—	8,320
Change in fair value of derivative instruments	—	(11,250)

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of directors and the five highest paid employees are as follows:

(a) Directors' emoluments

The emoluments of each of the directors of the Company are set out below:

For the year ended 31 December 2010

Name of director	Directors' fee	Bonuses	Salaries and other benefit	Retirement benefits scheme contributions	Share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. ZHU Gong Shan ("Mr. Zhu")	—	912	5,000	—	—	5,912
Mr. SHA Hong Qiu	—	5,184	2,301	106	767	8,358
Mr. JI Jun	—	474	1,495	69	685	2,723
Mr. SHU Hua	—	3,156	2,002	93	685	5,936
Mr. YU Bao Dong	—	3,485	1,500	58	685	5,728
Ms. SUN Wei	—	2,484	2,000	100	685	5,269
Mr. TONG Yee Ming	—	3,071	2,340	108	79	5,598
Mr. ZHU Yu Feng	—	2,256	1,001	46	53	3,356
Mr. QIAN Zhi Xin	108	—	—	—	—	108
Ir. Dr. HO Raymond Chung Tai	304	—	—	—	—	304
Mr. XUE Zhong Su	108	—	—	—	—	108
Mr. YIP Tai Him	204	—	—	—	—	204
Mr. CHAU Kwok Man, Cliff	—	—	—	—	—	—
Ms. BAI Xiao Qing	—	—	—	—	—	—
	724	21,022	17,639	580	3,639	43,604

For the year ended 31 December 2009 (restated)

Name of director	Directors' fee	Bonuses	Salaries and other benefit	Retirement benefits scheme contributions	Share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. ZHU Gong Shan	—	250	1,000	—	—	1,250
Mr. SHA Hong Qiu	—	150	1,898	81	898	3,027
Mr. JI Jun	—	—	1,603	69	802	2,474
Mr. SHU Hua	—	100	1,200	55	802	2,157
Mr. YU Bao Dong	—	186	1,378	48	802	2,414
Ms. SUN Wei	—	501	666	33	802	2,002
Mr. TONG Yee Ming	—	410	2,340	108	168	3,026
Mr. TAM Chor Kiu *(Note iii)*	—	—	—	—	—	—
Mr. HENG Kwoo Seng *(Note i)*	50	—	—	—	—	50
Mr. ZHU Yu Feng *(Note ii)*	—	—	275	13	24	312
Mr. QIAN Zhi Xin	100	—	—	—	—	100
Ir. Dr. HO Raymond Chung Tai	300	—	—	—	—	300
Mr. XUE Zhong Su	100	—	—	—	—	100
Mr. YIP Tai Him *(Note i)*	151	—	—	—	—	151
Mr. CHAU Kwok Man, Cliff *(Note iii)*	—	—	—	—	—	—
Ms. BAI Xiao Qing *(Note iii)*	—	—	—	—	—	—
	701	1,597	10,360	407	4,298	17,363

Notes:

(i) Mr. Heng Kwoo Seng resigned and Mr. Yip Tai Him was appointed as independent non-executive director on 31 March 2009, respectively.

(ii) Mr. Zhu Yu Feng was appointed as executive director on 21 September 2009.

(iii) Mr. Tam Chor Kiu resigned as non-executive director on 1 August 2009 and Mr. Chau Kwok Man, Cliff and Ms. Bai Xiao Qing were appointed as non-executive directors on 23 December 2009.

(iv) The emoluments paid or payable to the directors prior to the Acquisition are not included in loss for the year ended 31 December 2009.

Bonuses are discretionary and are based on the group's performance for the year.

No directors waived any emoluments and no incentive paid on joining and no compensation for the loss of office for both years.

(b) Employees' emoluments

The five highest paid individuals of the Company and its subsidiaries during the years ended 31 December 2010, included four (2009: five) directors of the Company, whose emoluments are included in (a) above.

The emoluments of the remaining one individual with the highest emoluments of the Group during the year ended 31 December 2010 are as follows:

	2010
	HK$'000
Salaries and other allowances	5,638
Retirement benefits scheme contributions	182
Share-based payment expenses	—
	5,820

The emoluments of the five highest paid individuals of the Solar Group prior to the Acquisition, which are not included in the loss for the year ended 31 December 2009 are as follows:

	2009
	HK$'000 (restated)
Salaries and other allowances	15,353
Retirement benefits scheme contributions	283
Share-based payment expenses	252,838
	268,474

The emoluments of each of the above five individuals of the Solar Group are within the following bands:

	2009
	Number of employees
Nil to HK$1,000,000	—
HK$1,000,001–HK$1,500,000	—
HK$1,500,001–HK$2,000,000	1
HK$2,000,001–HK$2,500,000	1
HK$2,500,001–HK$3,000,000	3
	5

14. DIVIDENDS

The Board proposed the payment of a final dividend of HK5.1 cents per share for the year ended 31 December 2010 based on the register of members of the Company on 13 May 2011.

No dividend was paid or proposed for the year ended 31 December 2009.

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	HK$'000 (restated)
Profit (loss) for the year attributable to owners of the Company	4,023,577	(199,736)

	Number of shares	
	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	15,472,199	11,244,071
Effect of dilutive potential ordinary shares:		
Share options	28,364	—
Weighted average number of ordinary shares for the purpose of dilutive earnings (loss) per share	15,500,563	11,244,071

The weighted average number of shares used for the purpose of calculating loss per share for the financial year ended 31 December 2009 reflected the Solar Group's weighted average number of ordinary shares pre-combination multiplied by the exchange ratio established in the Acquisition, and the weighted average total actual shares of the Company in issue after date of Acquisition.

	2010	2009
	HK	HK (restated)
Basic earnings (loss) per share	26.01 cents	(1.78 cents)
Diluted earnings (loss) per share	25.96 cents	(1.78 cents)

The computation of the diluted loss per share for the year ended 31 December 2009 does not assume the conversion of the convertible redeemable preferred shares and convertible loan notes and the exercise of the share options since the assumed issuance and exercise would decrease the loss per share for that year.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2009 (restated)	525,647	1,829,647	43,687	17,481	3,441,326	5,857,788
Acquisition of subsidiaries *(note 40)*	1,423,413	3,869,979	18,019	10,299	477,133	5,798,843
Additions	25,715	35,695	12,303	14,016	4,425,229	4,512,958
Transfer	596,613	7,053,055	595	—	(7,650,263)	—
Disposals	(802)	(1,521)	(90)	(1,522)	—	(3,935)
Exchange realignment	(4,065)	(6,871)	12	(3)	1,615	(9,312)
At 31 December 2009 and 1 January 2010 (restated)	2,566,521	12,779,984	74,526	40,271	695,040	16,156,342
Acquisition of subsidiaries *(note 40)*	63,958	600,007	4,844	1,522	120,954	791,285
Additions	52,817	40,569	54,115	44,495	7,558,554	7,750,550
Transfer	566,109	6,920,688	16,948	—	(7,503,745)	—
Disposals	(7,886)	(10,834)	(1,776)	(2,903)	—	(23,399)
Exchange realignment	105,889	630,219	4,409	2,445	29,470	772,432
At 31 December 2010	3,347,408	20,960,633	153,066	85,830	900,273	25,447,210
DEPRECIATION						
At 1 January 2009 (restated)	18,225	101,824	5,869	2,398	—	128,316
Provided for the year	97,589	340,249	10,168	6,329	—	454,335
Eliminated on disposals	—	—	—	(549)	—	(549)
Exchange realignment	93	386	16	8	—	503
At 31 December 2009 and 1 January 2010 (restated)	115,907	442,459	16,053	8,186	—	582,605
Provided for the year	174,385	951,598	20,810	11,578	—	1,158,371
Eliminated on disposals	(837)	(757)	(963)	(1,499)	—	(4,056)
Exchange realignment	8,182	38,138	1,033	526	—	47,879
At 31 December 2010	297,637	1,431,438	36,933	18,791	—	1,784,799
CARRYING VALUES						
At 31 December 2010	3,049,771	19,529,195	116,133	67,039	900,273	23,662,411
At 31 December 2009 (restated)	2,450,614	12,337,525	58,473	32,085	695,040	15,573,737
At 1 January 2009 (restated)	507,422	1,727,823	37,818	15,083	3,441,326	5,729,472

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of lease terms or 3%–5%
Plant and machinery	5%–20%
Office equipment	14%–33%
Motor vehicles	20%

The carrying value of plant and machinery includes an amount of HK$620,753,000 (2009: Nil) in respect of assets held under finance leases.

