金保利
GOLDPOLY

GOLDPOLY NEW ENERGY HOLDINGS LIMITED

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

Annual Report **2011**

GREEN ENERGY
for a better world

Contents

Corporate Information

Head Office and Principal Place of Business

Room 6301 The Center
99 Queen's Road Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Honorary Chairman

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

Directors

Executive

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

Non-executive

Academician Yao Jiannian
Mr. Chiang Chao-Juei

Independent non-executive

Mr. Kwan Kai Cheong
Mr. Ching Kwok Ho, Samuel
Mr. Ip Shu Kwan, Stephen
Mr. Yen Yuen Ho, Tony

Company Secretary

Mr. Leung Yuk Lun, Eric

Auditors

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Solicitors

Bermuda

Conyers, Dill & Pearman

Principal Share Registrar and Transfer Office in Bermuda

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Principal Bankers

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

Website

www.goldpoly.hk

non director of the company

Chairman's Statement

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

RESULTS AND DIVIDEND

During the year ended 31 December 2011, the Group's consolidated revenue was approximately HK$840.5 million (2010: HK$249.1 million) of which HK$71.5 million was derived from fashioning business and HK$769.0 million was derived from the solar energy business. Gross profit in the reported year was HK$150.5 million (2010: HK$109.3 million). The increase in gross profit was mainly due to contribution from solar energy operation. The net loss from the solar energy business was HK$1,041.2 million, including the noteworthy provision for an impairment of goodwill of HK$1,132.0 million arising from the acquisition of the equity interest of its solar energy business in year 2010; net loss from the retail business was HK$45.4 million whilst net loss from corporate function was HK$62.3 million, including imputed interest of HK$53.3 million from the issuance of convertible notes with notional principal of HK$850.0 million. In aggregate, the consolidated net loss for the year ended 31 December 2011 amounted to HK$1,148.9 million (2010: HK$15.1 million).

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011.

BUSINESS REVIEW AND PROSPECT

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

— Fashioning business

— Manufacturing and distribution of solar cells

Fashioning business

For the year ended 31 December 2011, turnover decreased by 42.5% to HK$71.5 million (2010: HK$124.3 million). The gross profit decreased from HK$80.2 million to HK$23.7 million. Net loss of the fashioning business for the year ended 31 December 2011 amounted to HK$45.4 million (2010: HK$11.1 million) The increase in net loss was mainly due to the employment termination payments of HK$ 8.9 million, and disposal loss of the Group's inventories of HK$14.8 million, and disposal loss of the Group's fixed assets of HK$0.8 million. As at 31 December 2011, the Group did not operate any retail shops (2010: 13 shops).

In view of the continued severe competition, further aggravated by the substantial increase in the shop rentals and the government's introduction of minimum wages, the Group's retail fashioning business will be subject to a difficult operating environment. The Group therefore changed its business model by entering into a trademark licence agreement to discontinue its retail shop operation on 13 July 2011. Under the licence agreement, in consideration of the grant of the sole and exclusive license to use the trademarks "Gay Giano", "Cour Carré" and "Due G" in Hong Kong and the People's Republic of China for 20 years, the licensee paid the Group an upfront fee in an amount of HK$2.0 million and a further licence fee at 5% of the net profit of the goods manufactured and sold by the licensee under the licence agreement to be paid annually.

The Board believed that by entering into the licence agreement, the operation in relation to the Group's fashion business could be simplified. Moreover, the new business model also financially reduced the Group's exposure to the risks facing retail shop operation. Under the licence agreement, the Group continues to maintain its fashioning business by supplying products to the licensee and to receive licensing income.

Manufacturing and distribution of solar cells

For the year ended 31 December 2011, the solar energy business had approximately HK$769.0 million of revenue and achieved gross profit of approximately HK$126.8 million. The gross profit margin decreased from 23.3% to 16.5%. During the year under review, the Group faced strong headwinds in the average selling price ("ASP") and demand of solar cell in the highly cyclical solar industry. Two major factors were behind the slow end market of the industry for year 2011. In the buoyant 2010 market, cells/modules that were purchased were not all digested instantly therefore we saw a certain amount of inventory that needed to be flushed out before demand could revitalize. The regulatory environment in Europe also contributed uncertainty to the market and end users slowed down their pace of installations until new subsidy programs were confirmed. Due to weak demand from the end market, cell ASP experienced a sharp decline in year 2011. Consequently, the Group has made provision for inventories in the sum of HK$4.0 million and recognized an income of approximately HK$33.0 million due to the forfeiture of deposits from contract with certain customers. In response to these developments, the Group re-negotiated aggressively with its suppliers to reduce manufacturing input costs, especially our largest raw material component — wafer.

In view of the long term benefit for the Group's future business growth in the PRC, in particular, a greater enhancement in the recognition and appreciation and support for the Group's solar energy business in the PRC, the Group has committed to develop a 10.8 megawatt user on-grid photovoltaic power generation demonstration project (the "Demonstration Project"). The Demonstration Project has been selected as one of the Golden Sun Projects by the Ministry of Finance, Minister of Science and Technology and Bureau of Energy of the PRC and the Group will in total receive a subsidy of approximately RMB97.2 million from the PRC government. The Golden Sun Projects are intended to expand the scale of solar power generation application in the PRC while nurturing strategic emerging industries.

FUTURE PROSPECT

The Group is principally engaged in fashioning and solar energy business.

With respect to fashioning business, the Group already changed its business model by appointing a sole licensee to take over the retail business. The Group continues to maintain its fashion business by supplying products to the licensee and receiving licensing income whilst reducing the Group's exposure to the risks facing retail shop operation. Nevertheless, the Group will continue to explore fashioning business opportunities.

With respect to solar energy business, the Group will continue to devote resources to research and development to keep up with customer needs and improve our profit margin. For solar power business in the PRC, we will continue our relationship with key suppliers and customers to form strategic partnerships. The Board believes that by forming strategic partnerships with selective module and end market players in regions on the rise we will be able to better secure future sales. In addition, during the year under review, the Group has teamed with one of its suppliers to build a 300MW wafer plant in Quanzhou. This strategic co-operation with market leading supplier enhanced our future expansion plan of the Group; and further assures our raw material supply. For the industry as a whole, we believe that solar business in the PRC will maintain stable growth in the coming years, although market volatility could be seen because the business activities are closely linked to country policy on government subsidies and feed-in-tariff scheme.

In view of the weak demand in the year 2011, the Group has been cautious in its expansion plan. The management will monitor closely on its expansion plan of increasing production lines to meet the market demand and quickly respond to new opportunities and emerging risks. The Group remain confident that the solar energy business will continue to prosper in years ahead and aims to maximize the returns to its shareholders.

Lam Ho Fai
Executive Director

23 March 2012

Management Discussion & Analysis

IMPAIRMENT CHARGE ON GOODWILL

The impairment charge arose in solar energy segment following a decision made at the end of year 2011, of the postponement of the Group's expansion plan of production capacity due to significant decline in global demand of photovoltaic cell and its market selling price. Following the decision, the Group reassessed the recoverable amount of solar energy segment and an impairment charge of HK$1,132.0 million was made for the year under review.

DISTRIBUTION COSTS

Distribution expenses for the year ended 31 December 2011 was approximately HK$36.4 million (2010: HK$54.9 million). The decrease was mainly due to the change in business model of the Group's fashioning business during the year.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2011 was approximately HK$99.7 million (2010: HK$59.6 million). The increase was mainly because of an increase in administrative expenses of the solar energy segment. The solar energy business was acquired by the Group on 25 October 2010 and the administrative expenses of the solar energy business, for the period from 25 October 2010 to 31 December 2010, was approximately HK$6.5 million. The administrative expenses of solar energy business for the year under review is HK$52.3 million.

FINANCE COSTS

Net finance costs for the year ended 31 December 2011 was approximately HK$60.5 million (2010: HK$9.5 million) which included imputed interest expenses on convertible notes of approximately HK$53.3 million (2010: HK$9.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had net current assets of approximately HK$27.1 million (2010: net current liabilities HK$15.9 million). The current assets mainly comprised inventories of approximately HK$22.3 million (2010: HK$98.6 million), deposits and prepayments of approximately HK$95.1 million (2010: HK$64.4 million), trade receivables of approximately HK$186.4 million (2010: HK$4.4 million) and bank balances and cash of approximately HK$217.9 million (2010: HK159.0 million). The Group had total assets of approximately HK$2,034.9 million (2010: HK$2,664.0 million), current liabilities of approximately HK$494.6 million (2010: HK$342.2 million), non-current liabilities of approximately HK$709.8 million (2010: HK$573.3 million) and shareholders' equity of approximately HK$830.5 million (2010: HK$1,748.5 million).

The overall gearing ratio for the year increased to 7.0% (2010: 3.8%) with total loans of approximately HK$142.3 million (2010: HK$100.1 million) and total assets of approximately HK$2,034.9 million (2010: HK$2,664.0 million) as at 31 December 2011. Overall gearing ratio is defined as total bank borrowings, shareholders' loan and other loans over total assets.