17. PREPAID LEASE PAYMENTS

The prepaid lease payments comprise leasehold land in the PRC under medium term lease.

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Analysed for reporting purposes as:			
Current asset	22,797	18,924	4,236
Non-current asset	980,186	740,987	208,465
	1,002,983	759,911	212,701

18. GOODWILL

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000
COST			
At 1 January	654,451	—	—
Acquisition of subsidiaries *(note 40)*	456,686	656,903	—
Exchange realignment	37,910	(2,452)	—
At 31 December	1,149,047	654,451	—
IMPAIRMENT			
At 1 January	108,966	—	—
Impairment loss recognised	—	108,894	—
Exchange realignment	3,784	72	—
At 31 December	112,750	108,966	—
CARRYING AMOUNTS			
At 31 December	1,036,297	545,485	—

For the purpose of impairment testing, goodwill has been allocated to two groups of cash generating units ("CGU"), comprising the Power Group and Konca Solar. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2010 allocated to these groups of units are as follows:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000
Power Group	564,428	545,485	—
Konca Solar	471,869	—	—
	1,036,297	545,485	—

As at 31 December 2010, the Group carried out the annual goodwill impairment testing in relation to goodwill arising from the Acquisition and the Konca Solar Acquisition.

During the year ended 31 December 2009, due to the change in the PRC government policy, resulting in lower electricity tariff since November 2009, operating profits and cash flows were lower than expected in the fourth quarter of 2009 for power business. Based on the trend, the earnings forecast for the next five years was revised. Accordingly, the management of the Group recognised an impairment loss in respect of Power Group of HK$108,894,000.

The management determines that there are no impairment in respect of the Power Group and Konca Solar for the year ended 31 December 2010 as the recoverable amounts exceed their carrying value of the Power Group and Konca Solar. The basis of the recoverable amounts of the above CGU and their major underlying assumptions are summarised below:

The recoverable amounts of the subsidiaries in power business and Konca Solar are determined by the directors of the Company by reference to the business valuation reports prepared by Jones Lang LaSalle Sallmanns Limited ("Sallmanns"), an independent and recognised international business valuer, on the subsidiaries in power business and Konca Solar as at 31 December 2010. The recoverable amounts of these CGUs have been determined based on value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 13.59% (2009: 13.78%) and 16.41% for Power Group and Konca Solar, respectively. Cash flows beyond the five-year period are extrapolated using zero growth rate. Other key assumptions for the value in use calculations relate

to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance of the subsidiaries in power business and Konca Solar and management's expectations for the market development. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of subsidiaries in power business and Konca Solar to exceed the aggregate recoverable amount of subsidiaries in power business and Konca Solar.

19. OTHER INTANGIBLE ASSETS

	Licences	Customer lists	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1 January 2009 (restated)	5,715	—	5,715
Additions	22,655	—	22,655
Acquisition of subsidiaries *(note 40)*	—	12,790	12,790
Exchange realignment	24	(47)	(23)
At 31 December 2009 and 1 January 2010 (restated)	28,394	12,743	41,137
Additions	6,274	—	6,274
Acquisition of subsidiaries *(note 40)*	—	125,085	125,085
Exchange realignment	1,137	4,601	5,738
At 31 December 2010	35,805	142,429	178,234
AMORTISATION			
Balance at 31 December 2009 and 1 January 2010 (restated)	—	351	351
Provided for the year	1,368	64,718	66,086
Exchange realignment	33	1,562	1,595
At 31 December 2010	1,401	66,631	68,032
CARRYING VALUES			
At 31 December 2010	34,404	75,798	110,202
At 31 December 2009 (restated)	28,394	12,392	40,786
At 1 January 2009 (restated)	5,715	—	5,715

Licences are acquired by Solar Group from third parties in relation to licenced technical know-how of hydrochlorination production techniques and hydrochlorination recycling system.

Customer lists are acquired through the reverse acquisition of the Power Group and acquisition of Konca Solar (note 40). The value of the customer lists has been determined by the directors of the Company with reference to valuation set out in the valuation report prepared by Sallmanns, using the multi period excess earnings method based on the estimated excess profits that can be derived from these customers. The discount rate of 18.51% and 17.1% and 16.8% for Konca Solar and Power Group, respectively. Such estimation is based on past performance of these customers and management expectations for the market development.

The intangible assets have definite useful lives and are amortised using the following basis:

Licences	straight-line basis over 10 years
Customer lists	straight-line basis over 4 to 20 years

20. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	31.12.2010
	HK$'000
Cost of unlisted investment in a jointly controlled entity	120,644
Share of results	—
	120,644

As at 31 December 2010, the Group has interests in the jointly controlled entity established and operated in the North America as follows:

Equity interests Name of company	Proportion of issued capital held by the Group	Proportion of voting power held	Principal activity
GCL-SR Solar Energy, LLC	50%	50%	Development of photovoltaic power generation projects in North America

21. INTERESTS IN ASSOCIATES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Unlisted investments in associates, at cost	204,977	221,487	—
Share of post-acquisition profits, net of dividends received	11,022	9,875	—
Exchange realignment	7,959	283	—
Carrying amounts of interests in associates	223,958	231,645	—

As at 31 December 2010 and 2009, the Group had interests in associates established and operated in the PRC as follows:

Name of company	Equity interests held by the Group	Proportion of board composition held	Principal activity
阜寧協鑫環保熱電有限公司 Funing Golden Concord Environmental Protection Co-generation Co., Ltd ("Funing Cogeneration Plant") *(Note)*	60%	6/11	Operation of a power station and trading of coal
華潤協鑫(北京)熱電有限公司 China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd ("Beijing Cogeneration Plant")	49%	3/7	Operation of a power station

Note: The Group holds 60% of the registered capital of Funing Cogeneration Plant. Under the articles of association of Funing Cogeneration Plant, the Group can appoint six out of eleven directors to the board of directors of Funing Cogeneration Plant, which is less than two-thirds majority which is required to pass resolutions on financing and operating policies of Funing Cogeneration Plant. The directors of the Company consider that the Group does exercise significant influence over Funing Cogeneration Plant and it is therefore classified as an associate of the Group.

The summarised financial information in respect of the Group's associates is set out below:

	2010	2009
	HK$'000	HK$'000 (restated)
Total assets	949,026	903,219
Total liabilities	(511,499)	(454,429)
Net assets	437,527	448,790
Group's share of net assets of associates	223,958	231,645
Revenue	454,297	196,584
Profit for the year	27,688	19,986
Group's share of results of associates for the year	10,681	9,875

22. AVAILABLE-FOR-SALE INVESTMENT

The investment represents unlisted equity security issued by a private entity established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year, the directors of the Company has assessed for the impairment of the investment based on objective evidence, to the extent that the carrying amount exceeded the estimated net recoverable amount and, accordingly, an impairment loss of HK$6,886,000 (2009: HK$2,305,000) has been recognised to fully write down the investment cost.

23. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Deferred tax assets	39,835	9,077	7,999
Deferred tax liabilities	(452,422)	(230,964)	(105,933)
	(412,587)	(221,887)	(97,934)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Property, plant and equipment	Prepaid lease payments	Other intangible assets	Withholding tax on undistributed profits	Unrealised profits on inventories	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009 (restated)	7,999	—	—	(105,933)	—	(97,934)
Acquisition of subsidiaries *(note 40)*	(33,907)	(68,439)	(2,980)	(16,328)	—	(121,654)
Credit (charge) to profit or loss	1,657	613	35	(4,900)	—	(2,595)
Exchange realignment	141	256	11	(112)	—	296
At 31 December 2009 and 1 January 2010 (restated)	(24,110)	(67,570)	(2,934)	(127,273)	—	(221,887)
Acquisition of subsidiaries *(note 40)*	(4,853)	—	(21,760)	(7,420)	—	(34,033)
(Charge) credit to profit or loss	(7,385)	1,243	8,076	(185,210)	38,903	(144,373)
Exchange realignment	(1,176)	(2,316)	(632)	(9,102)	932	(12,294)
At 31 December 2010	(37,524)	(68,643)	(17,250)	(329,005)	39,835	(412,587)

At the end of the reporting period, the Group has unused tax losses of HK$146,849,000 (2009: HK$75,570,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK$107,000, HK$30,600,000, HK$25,274,000 and HK$90,868,000 will expire in 2012, 2013, 2014 and 2015, respectively.