The Group recorded net cash generated from operating activities of approximately HK$156.9 million (2010: net cash outflow HK$11.7 million) for the year ended 31 December 2011. With regard to financing activities, the Group repaid an aggregate of secured bank borrowings of approximately HK$97.5 million (2010: HK$35.1 million),obtained new secured bank borrowings of an aggregate of HK$141.1 million (2010: HK$34.1 million), and issued new shares with the net proceed of approximately HK$180.6 million (2010: HK$195.4 million).

TREASURY POLICIES

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

On 7 February 2011, the Company placed 125,370,000 new shares and raised approximately HK$180.0 million, whereby the funds was used to finance its development plans to expand the Group's production capacity relating to the solar cell business and/or for the general working capital of the Group. The Group's borrowings mainly included bank loans and other loans from financial institutions. The Group had no interest rate hedging arrangement during the year under review.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditures and prepayment for purchase of property, plant and equipment amount to approximately HK$324.8 million (2010: HK$71.8 million) for the year ended 31 December 2011. These expenditures were mainly used for the increase in production capacity of the Group's solar energy operation. The capital commitment of the Group as at 31 December 2011 is HK$227.3 million (2010: 243.4 million).

INVESTMENT PROPERTIES

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011, the Group pledged its land use rights of HK$143.1 million (2010: HK$134.6 million), and the Group also pledged bank deposit of approximately HK$55.2 million (2010: HK$41.8 million). As at 31 December 2011 the Group had no significant contingent liability (2010: nil).

CAPITAL STRUCTURE

As at 1 January 2011, the Company's total number of issued shares was 732,407,577.

On 7 February 2011, 125,370,000 ordinary shares of the Company were issued at the placing price of HK$1.45 per share. Net proceeds of HK$180.0 million have been received from the placing to finance its development plans to expand the Group's production capacity relating to the solar cell business and/or for the general working capital of the Group.

On 28 February 2011, 1,000,000 ordinary shares of the Company were issued pursuant to the exercise of the share options granted under the share option scheme of the Company.

As at 31 December 2011, the Company's total number of issued shares was increased to 858,777,577.

As at 1 January 2011 and 31 December 2011, the outstanding convertible notes with a total notional principal of was HK$850.0 million.

SEGMENT INFORMATION

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

There are two operating segments, namely fashion apparel and solar energy. Other operation includes corporate functions managed by the Group management. The Company is domiciled in Hong Kong. Revenue derived from Hong Kong and other countries is HK$71,530,000 (2010: HK$124,333,000) and HK$768,961,000 (2010: HK$124,745,000) respectively.

As at 31 December 2011, all of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China. As at 31 December 2010, approximately 98% of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China while the remaining 2% are located in Hong Kong.

ORDER BOOK AND PROSPECTS FOR NEW BUSINESS

As at 31 December 2011, the Group's order book have no outstanding order on hand. (2010: HK$18.7 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 17 (2010: 180) full-time employees in Hong Kong and 462 (2010: 770) full-time employees in the PRC. The total number of full-time employees of the Group was 479 (2010: 950). The Group has a share option scheme for the benefits of its directors, consultants and eligible employees.

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions or disposals of subsidiaries and associated companies for the year under review.

FUTURE PLAN FOR MATERIAL INVESTMENTS

The Group will incur capital expenditure for its a 10.8 megawatt user on-grid photovoltaic power generation project. The capital expenditure will mainly be subsidized by the PRC Government.

Save as disclosed above, the Group does not have any plan for material investments in the near future.

Biographical Details of Directors and Senior Management

Mr. Lam Ho Fai, aged 56, is the Executive Director, acting Chairman of the Company and a director of certain subsidiaries of the Group. Mr. Lam has over 20 years experience in treasury management in the banking industry and 7 years of corporate finance experience. Mr. Lam is the general manager of the fashioning business and oversees the entire fashioning operation of the Group. Prior to joining the Company in July 2008, he had served as the chief financial officer of a U.S. listed company. Mr. Lam holds an honored degree in Bachelor of Commerce with a major in Business Administration from the University of Windsor, Canada and is the member of the Hong Kong Securities Institute.

Ms. Lin Xia Yang, aged 52, is the Executive Director of the Company and a director of certain subsidiaries of the Group. Ms. Lin has joined the Group in October 2008 and is responsible for the Group's strategic planning. Ms. Lin has studied in South China Normal University, Sun Yat-sen University and Hong Kong Baptist University since 1978 and obtained a Bachelor of Philosophy and a Master of Business Administration. Ms. Lin had served one administrative division of China as the deputy director of policy research and administrative committee office, the deputy director of economic committee office and the chairman of a state-owned assets management company. Since 2004, Ms. Lin has served as the chairman and general manager of Guangdong Kaili Tianren Investment Co., Ltd. Ms. Lin has over 20 years of extensive experience in corporate management, merger and acquisition, assets management and restructuring.

Mr. Yiu Ka So, aged 38, was appointed Executive Director of the Company in October 2010, he is also a member of the Remuneration Committee of the Company. Mr. Yiu obtained his bachelor degree in Civil Engineering and master degree in Civil Engineering from the University of Hong Kong in 1997 and 2002 respectively. Mr. Yiu had over 10 years of experience in project and general management. Mr. Yiu oversees the entire solar energy operations of the Group and is involved in high level management discussions and strategic planning of the solar energy business.

Academician Yao Jiannian, aged 58, graduated from the Chemistry Department of Fujian Normal University in 1982 and was conferred a master's degree by the Graduate School of Engineering of Tokyo University, Japan in 1990 and a doctoral degree by the same university in 1993. During the period from August 1995 to September 1999, he has been an associate researcher, researcher, instructor for students of doctoral degrees, director of laboratory, and assistant to center head of the Institute of Photographic Chemistry, CAS. During the period from March 2000 to March 2008, he was deputy head of the Institute of Chemistry, CAS. Academician Yao is currently a researcher with the Institute of Chemistry, CAS, and was elected as an academician of the Chinese Academy of Sciences in 2005. Academician Yao is also a member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference, member of the standing committee of the 11th National People's Congress, and member of the 7th National Committee of China Association for Science and Technology.

Academician Yao was appointed as Non-Executive Director of the Company in October 2010.

Biographical Details of Directors and Senior Management (Continued)

Mr. Chiang Chao-Juei, aged 58, was appointed Non-Executive Director of the Company on 19 May 2011.

Mr. Chiang received his bachelor degree of Business Administration from Fu Jen Catholic University (Taiwan) in 1974. Mr. Chiang has more than 30 years of experience in high tech manufacturing. He is the founder and Chairman of TPK Holding Co. Ltd. ("TPK"). TPK, listed on Taiwan Stock Exchange in October 2010, is a prominent promoter of transparent projected-capacitive ("P-Cap") touch technology and engaged in the business of designing, manufacturing and marketing P-Cap touch panels/modules. Strategically situated in Xiamen, China, TPK has achieved an average annual grow rate in excess of 100% since its inception in 2007.

Mr. Chiang started his career by co-founding Taiwan Video & Monitor Corp ("TVM") with the family members in 1984. TVM initially specialized in PC monitors and was one of the top award-winning monitor brands in Taiwan. In the year of 2001, TVM established a manufacturing arm in Xiamen, China as TVM and has since re-positioned itself as a touch monitor specialist.

Mr. Kwan Kai Cheong, aged 62, an Independent Non-Executive Director of the Company since April 2011, he is the chairman of both the Audit Committee and Remuneration Committee of the Company.

Mr. Kwan graduated from the University of Singapore in 1973 with a degree in Accountancy. Mr. Kwan qualified as a Chartered Accountant in Australia in 1979 and has been a member of the Hong Kong Institute of Certified Public Accountants since 1982. He completed the Stanford Executive Program in 1992.

Mr. Kwan was previously the president and chief operating officer for the Asia Pacific Region of Merrill Lynch & Co.. Mr. Kwan is a non-executive director of China Properties Group Limited since 1 February 2007 and JF Household Furnishings Limited from 8 March 2005 to 16 August 2011, both companies being listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is an independent non-executive director for several listed companies in Hong Kong, namely Hutchison Harbour Ring Limited, Win Hanverky Holdings Limited, SPG Land (Holdings) Limited and Sunlight REIT (which are all listed on the Main Board of the Stock Exchange). He is also an independent non-executive director of Galaxy Resources Limited, a company listed on the Australian Securities Exchange, with effect from 13 October 2010. Mr. Kwan was appointed an independent non-executive director of Soundwill Holdings Limited, a company listed on the Main Board of the Stock Exchange, on 30 September 2004 and had resigned on 7 January 2011. Mr. Kwan was an independent non-executive director of Hutchison Telecommunications International Limited, a company previously listed on the Main Board of the Stock Exchange which has withdrawn from listing with effect from 25 May 2010. Further, Mr. Kwan was also a director of Yaohan International Holdings Limited, a company previously listed on the main board which is pending liquidation.

Mr. Ching Kwok Ho, Samuel, aged 55, was appointed an Independent Non-Executive Director of the Company in May 2006 and is a member of the Audit Committee of the Company.

Mr. Ching is a practising solicitor in Hong Kong. He graduated from the University of Hong Kong with a degree in Bachelor of Laws and a Postgraduate Certificate in Laws. Mr. Ching is currently a partner in King & Company in Hong Kong. Mr. Ching has over 28 years of legal experience in banking and finance, liquidation, tenancy, conveyancing and commercial disputes and civil litigation in Hong Kong.