24. INVENTORIES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Raw materials	536,389	163,342	14,048
Work in progress	352,578	108,151	33,182
Finished goods	269,568	397,409	28,821
Spare parts	96,435	58,350	—
Solar farm projects	391,764	—	—
	1,646,734	727,252	76,051

25. TRADE AND OTHER RECEIVABLES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Trade receivables *(Note a)*	1,015,734	985,217	90,714
Less: allowance for doubtful debts	(11,257)	(12,376)	—
	1,004,477	972,841	90,714
Other receivables	254,915	65,988	9,328
Less: allowance for doubtful debts	(24)	(23)	—
	254,891	65,965	9,328
Value-added tax receivables	463,707	49,191	—
Bills receivables *(Note a)*	307,903	264,472	—
Prepayments	306,333	97,751	15,601
Entrusted loan receivables *(Note b)*	32,905	119,253	—
	2,370,216	1,569,473	115,643

Notes:

(a) The Group generally allows a credit period ranging from 0 to 90 days for trade receivables and 0 to 180 days for bills receivables. The following is an aged analysis of trade receivables and bills receivables (trade), net of allowances for doubtful debts, presented based on the invoice date at the end of the reporting period as follows:

	31.12.2010	31.12.2009
	HK$'000	HK$'000 (restated)
Trade receivables:		
0–90 days	970,742	802,430
91–180 days	16,100	169,982
Over 180 days	17,635	429
	1,004,477	972,841
Bills receivables (trade)		
0–90 days	276,018	105,006
91–180 days	31,885	159,466
	307,903	264,472

Management of the Group closely monitors the credit quality of trade, bills and other receivables and considers the trade, bills and other receivables that are neither past due nor impaired to be of a good credit quality.

Over 97.4% (31.12.2009: 86.2%) of the trade and bills receivables are neither past due nor impaired. Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$33,735,000 (31.12.2009: HK$170,411,000) which are past due as at the reporting date for which the Group has not provided allowance for doubtful debts as such amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these receivables. The average age of these receivables is 169 days (2009: 136 days).

Full allowance has been made for certain trade and other receivables which have been past due and considered as doubtful debts or irrecoverable by the management of the Group. Movement of the allowance for doubtful debts for trade and other receivables is set out as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Balance at beginning of the year	12,399	—
Impairment loss recognised on receivables	759	12,391
Amounts recovered during the year	(2,272)	—
Exchange realignment	395	8
Balance at end of the year	11,281	12,399

(b) The entrusted loan receivables are unsecured, interest bearing at 5.576% per annum and matured in 29 January 2011 and 24 June 2013 respectively (31.12.2009: interest bearing at 5.576% and 5.841% per annum and are matured in July 2010 and September 2010 respectively). The credit risk on the entrusted loan receivables is limited because the counterparties are reputable banks in the PRC.

26. AMOUNTS DUE FROM RELATED COMPANIES

	Balance at 31.12.2010	Balance at 31.12.2009	Balance at 1.1.2009	Maximum amount outstanding during 2010
	HK$'000	HK$'000 (restated)	HK$'000 (restated)	HK$'000
Non-trade related:				
Companies controlled by Mr. Zhu and his family[#]:				
江蘇協鑫房地產有限公司 Jiangsu Golden Concord Property Co., Ltd.	6,691	—	—	6,691
中環(中國)工程有限公司 GCL Engineering Limited*	719	—	—	719
錫林郭勒中能硅業有限公司 Xilinguolei Zhongneng Polysilicon Co., Ltd.*	—	—	14,759	—
桐鄉濮院協鑫熱電有限公司 Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co., Ltd.*	—	—	5,707	—
徐州金山橋熱電有限公司 Xuzhou Jinshanqiao Co-gen Co., Ltd.* ("Xuzhou Jinshanqiao")	—	—	15,094	—
	7,410	—	35,560	
Associates:				
Funning Cogeneration Plant	12,007	11,918	—	
Beijing Cogeneration Plant	13,607	—	—	
	25,614	11,918	—	
Trade related:				
Companies controlled by Mr. Zhu and his family[#]	2,469	2,940	—	
Non-controlling shareholder	558	—	—	
Subsidiary of non-controlling shareholder	154	—	—	
	3,181	2,940	—	
	36,205	14,858	35,560	

[#] Mr. Zhu is the director and substantial shareholder of the Company.

* English name for identification purpose only

For non-trade related amounts due from related companies, the amounts are unsecured, non-interest bearing and repayable on demand.

For trade related amounts due from related companies, the amounts are unsecured, non-interest bearing and with a credit term of 90 days.

27. LOANS TO RELATED COMPANIES

Particulars of the loans to related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name of related company	Terms of the loan	Balance at 31.12.2010	Balance at 31.12.2009	Balance at 1.1.2009	Maximum amount outstanding during 2010
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000 (restated)	
Companies controlled by Mr. Zhu and his family[#]:					
協鑫置業有限公司 Golden Concord Real Estate Co., Ltd.●	Unsecured, interest-bearing at 5.841% per annum and repayable by 9 April 2010	—	79,116	73,705	79,116
蘇州協鑫置業有限公司 Suzhou Golden Concord Real Estate Co., Ltd*	Unsecured, interest-bearing at 5.58% per annum and repayable by 10 December 2009	—	—	113,393	—
Xuzhou Jinshanqiao	Unsecured, interest-bearing at 6.66% per annum and repayable by 7 November 2009	—	—	113,393	—
Associate:					
Funing Cogeneration Plant . .	Unsecured, interest-bearing at 5.31% per annum and payable on 23 November 2011	90,150	—	—	
		90,150	79,116	300,491	

* English name for identification purpose only

[#] Mr. Zhu is the director and substantial shareholder of the Company.

28. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES

Bank balances

Bank balances carry interest at floating rates which range from 0.001% to 0.36% (2009: 0.001% to 0.36%) per annum and fixed rates which range from 0.01% to 2.25% (2009: 0.03% to 2.25%).

Pledged bank deposits

These bank deposits carry fixed interest rates ranging from 2.5% to 5.49% (2009: 0.36% to 5.49%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$73,007,000 (2009: HK$327,385,000) have been pledged to secure short-term borrowings granted to the Group and are therefore classified as current assets. Deposits amounting to HK$90,211,000 (2009: HK$78,730,000) have been pledged to secure long-term borrowings granted to the Group and are therefore classified as non-current assets.

Restricted bank deposits

The deposits carry interest at prevailing market rates and will be released upon the settlement or discharge of the relevant letters of credit and guarantee.

Restricted bank deposits amounting to HK$1,887,791,000 (2009: HK$476,327,000) have been restricted to secure short-term letters of credit for purchase of property, plant and equipment and are therefore classified as current assets. Deposits amounting to HK$Nil (2009: HK$147,009,000) have been restricted to guarantee the long-term technical improvement contracts with contractors and are therefore classified as non-current assets. At 1 January 2009, deposits amounting to HK$313,733,000 have been restricted to secure short-term letters of credit for purchase of property, plant and equipment and are therefore classified as current assets.

29. TRADE AND OTHER PAYABLES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Trade payables	994,656	317,614	55,400
Bills and notes payables (trade)	818,761	22,715	—
Bills and notes payables (non-trade)	267,574	50,661	—
Construction payables	1,266,998	1,595,176	477,735
Other payables	514,421	234,668	48,363
Dividend payables to non-controlling shareholders of subsidiaries	24,556	14,704	—
Other tax payables	194,350	14,206	72,695
Interest payables	21,521	13,264	8,745
Accruals	89,879	132,541	76,713
	4,192,716	2,395,549	739,651

The following is an aged analysis of trade payables and bills and notes payables (trade) presented based on the invoice date at the end of the reporting period:

	31.12.2010	31.12.2009
	HK$'000	HK$'000 (restated)
Trade payables:		
0–90 days	942,435	283,449
91–180 days	24,518	13,049
Over 180 days	27,703	21,116
	994,656	317,614
Bills and notes payables (trade):		
0–90 days	660,375	—
91–180 days	158,386	22,715
	818,761	22,715

The credit period for trade purchases is ranging from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

30. AMOUNTS DUE TO RELATED COMPANIES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Non-trade related:			
Companies controlled by Mr. Zhu and his family *(Note a)*	51,409	57,287	—
Shareholders of GCL Solar *(Note a)*	—	—	117,258
Shareholders of Sun Wave and Greatest Joy *(Note b)*	—	—	3,427,254
	51,409	57,287	3,544,512
Trade related:			
Companies controlled by Mr. Zhu and his family *(Note c)*	36,776	82,099	8,016
	88,185	139,386	3,552,528

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand. Mr. Zhu is the director and shareholder of the Company.

(b) The amounts were unsecured, non-interest bearing and subsequently transferred to the Company and were credited to equity (special reserves) upon the Acquisition.

(c) The amounts are unsecured, non-interest bearing and with a credit term of 90 days. Mr. Zhu is the director and shareholder of the Company.

31. LOAN FROM A RELATED COMPANY

	Terms	Balance at 31.12.2010	Balance at 31.12.2009	Balance at 1.1.2009
		HK$'000	HK$'000 (restated)	HK$'000 (restated)
Company controlled by Mr. Zhu and his family	Unsecured, interest-bearing at 5.841% per annum and repayable on 22 January 2010	—	56,787	—

Mr. Zhu is the director and substantial shareholder of the Company.

32. ADVANCES FROM CUSTOMERS

The Group entered into goods supply contracts with customers and received advance payments from customers which are interest-free. As of 31 December 2010, the advances of HK$988,786,000 (31.12.2009: HK$436,804,000) and HK$1,977,998,000 (31.12.2009: HK$1,906,632,000) are included in current liabilities and non-current liabilities based on the estimated amounts of purchase of goods within one year and after one year, respectively.

33. GOVERNMENT GRANTS

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Amounts credited to profit or loss during the year			
Incentive subsidies *(Note a)*	248,482	84,510	
Subsidies related to property, plant and equipment *(Note b)*	29,776	21,692	
Value-added tax refund related to depreciable assets *(Note c)*	10,410	—	
	288,668	106,202	
Deferred income related to government grants:			
Subsidies related to property, plant and equipment *(Note b)*	225,311	170,098	130,459
Value-added tax refund related to depreciable assets *(Note c)*	129,598	24,552	—
Total deferred income	354,909	194,650	130,459
Less: current portion	41,105	25,795	9,013
Non-current portion	313,804	168,855	121,446

Notes:

(a) Incentive subsidies were received from the relevant PRC Government for improvement of working capital and financial assistance to the operating activities to enhance the competitiveness in the industry. The amount also includes grants for compensation of expenses already incurred such as research and development activities and interest subsidies. The subsidies were granted on a discretionary basis to the Group during the year.

(b) The Group received government subsidies for the compensation of capital expenditure incurred for the plant and machinery and land use rights. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(c) The Group received value-added tax refunds on purchases of domestic manufactured plant and machinery. The amounts are deferred and amortised over the estimated useful lives of the respective plant and machinery.

34. BANK BORROWINGS

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Short-term bank borrowings	4,475,541	3,700,664	941,160
Long-term bank borrowings	9,314,642	4,871,792	2,525,517
	13,790,183	8,572,456	3,466,677
Less: current portion	(6,410,831)	(5,032,745)	(1,112,270)
Non-current portion	7,379,352	3,539,711	2,354,407

Details of the bank borrowings are as follows:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Secured	1,823,640	4,684,445	2,790,856
Unsecured	11,966,543	3,888,011	675,821
	13,790,183	8,572,456	3,466,677
Carrying amount repayable:			
Within one year	6,410,831	5,032,745	
More than one year, but not exceeding two years	1,876,189	1,837,800	
More than two years, but not exceeding three years	3,593,406	550,268	
More than three years, but not exceeding four years	653,990	274,850	
More than four years, but not exceeding five years	604,715	224,877	
More than five years	651,052	651,916	
	13,790,183	8,572,456	
Less: Amounts due within one year shown under current liabilities	(6,410,831)	(5,032,745)	
	7,379,352	3,539,711	
Analysed as:			
Fixed-rate borrowings	3,342,391	1,911,265	
Variable-rate borrowings	10,447,792	6,661,191	
	13,790,183	8,572,456	

The ranges of effective interest rate on the Group's borrowings are analysed as follows:

	31.12.2010	31.12.2009
Fixed-rate borrowings	3.46% to 5.58%	4.90% to 5.98%
Variable-rate borrowings		
US$ borrowings	LIBOR + 1.9% to 3.5%	LIBOR + 1.5%
RMB borrowings	90% to 105% of Benchmark Rate	90% to 110% of Benchmark Rate
	SIBOR + 2%	

The Group's borrowings are denominated in the following currencies:

	31.12.2010	31.12.2009
	HK$'000	HK$'000 (restated)
RMB	11,568,362	8,339,803
US$	2,221,821	232,653
	13,790,183	8,572,456

Certain borrowings are secured by property, plant and equipment, land use rights and bank deposits as set out in notes 28 and 44.

35. OBLIGATIONS UNDER FINANCE LEASES

During the year, the Group entered into a sale and leaseback agreement denominated in RMB, with a lessor in respect of certain of its manufacturing equipment.

	As at 31.12.2010	As at 31.12.2009	As at 1.1.2009
	HK$'000	HK$'000	HK$'000
Analysed for reporting purposes as:			
Current liabilities	111,288	—	—
Non-current liabilities	441,475	—	—
	552,763	—	—

	As at 31.12.2010	
	Minimum lease payments	Present value of minimum lease payments
	HK$'000	HK$'000
Amounts payable under finance leases		
Within one year	138,219	111,288
In more than one year but not more than two years	131,070	109,513
In more than two years but not more than five years	361,324	331,962
	630,613	552,763
Less: Future finance charges	(77,850)	N/A
Present value of lease obligations	552,763	552,763
Less: Amount due for settlement within 12 months (shown under current liabilities)		(111,288)
Amount due for settlement after 12 months		441,475

The lease term is 5 years. Interest rates underlying the obligation under finance lease are 85% of the five-year Benchmark Rate. As at 31 December 2010, the average effective interest rate is 6.55% per annum after considering the effect of initial direct costs.

The Group's obligations under finance leases are secured by a charge over the leased assets and a deposit of HK$73.4 million made to lessor at the inception of the lease.

36. CONVERTIBLE LOAN NOTES

The convertible loan notes were measured at fair value with changes in fair value recognised in profit or loss. The movement of the convertible loan notes for the year ended 31 December 2009 was set out below:

	Original currency	Shown as
	US$'000	HK$'000
At 1 January 2009 (restated)	72,913	565,068
Interest payment	(2,648)	(20,535)
Change in fair value recognised in profit or loss	4,735	36,718
Redemption	(75,000)	(581,598)
Exchange loss	—	347
At 31 December 2009	—	—

On 30 July 2009, the Solar Group early redeemed the convertible loan notes at 125% of the outstanding principal amount. A loss of approximately HK$36,718,000 has been recognised in profit or loss for the year ended 31 December 2009. The change in fair value was mainly due to the change in market risk factors.

Details of the significant terms and conditions of the convertible loan notes were set out in the Company's annual consolidated financial statements for the year ended 31 December 2009.

37. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The convertible redeemable preferred shares ("the Preferred Shares") were measured at fair value with changes in fair value recognised in profit or loss. The movement of the Preferred Shares for the year ended 31 December 2009 was set out below:

	Original currency	Shown as
	US$'000	HK$'000
At 1 January 2009 (restated)	25,086	194,414
Change in fair value recognised in profit or loss	1,081	8,320
Credit to special reserves upon completion of the reverse acquisition	(26,167)	(202,796)
Exchange loss	—	62
At 31 December 2009	—	—

The Preferred Shares were stated at fair value by the management of GCL Solar with reference to a valuation report carried out by Sallmanns, on 31 July 2009, at US$26,167,000 (approximately HK$202,796,000). The change in fair value of US$1,081,000 (approximately HK$8,320,000), has been recognised in the profit or loss for the year ended 31 December 2009. The change in fair value was mainly due to change in market risk factors. The Preferred Shares were acquired by the Company and the carrying amount of the Preferred Shares was credited to special reserves upon completion of the Acquisition.

Details of the significant terms and conditions were set out in the Company's annual consolidated financial statements for the year ended 31 December 2009.

38. SECURED NOTES

On 31 July 2009, the Company issued fixed-rate secured notes amounting to US$350 million (equivalent to RMB2,391,305,000) (the "Secured Notes") to the shareholders of Sun Wave and Greatest Joy upon the completion of the Acquisition. The Secured Notes were denominated in US$ and were secured by certain equity interests of the Company's subsidiaries.

The maturity date of the Secured Notes was 31 January 2011. The Secured Notes borne interest on outstanding amounts at 10% per annum and were payable semi-annually in arrears on the last business day of each calendar month.

The Secured Notes was redeemed on 17 August 2009 from the proceeds of the subscription of new shares set out in note 39(e).

39. SHARE CAPITAL

GCL Solar, Sun Wave and Greatest Joy

	GCL Solar		Sun Wave		Greatest Joy		Total
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Amount
	'000	HK$'000	'000	HK$'000	'000	HK$'000	HK$'000
Ordinary shares of US$0.00001 cents each							
Issued and fully paid:							
At 1 January 2009	978,333	80	—	1	—	1	82
Issue of restricted shares *(note 45)*	15,000	1	—	—	—	—	1
Exercise of share options *(Note a)*	40,024	3	—	—	—	—	3
At 31 July 2009, immediately before the Acquisition	1,033,357	84	—	1	—	1	86

The Company

	Number of shares	Amount
	'000	HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
Balance at 1 January 2009	10,000,000	1,000,000
Increase on 16 July 2009 *(Note c)*	10,000,000	1,000,000
At 31 December 2009 and 2010	20,000,000	2,000,000

	Number of shares	Amount
	'000	HK$'000
Issued and fully paid:		
At 1 January 2009	972,419	97,242
Placing of new shares *(Note b)*	50,000	5,000
Exercise of share options *(Note f)*	554	55
At 31 July 2009, immediately before the Acquisition	1,022,973	102,297
New shares issued in respect of the Acquisition *(Note d)*	10,039,773	1,003,978
Placing of new shares *(Note e)*	4,408,163	440,816
Exercise of share options *(Note f)*	640	64
At 31 December 2009	15,471,549	1,547,155
Exercise of share options *(Note g)*	2,414	241
At 31 December 2010	15,473,963	1,547,396

Under the reverse acquisition, the amount of equity in the consolidated statement of financial position prior to the completion of the Acquisition represents the amount of the issued capital of the Solar Group. The equity structure (i.e. the number and type of shares) reflects the equity structure of the Company.

Notes:

(a) On 30 July 2009, share options holders exercised their rights to subscribe for 40,023,685 ordinary shares in GCL Solar.

(b) Pursuant to a placing agreement entered on 14 May 2009, the Company allotted and issued 50,000,000 new shares of HK$0.1 each at the subscription price of HK$1.55 per share on 3 June 2009 with the proceeds of approximately HK$77,500,000.

(c) By an ordinary resolution passed on 16 July 2009, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$2,000,000,000 by the creation of an additional 10,000,000,000 shares of HK$0.1 each.

(d) On 31 July 2009 the Company issued 10,039,772,727 shares of HK$0.10 each at the subscription price of HK$2.47 per share as partial consideration in exchange of the entire equity interest of the Solar Group.

(e) Pursuant to a placing agreement entered on 4 August 2009, the Company allotted and issued 1,300,000,000 new shares of HK$0.1 each at the subscription price of HK$2.83 per share on 11 August 2009 with the proceeds of approximately HK$3,679,000,000.

Pursuant to a subscription agreement entered on 17 November 2009, the Company allotted and issued 3,108,163,054 new shares of HK$0.1 each at the subscription price of HK$1.79 per share on 23 December 2009 with the proceeds of approximately HK$5,563,612,000.

(f) During the year ended 31 December 2009, share options holders exercised their rights to subscribe for 1,194,000 ordinary shares in the Company at HK$0.59 per shares, with the net proceeds of HK$704,000.

(g) During the year ended 31 December 2010, share option holders exercised their rights to subscribe for 2,174,000 and 240,000 ordinary shares in the Company at HK$0.59 and HK$1.054 per share, respectively, with the net proceeds of HK$1,536,000.

All shares rank *pari passu* with other shares in issue in all respects.

40. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of Konca Solar

On 8 January 2010, the Group entered into the acquisition agreements to acquire an aggregate effective interest of 70.19% of the equity interest in Konca Solar for consideration of RMB854,100,000 (equivalent to approximately HK$971,429,000) through the acquisitions of 91.97% of issued share capital of Konca Enterprises Limited and 100% of registered capital in each of 無錫德祥資產管理有限公司 Wuxi Dexiang Asset Management Co., Ltd.* and 無錫德潤投資有限公司 Wuxi Derun Investment Co., Ltd.* by the Company and its subsidiary. The Konca Solar Acquisition was completed on 30 March 2010. Details of the acquisition were set out in the announcements of the Company dated 8 January 2010 and 28 January 2010 and the circular dated 12 February 2010.

Konca Solar is principally engaged in the development, management and manufacturing of wafers in the solar industry. It was acquired with the objective of enhancing the Group's in-house wafer production capabilities and strengthens its vertical integral processes by making use of its self-produced polysilicon as raw materials resulting in better quality assurance.

The Konca Solar Acquisition has been accounted for using the purchase method.

* *English name for identification only*

Assets and liabilities recognised at the date of acquisition

The assets and liabilities of Konca Solar recognised at the date of acquisition, and the goodwill arising, are as follows:

	Fair value
	HK$'000
Non-current assets	
Property, plant and equipment	791,285
Other intangible asset	125,085
Prepaid lease payments	17,975
Deposits for acquisitions of property, plant and equipment	2,627
Current assets	
Inventories	217,024
Trade and other receivables	446,205
Prepaid lease payments	392
Amounts due from related companies	3,406
Pledged and restricted deposits	125,581
Cash and cash equivalents	268,065
Current liabilities	
Trade and other payables	(411,697)
Amounts due to related companies	(68,208)
Loans from related companies	(79,616)
Tax payables	(14,639)
Bank borrowings	(654,207)
Non-current liabilities	
Deferred tax liabilities	(34,033)
	735,245

The fair value of trade and other receivables amounted to HK$446,205,000, representing the gross contractual amounts at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is Nil.

Acquisition related costs amounting to approximately HK$2,853,000 in current period (HK$6,000,000 in the year ended 31 December 2009) have been excluded from the consideration transferred and have been recognised as an expense, within the administrative expenses in the consolidated statement of comprehensive income.

Non-controlling interests

The non-controlling interests of 29.81% in Konca Solar recognised at the acquisition date amounted to approximately HK$220,502,000 and were measured at the non-controlling interest's proportionate share of Korea Solar's identifiable net assets.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	971,429
Plus: non-controlling interests of 29.81% in Konca Solar	220,502
Less: fair value of identifiable net assets acquired	(735,245)
Goodwill arising on acquisition	456,686

The amount of goodwill arising as a result of the Konca Solar Acquisition was approximately HK$456,686,000. Goodwill arose on the acquisition of Konca Solar because the cost of the combination included a control premium and the assembled workforce of Konca Solar. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of the Solar business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition of Konca Solar

	HK$'000
Consideration paid in cash	971,429
Less: cash and cash equivalents	(268,065)
	703,364

Impact of acquisition on the results of the Group

Included in the net profit for the year is approximately HK$989.8 million attributable to Konca Solar. Revenue for the year includes approximately HK$5,094.6 million generated from Konca Solar.