Biographical Details of Directors and Senior Management (Continued)

Mr. Ip Shu Kwan, Stephen, *GBS, JP*, aged 60, an Independent Non-Executive Director of the Company since October 2010, he also is a member of both the Audit Committee and Remuneration Committee of the Company.

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

In his capacity as Secretary for Economic Development and Labour, Mr. Ip was a member of the Hong Kong Airport Authority Board, the Mandatory Provident Fund Authority Board, the Hong Kong International Theme Parks Company Board as well as the Chairman of the Logistics Development Council, Port Development Board, Maritime Industry Council and Aviation Development Advisory Committee. Mr. Ip retired from the Hong Kong Special Administrative Region Government in July 2007.

Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Special Administrative Region Government in 2001, and is an unofficial Justice of the Peace. Mr. Ip is also an independent non-executive director of Yangtze China Investment Limited, a company listed in the United Kingdom, since February 2008, and an independent non-executive director of China Resources Cement Holdings Limited since August 2008, Synergis Holdings Limited since September 2008, Lai Sun Development Company Limited since December 2010 , Viva China Holdings Limited since June 2010, Milan Station Holdings Limited since April 2011, Kingboard Laminates Holdings Limited since May 2011, Luk Fook Holdings (International) Limited since October 2011, and PICC Property and Casualty Company Limited from 17 January 2011 to 1 November 2011, all are companies listed on the Stock Exchange of Hong Kong Limited.

Mr. Yen Yuen Ho, Tony, aged 64, was appointed Independent Non-Executive Director of the Company on 6 April 2011.

Mr. Yen is a solicitor of Hong Kong and the United Kingdom, he is also a barrister and solicitor of Australia. Mr. Yen is a retired senior civil servant. From April 1994 to March 2007, he was the Law Draftsman of the Department of Justice, where he was responsible for the drafting of all the legislation of Hong Kong. He was also a member of the Government's Law Reform Commission. Mr. Yen retired from the civil service in March 2007. He is now a guest speaker to various universities. Currently, he is an Adjunct Professor at the City University of Hong Kong and a Court Member of the Hong Kong University of Science and Technology. He is the director of two secondary schools, the Vice Chairman of the Neighbourhood Advice Action Council and a Member of Heep Hong Society's Executive Council. He is an Honorary Adviser to the Pok Oi Hospital. He is an Honorary Legal Adviser to the Shanghai Fraternity Association and to the Friends of Scouting, Scout Association of Hong Kong. He also serves as a member to the Hong Kong Law Society's Mainland Legal Affairs Committee and as a director of the Hong Kong Institute for Public Administration. In April 2009, Mr. Yen was appointed by the Hong Kong SAR Government as the Vice-Chairman of the Social Welfare Lump Sum Grant Independent Complaints Handling Committee.

Mr. Yen is an independent non-executive director of Jinchuan Group International Resources Company Limited, a company listed on the main board of the Stock Exchange, with effect from 5 August 2010.

Biographical Details of Directors and Senior Management (Continued)

Senior Management

Mr. Leung Yuk Lun Eric, aged 45, has over 20 years experience in auditing, accounting and finance fields. He joined the Group in December 2008 and is the chief financial officer and company secretary of the Group. Mr. Leung graduated from the City University of Hong Kong with a Professional Diploma in Accounting and a Bachelor of Arts. He also obtained a Master of Science in Information and Technology Management from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of the Chartered Certified Accountants.

Summary of Financial Information

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

Results	For the year ended 31 December 2011 HK$'000	For the year ended 31 December 2010 HK$'000	For the year ended 31 December 2009 HK$'000	For the nine months ended 31 December 2008 HK$'000	For the year ended 31 March 2008 HK$'000
Revenue	840,491	249,078	97,452	80,732	131,081
Loss before income tax	(1,138,833)	(13,832)	(24,432)	(33,273)	(21,644)
Income tax expense	(10,035)	(1,257)	—	—	—
Loss for the year/period	(1,148,868)	(15,089)	(24,432)	(33,273)	(21,644)

Assets and liabilities	At 31 December 2011 HK$'000	At 31 December 2010 HK$'000	At 31 December 2009 HK$'000	At 31 December 2008 HK$'000	At 31 March 2008 HK$'000
Total assets	2,034,910	2,664,008	78,084	76,762	90,565
Total liabilities	(1,204,372)	(915,505)	(41,228)	(16,792)	(20,988)
	830,538	1,748,503	36,856	59,970	69,577