Had the acquisition of Konca Solar been completed on 1 January 2010, the revenue of the Group for the year ended 31 December 2010 would have been approximately HK$18,963.4 million, and the net profit for the year would have been approximately HK$4,461.4 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is intended to be a projection of future results.

(ii) Acquisition of Jiangsu Zhongneng

As set out in note 2 and the Company's annual consolidated financial statements for the year ended 31 December 2009, the Company acquired 100% of the equity interest in Jiangsu Zhongneng through the acquisition of the Solar Group, in which Mr. Zhu, a director and substantial shareholder of the Company, and his family have controlling interests, which was completed on 31 July 2009. As the Acquisition resulted in the selling shareholders of the Solar Group becoming, as a group, the controlling shareholders of the Company, the Acquisition was accounted for as a reverse acquisition, under which the Solar Group was treated as the acquirer and the Power Group immediately before the completion of the Acquisition was deemed to have been acquired by the Solar Group.

The net assets of the Power Group acquired in the transaction and the goodwill arising as at the date of the Acquisition are as follows:

	Acquiree's carrying amounts before Acquisition	Fair value adjustments	Fair value
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Property, plant and equipment	5,661,053	137,790	5,798,843
Prepaid lease payments	187,934	276,155	464,089
Interests in associates	222,595	—	222,595
Deposits for acquisition of plant and equipment	5,426	—	5,426
Goodwill	150,486	—	N/A
Other intangible assets	12,790	—	12,790
Available-for-sale investment	9,156	—	9,156
Deferred tax assets	20,688	—	N/A
Pledged and restricted bank deposits	509,496	—	509,496
Inventories	226,390	—	226,390
Trade and other receivables	581,226	—	581,226
Amounts due from related companies	50,171	—	50,171
Tax recoverable	5,164	—	5,164
Bank balances and cash	921,961	—	921,961
Trade and other payables	(835,146)	—	(835,146)
Tax payables	(18,598)	—	(18,598)
Amounts due to related companies	(50,594)	—	(50,594)
Borrowings	(4,343,297)	—	(4,343,297)
Deferred income	(83,784)	—	N/A
Deferred tax liabilities	(19,308)	(102,346)	(121,654)
	3,213,809	311,599	3,438,018
Non-controlling interests			(555,433)
Goodwill			656,903
			3,539,488
Deemed consideration			3,539,488
Net cash inflow arising on the Acquisition:			
Bank balances and cash of Power Group acquired			921,961

There are no adjustments on the provisional fair value disclosed in the 2009's annual consolidated financial statements after the finalisation of those valuations during the year.

The deemed consideration transferred for the Acquisition accounted for as a reverse acquisition amounted to HK$3,539,488,000, representing the fair value of 1,022,973,487 ordinary shares of the Company in issue immediately prior to the Acquisition. The fair value of the ordinary shares of the Company was determined by reference to the published closing market price of HK$3.46 per share at the date of Acquisition i.e. 31 July 2009.

The Power Group contributed RMB117,868,000 (equivalent to HK$133,780,000) to the consolidated result of the Group for the year ended 31 December 2009 between the date of the Acquisition and the end of that reporting period.

If the Acquisition had been completed on 1 January 2009, total Group's revenue and loss for the year ended 31 December 2009 would have been RMB6,610,979,000 (equivalent to HK$7,503,438,000) and RMB95,083,000 (equivalent to HK$107,919,000), respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2009, nor was it intended to be a projection of future results.

41. OPERATING LEASES

The Group as lessee

	2010	2009
	HK$'000	HK$'000 (restated)
Minimum lease payments paid under operating leases during the year:		
Buildings	19,120	6,717
Natural gas transmission network	9,387	3,386
Staff quarters	873	145
Others	1,104	350
	30,484	10,598

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Within one year	35,438	18,767
In the second to fifth year inclusive	81,496	48,106
After five years	6,939	13,690
	123,873	80,563

Operating lease payments represent rentals payable by the Group for certain properties, natural gas transmission network and other assets. Leases are negotiated and rentals are fixed for terms ranging from one to three years.

The Group as lessor

	2010	2009
	HK$'000	HK$'000 (restated)
Rental income credited to profit or loss during the year:		
Land use rights	1,714	113
Building	161	85
Staff quarters	194	45
Others	24	6
	2,093	249

At the end of the reporting period, the Group had contracted with tenants for the future minimum lease payments:

	2010	2009
	HK$'000	HK$'000 (restated)
Within one year	1,504	170
In the second to fifth year inclusive	2,416	775
After five years	3,053	2,124
	46,973	3,069

42. CAPITAL COMMITMENTS

	2010	2009
	HK$'000	HK$'000 (restated)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,036,285	1,994,987
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	566,398	4,136,209

43. CONTINGENT LIABILITIES

At 31 December 2010, the Group provided guarantees of HK$17,628,000 (2009: HK$36,344,000) to a bank in respect of banking facilities granted to an associate. The directors of the Company consider that the fair value of the financial guarantees at date of inception is immaterial.

44. PLEDGE OF ASSETS

At 31 December 2010, the Group has pledged buildings with carrying values of approximately HK$754,369,000 (31.12.2009: HK$827,721,000) and plant and machinery with carrying values of approximately HK$2,249,671,000 (31.12.2009: HK$2,379,691,000) to secure banking facilities granted to the Group.

The Group has pledged land use rights with carrying values of approximately HK$264,121,000 (31.12.2009: HK$404,885,000) at 31 December 2010 to secure banking facilities granted to the Group.

The Group has pledged bank deposits with carrying value of approximately HK$163,218,000 (31.12.2009: HK$406,115,000) at 31 December 2010 to secure borrowings granted to the Group.

45. SHARE-BASED PAYMENT TRANSACTIONS

Equity settled share option scheme

The Company

On 22 October 2007, a Pre-IPO Share Option Scheme (''Pre-IPO Share Option Scheme'') and a Share Option Scheme (''Share Option Scheme'') were approved by the resolution of the sole shareholder and were adopted by the Company. Pursuant to the schemes, the Company may grant option to directors, employees of the Company and its subsidiaries and qualifying grantees to subscribe for shares of the Company.

At 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the schemes is 65,512,000 (31.12.2009: 68,946,000) shares, representing 0.4% of the issued share capital of the Company at that date.

Options granted are exercisable during the period after respective vesting date to the last day of the ten-year period after grant date.

The options granted on 13 November 2007 under the pre-IPO Share Option Scheme has vesting period in three tranches of 20%, 30% and 50% of its options granted from the grant date to 13 November 2010, 13 November 2011 and 13 November 2012, respectively.

The Options granted on 16 February 2009 under the Share Option Scheme are subject to a vesting scale in tranches of one-fifth of the shares on 1 April 2009 and the first, second, third and fourth anniversary dates of the date of grant respectively.

The Options granted on 24 April 2009 under the Share Option Scheme are subject to a vesting scale in tranches of one-fifth of the shares on 1 May 2009 and the first, second, third and fourth anniversary dates of the date of grant, respectively.

Movements of share options granted during the year are as follows:

	Exercise price	Date of grant	Number of share options: Outstanding at 1 January 2010	During the year: Granted	Exercised	Forfeited	Transferred	Outstanding at 31 December 2010
Directors	HK$4.1	13.11.2007	7,680,000	—	—	—	—	7,680,000
	HK$0.59	16.02.2009	9,880,000	—	—	—	—	9,880,000
Employees and others	HK$4.1	13.11.2007	19,280,000	—	—	(400,000)	—	18,880,000
	HK$0.59	16.02.2009	29,066,000	—	(2,174,000)	(500,000)	—	26,392,000
	HK$1.054	24.04.2009	3,040,000	—	(240,000)	(120,000)	—	2,680,000
			68,946,000	—	(2,414,000)	(1,020,000)	—	65,512,000

	Exercise price	Date of grant	Number of share options: Outstanding at date of the Acquisition	During the year: Granted	Exercised	Forfeited	Transferred	Outstanding at 31 December 2009
Directors	HK$4.1	13.11.2007	7,680,000	—	—	—	—	7,680,000
	HK$0.59	16.02.2009	9,180,000	—	(300,000)	—	1,000,000	9,880,000
Employees and others	HK$4.1	13.11.2007	19,480,000	—	—	(200,000)	—	19,280,000
	HK$0.59	16.02.2009	30,726,000	—	(340,000)	(320,000)	(1,000,000)	29,066,000
	HK$1.054	24.04.2009	3,040,000	—	—	—	—	3,040,000
			70,106,000	—	(640,000)	(520,000)	—	68,946,000

The closing price of the Company's shares immediately before 16 February 2009 and 24 April 2009, the dates of the options were granted, were HK$0.59 per share and HK$1.03 per share, respectively.

The fair value of the options measured at the date of grant on 13 November 2007, 16 February 2009 and 24 April 2009 were approximately HK$1.7626 per option, HK$0.206 per option and HK$0.361 per option, respectively. The following inputs were used to derive the fair value of the share options, using the Binomial model:

	13 November 2007	16 February 2009	24 April 2009
Spot price (closing price of grant date)	HK$4.10	HK$0.59	HK$1.03
Exercise price	HK$4.10	HK$0.59	HK$1.054
Expected volatility	44.68%	52.7%	53.2%
Dividend yield	1.5%	0%	0%
Risk-free interest rate	3.47%	1.65%	2.122%
Suboptimal Exercise Factor	1.5	1.5	1.5

Expected volatility was determined by using the volatility of the stock return of the Company and comparables listed companies as at the valuation date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binominal model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the director's best estimate. Change in subjective input assumptions can materially affected the fair value.

During the year, an amount of relevant share-based payment expense of HK$12,658,000 (31.12.2009: HK$6,220,000) has been recognised in profit or loss.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the year was HK$2.29 (31.12.2009: HK$2.49) per share.

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately rest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve.

GCL Solar

On 15 August 2007, GCL Solar adopted a share option plan to grant options to its employees and directors to purchase ordinary shares of GCL Solar ("2007 Share Option Plan"). The total number of ordinary shares which may be issued upon exercise of all options shall not exceed 5% of the total number of issued ordinary shares of GCL Solar as of 15 August 2007. The options have an exercise price of US$0.5 per share. The options can only be exercised after either (i) upon public listing of GCL Solar with a vesting period of four years; or (ii) certain events constitute a change in control of GCL Solar prior to public listing of GCL Solar and the management has elected to accelerate the exercisability of the options. If either of the foregoing conditions were not satisfied, the options would lapse.

Movements of share options granted during the year were as follows:

			Number of share options				
	Exercise price	Date of grant	Outstanding at 1 January 2009	During the year			Outstanding at 31 December 2009
				Granted	Exercised	Forfeited	
Directors, employees and consultants	US$0.5	29.2.2008	5,000,000	—	(5,000,000)	—	—

Each option when exercised was entitled to 10 ordinary shares.

The fair value of the options measured at the date of grant on 29 February 2008 was approximately US$69,442,000 (equivalent to approximately HK$525,441,000).

Upon the completion of the Acquisition, the management of GCL Solar elected to accelerate the exercisability of the options. On 30 July 2009, all of the 5,000,000 options were exercised and fully vested. Accordingly, share-based payment expense of US$69,442,000 (approximately equal to HK$525,441,000) was recognised in the profit or loss during the year ended 31 December 2009.

2008 Restricted Share Compensation Plan

GCL Solar adopted the 2008 Restricted Share Compensation Plan ("2008 Plan") in July 2008 to grant at a maximum of 15,000,000 restricted shares of GCL Solar. During the year ended 31 December 2009, 15,000,000 shares of GCL Solar, which vested immediately, were granted to the employees of GCL Solar under the 2008 Plan. The GCL Solar's shares were then converted to the Company's shares upon completion of the Acquisition. The fair value of the shares measured at the date of grant on 30 July 2009 was approximately HK$21.50 per share which was estimated with reference to the share price of the Company on date of grant, after taking into account the conversion of GCL Solar's shares to the Company, as adjusted for a discount of a 25.77% due to the restriction arising from lock-up arrangement. Accordingly, an amount of share-based payment expense of HK$321,081,000 was recognised in profit or loss for the year ended 31 December 2009.

46. EVENTS AFTER THE END OF REPORTING PERIOD

The Company granted 25,000,000 share options to the employees of the Group under the share option scheme adopted by the Company on 22 October 2007, at an exercise price of HK$3.32 per share. The share options are subject to a vesting scale in tranches of one-fifth of the shares on 1 March 2011 and the first, second, third and fourth anniversary dates of the date of grant, respectively. The share options shall be exercisable during the period of 10 years from the date of grant. The management of the Group is in the process of estimating the fair value assessment of these options at the grant date and has not yet finalised. Details of the grant of share options are set out in the Company's announcement dated 12 January 2011.

The board of directors of the Company has approved an investment of approximately HK$17.7 billion for construction of the polysilicon and wafer facilities in the PRC during 2011 and 2012. The new investment will be funded by the Group's internal resources and borrowings. Details of the new investment are set out in the Company's announcement dated 18 February 2011 and 20 February 2011.

47. RETIREMENT BENEFITS SCHEME

(a) The PRC

The Group's full-time employees in the PRC are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 14% to 22% of employees' salaries, which are charged to operations as an expense when the contributions are due.

During the year, the total amounts contributed by the Group to the scheme in PRC and charged to profit or loss represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Amounts contributed and expensed	34,851	22,007

(b) Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

During the year, the total amounts contributed by the Group to the scheme in Hong Kong and charged to profit or loss represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2010	2009
	HK$'000	HK$'000 (restated)
Amounts contributed and expensed	2,024	943

48. RELATED PARTY DISCLOSURES

During the years, the Group has entered into the following transactions with related parties:

	2010	2009
	HK$'000	HK$'000 (restated)
Transactions with companies controlled by Mr. Zhu and his family:		
Construction related services expense	12,679	428,211
Consultancy services	—	6,583
Office expense	—	1,039
Proceeds on disposal of property, plant and equipment	—	73
Purchase of coal	1,580	13,500
Purchase of property, plant and equipment	4,412	4,256
Purchase of steam	379,611	263,803
Purchase of electricity	62,939	—
Rental expense	3,824	1,673
Rental income	103	235
Sales of coal	191,731	41,313
Sales of steam	2,119	269
Service fee	—	239
Interest income	1,186	15,812
Interest expense	11,329	1,462
Management fee income	13,026	2,743
Management fee expense	4,581	22,977
Deposit paid for acquisition of property, plant and equipment	284,629	—
Transactions with associates under IAS 28:		
Management fee income	746	284
Sales of coal	29,809	11,454
Interest income	3,271	—
Interest expense	83	—
Transactions with non-controlling shareholders of a subsidiary:		
Construction related services expense	9	10,891
Rental expense	4,017	1,556
Sales of steam	585	293

Details of balances and other arrangements with related parties are disclosed in the consolidated statement of financial position on pages 4 and 5 and notes 2, 26, 27, 30, 31, 37, 38, 40 and 43.

Compensation of key management personnel, being directors' remuneration as set out in note 13 has been determined by reference to the performance of individuals and market trends.

49. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2010	2009	
			%	%	
The Power Group[#]					
Sino-foreign equity joint venture enterprise established in the PRC					
Huzhou Golden Concord Environmental Protection Cogen-Power Co., Ltd. 湖州協鑫環保熱電有限公司	PRC	US$10,710,000	94.77	94.77	Operation of a power station
Fengxian Xinyuan Biological Environmental Heat and Power Co., Ltd 豐縣鑫源生物質環保熱電有限公司	PRC	RMB100,000,000	51	51	Operation of a power station
Haimen Xinyuan Environmental Protection Co-generation Co., Ltd. 海門鑫源環保熱電有限公司	PRC	US$8,000,000	51	51	Operation of a power station
Kunshan Xinyuan Environmental Protection Cogen-Power Co., Ltd. 昆山鑫源環保熱電有限公司	PRC	RMB116,200,000	51	51	Operation of a power station
Yangzhou Harbour Sludge Power Co., Ltd. 揚州港口污泥發電有限公司	PRC	US$14,068,000	51	51	Operation of a power station
Suzhou Industrial Park Blue Sky Gas Cogen-Power Co., Ltd. 蘇州工業園區藍天燃氣熱電有限公司	PRC	RMB300,000,000	51	51	Operation of a power station
JiaXing Golden Concord Environmental Cogeneration Co., Ltd. 嘉興協鑫環保熱電有限公司	PRC	RMB98,400,000	95	95	Operation of a power station
Xuzhou Western Environmental Protection Co-generation Power Co., Ltd. 徐州西區環保熱電有限公司	PRC	RMB99,200,000	75	75	Operation of a power station
Foreign invested enterprise established in the PRC					
Taicang Poly Xiexin Thermal Power Co., Ltd. 太倉保利協鑫熱電有限公司	PRC	US$15,200,000	100	100	Operation of a power station
Xilingol Guotai Wind Power Generation Co., Ltd* 錫林郭勒國泰風力發電有限公司	PRC	RMB100,000,000	100	100	Operation of a wind power station

Name of subsidiary	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2010	2009	
			%	%	
Taicang Xiexin Refuse Incineration Power Co., Ltd.* 太倉協鑫垃圾焚燒發電有限公司	PRC	RMB88,000,000	100	100	Operation of a power station
Lianyungang Xinneng Sludge Power Co., Ltd.* 連雲港鑫能污泥發電有限公司	PRC	US$9,550,000	100	100	Operation of a power station
Dongtai Suzhong Environmental Protection Co-generation Co., Ltd. 東台蘇中環保熱電有限公司	PRC	US$8,000,000	100	100	Operation of a power station
Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co., Ltd.* 桐鄉濮院協鑫環保熱電有限公司	PRC	US$14,800,000	100	100	Operation of a power station
GCL-Poly Power Fuel Co., Ltd. 保利協鑫電力燃料有限公司	PRC	US$7,000,000	100	100	Coal trading
Baoying Xiexin Biomass Electric-Power Co., Ltd.* 寶應協鑫生物質發電有限公司	PRC	US$17,700,000	100	100	Operation of a power station
Lianyungang Xiexin Biomass Electric-Power Generation Co., Ltd. 連雲港協鑫生物質發電有限公司	PRC	RMB$105,500,000	100	100	Operation of a power station
Rudong Golden Concord Environmental Protection Cogen-Power Co., Ltd.* 如東協鑫環保熱電有限公司	PRC	RMB81,960,000	100	100	Operation of a power station
Foreign invested enterprise established in the PRC					
Tongxiang City Wu Town Xiexin Thermal Power Company Limited* 桐鄉市烏鎮協鑫熱力有限公司	PRC	RMB3,000,000	94.77	94.77	Operation of boilers and trading of steam
Peixian Mine-site Environmental Cogen-Power Co., Ltd. 沛縣坑口環保熱電有限公司	PRC	US$8,000,000	100	100	Operation of a power station
Shanghai GCL-Poly Electricity Operating Management Co., Ltd.* 上海保利協鑫電力運行管理有限公司	PRC	RMB1,000,000	100	100	Provision of management services
Domestic enterprise established in the PRC					
Fengxian Xincheng Environmental Cogeneration Co. Ltd.* 豐縣鑫成環保熱電有限公司	PRC	RMB46,000,000	80	—	Operation of power station

Name of subsidiary	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2010	2009	
			%	%	
Wholly foreign-owned enterprise established in the PRC					
GCL-Poly Limited 保利協鑫有限公司	PRC	RMB 1,083,000,000	100	100	Investment holding
Incorporated in the British Virgin Islands					
Macro Pace Limited 鴻迅有限公司	British Virgin Islands	US$1	100	—	Investment holding
Hugesuccess Investments Limited 宏成投資有限公司	British Virgin Islands	US$1	100	100	Investment holding
Wise Able Investments Limited 智能投資有限公司	British Virgin Islands	US$1	100	100	Investment holding
The Solar Group					
Sino-foreign equity joint venture enterprise established in the PRC					
Taixing Zhongneng Far East Polysilicon Technology Development Co., Ltd* ("Taixing Zhongneng") 泰興中能遠東硅業有限公司	PRC	US$11,600,000	100	100	Manufacture of raw material of polysilicon
Changzhou GCL Photovoltaic Technology Co., Ltd.* 常州協鑫光伏科技有限公司	PRC	US$31,000,000	100	—	Manufacture and sale of wafer
Konca Solar Cell Co., Ltd. 高佳太陽能股份有限公司	PRC	RMB614,000,000	70.19	—	Manufacture and sale of wafer
Jiangsu GCL Silicon Material Technology Development Co., Ltd. 江蘇協鑫硅材料科技發展有限公司	PRC	RMB 1,412,800,000	100	100	Manufacture and sale of wafer
GCL-Poly (Suzhou) New Energy Limited* 保利協鑫(蘇州)新能源有限公司	PRC	RMB 2,000,000,000	100	—	Investment Holding
Wholly foreign-owned enterprise established in the PRC					
Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. 江蘇中能硅業科技發展有限公司	PRC	RMB 2,842,640,000	100	100	Manufacture and sale of polysilicon
Suzhou GCL Photovoltaic Technology Co., Ltd. 蘇州協鑫光伏科技有限公司	PRC	US$32,000,000	100	—	Manufacture and sale of wafer

Name of subsidiary	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2010	2009	
			%	%	
Domestic enterprise established in the PRC					
GCL (Nanjing) Solar Energy Technology Company Limited 南京協鑫光伏電力科技有限公司	PRC	RMB3,000,000	100	100	Sale of polysilicon and wafer
Xuzhou GCL Solar Energy Co., Ltd 徐州協鑫光伏電力有限公司	PRC	RMB84,000,000	100	100	Operation of a solar farm
Incorporated in Hong Kong					
GCL Solar Energy Technology Holdings Limited 協鑫光伏電力科技控股有限公司	Hong Kong	HK$1	100	100	Investment holding
Konca Solar Cell (H.K.) Co., Ltd. 高佳太陽能(香港)有限公司	Hong Kong	HK$20,000,000	70.19	—	Sale of wafer
Incorporated in the Cayman Islands					
GCL Solar Energy Technology Holdings Inc. 協鑫光伏電力科技控股有限公司	Cayman Islands	US$10,500	100	100	Investment holding
Incorporated in the United States					
GCL Solar Energy, Inc.	U.S.	US$200	100	100	Construction and sales of solar farm projects
GCL Technology Research Center, LLC	U.S.	US$350,000	100	100	Research and development center

* English name for identification only

The Power Group was considered as part of the Group under reverse acquisition in 2009.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

50. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2010	2009
	HK$'000	HK$'000 (restated)
NON-CURRENT ASSETS		
Equipment	—	113
Investment in a subsidiary	29,426,530	26,998,074
Loans to subsidiaries	305,991	529,046
	29,732,521	27,527,233
CURRENT ASSETS		
Prepayment and deposits	11,283	5,705
Amounts due from subsidiaries	8,138,153	5,595,697
Bank balances and cash	509,628	3,201,859
	8,659,064	8,803,261
CURRENT LIABILITIES		
Other payables	18,406	83,109
Amounts due to subsidiaries	—	2,915
Amount due to immediate holding company	—	5,560
	18,406	91,584
NET CURRENT ASSETS	8,640,658	8,711,677
TOTAL ASSETS LESS CURRENT LIABILITIES	38,373,179	36,238,910
NON-CURRENT LIABILITIES		
Bank borrowings	1,810,043	—
NET ASSETS	36,563,136	36,238,910
CAPITAL AND RESERVES		
Share capital *(Note 39)*	1,547,396	1,547,155
Reserves	35,015,740	34,691,755
TOTAL EQUITY	36,563,136	36,238,910

REGISTERED OFFICE OF THE COMPANY

Registered Office

GCL-Poly Energy Holdings Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

Place of Business in Hong Kong

GCL-Poly Energy Holdings Limited
Unit 1703B–1706, Level 17,
International Commerce Centre,
1 Austin Road West, Kowloon
Hong Kong

AUDITORS TO THE COMPANY

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong


GCL