Key Financial Statistics

		Brand	Unit/Place	For the year ended 31 December 2011	For the year ended 31 December 2010	For the year ended 31 December 2009	For the nine months ended 31 December 2008	For the year ended 31 March 2008
Turnover	Fashioning	Gay Giano	HK$'000	36,782	49,330	30,259	13,712	32,586
		Cour Carré	HK$'000	32,725	74,855	66,443	66,444	97,630
		Due G	HK$'000	23	148	750	576	865
		Trademark Licensing	HK$'000	2,000	—	—	—	—
	Solar Energy	Goldpoly	HK$'000	768,961	124,745	—	—	—
			HK$'000	840,491	249,078	97,452	80,732	131,081
Loss before interest and tax			HK$'000	(1,078,344)	(4,375)	(24,257)	(33,069)	(21,235)
Loss before income tax expense			HK$'000	(1,138,833)	(13,832)	(24,432)	(33,273)	(21,644)
Loss for the year/period			HK$'000	(1,148,868)	(15,089)	(24,432)	(33,273)	(21,644)
Total equity			HK$'000	830,538	1,748,503	36,856	59,970	69,577
Total assets			HK$'000	2,034,910	2,664,008	78,084	76,762	90,565
Working capital			HK$'000	27,062	(15,917)	20,321	16,883	55,082
Total borrowings		*(note 1)*	HK$'000	142,272	100,057	23,061	2,294	8,859
Loss per share								
— Basic			HK cents	(135.82)	(4.07)	(9.82)	(14.25)	(10.28)
— Diluted			HK cents	(45.15)	(0.80)	N/A	N/A	N/A
Number of shops				—	13	15	15	15
Total controlled retail floor area			Square feet	N/A	22,640	22,526	24,947	23,550
Production capacity of solar cells			Mega watt per annum	200	200	—	—	—
Capital expenditure			HK$'000	314,206	17,744	1,897	564	4,516
Number of employees			Hong Kong, SAR	17	180	179	169	170
			PRC	462	770	218	225	254
Gross profit margin		*(note 2)*		17.91%	43.87%	63.50%	56.49%	61.28%
Operating loss margin		*(note 3)*		(128.30)%	(1.76)%	(24.89)%	(40.96)%	(16.20)%
Net loss margin		*(note 4)*		(136.69)%	(6.06)%	(25.07)%	(41.21)%	(16.51)%
Return on equity		*(note 5)*		(138.33)%	(0.86)%	(66.29)%	(55.48)%	(31.11)%
Current ratio		*(note 6)*		1.05	0.95	1.52	2.22	4.18
Stock turnover days		*(note 7)*		10	144	90	79	61
Creditors' turnover days		*(note 8)*		24	32	53	12	14
Debt equity ratio		*(note 9)*		17.13%	5.72%	62.57%	3.83%	12.73%

Notes:

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

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

Directors' Report

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2011.

Change of Company Name

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

Principal Activities

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of solar energy and fashioning. Details of each of the principal activities and other particulars of the Company's subsidiaries are set out in note 19 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 31 to 38.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011. (Year ended 31 December 2010: Nil).

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 14 to this annual report. This summary does not form part of the financial statements.

Share Capital

Details of the share capital of the Company are set out in note 23 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Distributable Reserves of the Company

At 31 December 2011, the Company had no reserve (31 December 2010: nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of HK$510,002,000 (31 December 2010: HK$342,008,000) may be distributed in the form of fully paid bonus shares.

Reserves

Details of the movements in reserves of the Company during the year are set out in note 24 to the financial statements.

Land Use Rights, Property, Plant and Equipment and Investment Property

At 31 December 2011, the Group's investment properties are valued at a total of approximately HK$6.4 million (2010: HK$13.4 million).

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

Intangible Assets

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

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for less than 17% and 47% (for the year ended 31 December 2010: less than 8% and 26% respectively) of the Group's total revenue for the year under review.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for less than 63% and 79% (for the year ended 31 December 2010: less than 62% and 74%) respectively, of the Group's total purchases for the year under review.

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

Directors

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

Executive directors

Mr. Lam Ho Fai
Ms. Lin Xiayang
Mr. Yiu Ka So
Mr. Wong Pak Lam, Louis *(Chairman) (resigned on 16 February 2011)*

Non-executive directors

Academician Yao Jiannian
Mr. Chiang Chao-Juei *(appointed on 19 May 2011)*

Independent non-executive directors

Mr. Kwan Kai Cheong *(appointed on 1 April 2011)*
Mr. Ching Kwok Ho, Samuel
Mr. Ip Shu Kwan, Stephen
Mr. Yen Yuen Ho, Tony *(appointed on 6 April 2011)*
Mr. Hui Bing Kuen *(resigned on 1 April 2011)*

Mr. Lam Ho Fai , Ms. Lin Xia Yang, and Mr. Yiu Ka So are the Executive Directors, Academician Yao Jiannian and Mr. Chiang Chao-Juei are the non-executive directors and Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Ip Shu Kwan, Stephen and Mr. Yen Yuen Ho, Tony are the Independent Non-executive Directors of the Company. In accordance with the Bye-Laws of the Company, Mr. Lam Ho Fai, Ms. Lin Xia Yang and Mr. Ip Shu Kwan, Stephen will be retired from office by rotation and be eligible for re-election at the AGM. Mr. Chiang Chao-Juei will retire pursuant to the Bye-Laws of the Company, and will offer himself for re-election as non executive directors of the company at the AGM.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 13 of the annual report.

Directors' Interests in Contracts

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

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Notes

At 31 December 2011, the interests of the directors, the chief executive and their associates in the shares, underlying shares and notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

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

Name of director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Lam Ho Fai	Beneficial Owner	1,000,000	0.12%
Ms. Lin Xia Yang	Beneficial Owner	1,000,000	0.12%

(b) Share options

Name of director	Number of share options held	Exercisable period	Exercise price per shares HK$
Mr. Lam Ho Fai	225,191	24.11.2009 to 23.11.2019	0.6624
Ms. Lin Xia Yang	1,225,191	24.11.2009 to 23.11.2019	0.6624
Mr. Yiu Ka So	500,000	1.6.2011 to 31.5.2014	1.434
	500,000	1.6.2012 to 31.5.2014	1.434
Academician Yao Jiannian	500,000	1.6.2011 to 31.5.2014	1.434
	500,000	1.6.2012 to 31.5.2014	1.434
Mr. Ip Shu Kwan, Stephen	400,000	1.6.2011 to 31.5.2014	1.434
	400,000	1.6.2012 to 31.5.2014	1.434
	4,250,382		

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

Share Options

Particulars of the Company's share option scheme adopted on 10 September 2002 are set out in note 23(g) to the financial statements.

Arrangements to Purchase Shares or Notes

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

Substantial Shareholders' Interests in Shares, Underlying Shares and Notes

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that (other than the interests disclosed above in respect of certain directors or chief executive), the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long position in ordinary shares of HK$0.10 each of the Company

Name of Shareholder	Number of ordinary Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Hung Chao Hong	53,648,000	—	6.25%
Hong Zhonghai	1,800,000	—	0.21%
Jet Mile Limited (note i)	92,936,803	1,579,925,651	194.80%

Note:

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

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2011.

Directors' Business in Competing Business

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

Corporate Governance

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

Emolument Policy

The Group remunerates its employees, including the directors, based on their performance, experience and prevailing market rate. The Company has adopted a share option scheme as an incentive to directors, consultants and eligible employees, details of the scheme is set out in note 23(g) to the financial statements.

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

Management Contracts

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

Auditors

Except for the year ended 31 December 2009 in which Messrs. BDO Limited acted as auditors of the Company, Messrs. PricewaterhouseCoopers Limited have acted as auditors of the Company for the past two years. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers Limited as auditors of the Company.

On behalf of the Board

Lam Ho Fai
Executive Director

Hong Kong, 23 March 2012

Report of Corporate Governance

Corporate Governance Practices

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011, save for the following deviation.

Code provision A.2.1 of the CG Code provides that the responsibilities between chairman ("Chairman") and chief executive officer ("CEO") should be divided. The Company's Chairman, Mr Wong Pak Lam, Louis, resigned on 16 February 2011 and our executive director, Mr. Lam Ho Fai, is appointed as acting Chairman. The Company does not have a CEO and the executive board members currently perform the role of CEO. The Board of Directors of the Company (the "Board") believes that vesting the role of Chairman to an executive board member has the benefit of ensuring a more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being Independent Non-executive Directors.

Directors' Securities Transactions

The Company has adopted a model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company (the "Directors"), the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

Board of Directors

Composition of the Board of Directors

The Board of Directors of the Company (the "Board") currently comprises nine Directors, of whom three are Executive Directors, namely Mr. Lam Ho Fai, Ms. Lin Xia Yang, Mr. Yiu Ka So; two are Non-executive directors namely Academician Yao Jiannian and Mr. Chiang Chao-Juei and four are Independent Non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Ip Shu Kwan, Stephen and Mr. Yen Yuen Ho, Tony. Each of Directors' respective biographical details are set out in the "Biographical details of directors and senior management" section of this annual report.

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

Chairman and Chief Executive Officer

The Company's Chairman, Mr. Wong Pak Lam, Louis, resigned on 16 February 2011 and Executive Director, Mr. Lam Ho Fai, is appointed as the acting Chairman. The Company does not have a Chief Executive Officer ("CEO") and the three Executive Directors currently perform the role of CEO. The Executive Directors of the Company are Mr. Lam Ho Fai, Ms. Lin Xia Yang and Mr. Yiu Ka So. The acting Chairman is responsible for the leadership and effective running of the Board, while the Executive Directors are delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the acting Chairman and Executive Directors has been clearly established and set out in writing.

Board of Directors (Continued)

Functions of the Board of Directors

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

Independent Non-executive Directors

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

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

Directors' appointment, re-election and removal

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

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

Board meetings and board practices

The Board has scheduled at least four meetings a year and meets when required. During the year, the Board held 5 meetings. 4 of the meetings are full board meetings and 1 is executive board meeting. The Company Secretary assists the Chairman in preparing the agenda of meeting. For all such meetings, at least 14 days' notice is given to all Directors while reasonable notice is generally given for other board meetings. The Company Secretary is responsible for distributing detailed documents to Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. All Board and committee minutes are recorded in appropriate details and all minutes are kept by the Company Secretary and are open for inspection by the Directors. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended 31 December 2011, the Company held 5 Board meetings, and the Directors' attendance records for those meetings held is set out below.

Board of Directors (Continued)

Directors' attendance at board meetings

	Attendance
Executive Directors	
Mr. Lam Ho Fai	5/5
Ms. Lin Xia Yang	3/5
Mr. Yiu Ka So	5/5
Mr. Wong Pak Lam, Louis *(Chairman) (resigned on 16 February 2011)*	1/1
Non-executive Directors	
Academician Yao Jiannian	2/4
Mr. Chiang Chao-Juei *(appointed on 19 May 2011)*	1/2
Independent Non-executive Directors	
Mr. Kwan Kai Cheong *(appointed on 1 April 2011)*	3/3
Mr. Ching Kwok Ho, Samuel	2/4
Mr. Ip Shu Kwan, Stephen	4/4
Mr. Yen Yuen Ho, Tony *(appointed on 6 April 2011)*	3/3
Mr. Hui Bing Kuen *(resigned on 1 April 2011)*	1/1

Board Committees

Audit Committee

The Company has established an audit committee on 14 March 2000 with written terms of reference in accordance with the requirements of the CG Code. During the year, Mr. Hui Bing Kuen resigned as Chairman of audit committee and director of the company. Mr. Kwan Kai Cheong has been appointed to fill the position. Currently, the audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel and Mr. Ip Shu Kwan, Stephen. Mr. Kwan Kai Cheong is the Chairman of the audit committee. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group audit. The duties of the audit committee are to review and provide supervision over the financial reporting process of the Group. The terms of reference of the Audit Committee were revised and approved by the Board in March 2012 to enhance and strengthen the corporate governance standard. The audit committee meets regularly with the management and the external auditors to discuss the accounting principles and practices adopted by the Group and the financial reporting matters.

Board Committees (Continued)

Audit Committee (Continued)

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

	Attendance
Members of the audit committee	
Mr. Kwan Kai Cheong *(appointed on 1 April 2011)*	2/2
Mr. Ching Kwok Ho, Samuel	3/3
Mr. Ip Shu Kwan, Stephen	3/3
Mr. Hui Bing Kuen *(resigned on 1April 2011)*	1/1

Remuneration Committee

The Company established a remuneration committee on 28 September 2005 with terms of reference in compliance with the provisions set out in the CG Code. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. It comprises three members, including the Company's two Independent Non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Ip Shu Kwan, Stephen and an Executive Director, Mr. Yiu Ka So. Mr. Kwan Kai Cheong is the Chairman of the remuneration committee. The terms of reference of the remuneration committee were revised and approved by the Board in March 2012 to enhance and strength the corporate governance standard.

The remuneration committee meets at least once a year. During the year ended 31 December 2011, the remuneration committee has held 2 meetings to review the existing remuneration packages of each Director and senior management of the Company, and to recommend to the Board the salaries and bonuses of the Directors and senior management and discuss the remuneration package of the newly appointed directors and senior management. The attendance record of individual committee members is set out below:

	Attendance
Members of the remuneration committee	
Mr. Kwan Kai Cheong *(appointed on 1April 2011)*	1/1
Mr. Ip Shu Kwan, Stephen	2/2
Mr. Yiu Ka So	2/2
Mr. Hui Bing Kuen *(resigned on 1 April 2011)*	1/1

Board Committees (Continued)

Nomination Committee

The Nomination Committee was established on 23 March 2012 and comprises three members, namely Mr. Lam Ho Fai , Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony. Mr. Lam Ho Fai is the Chairman of the nomination committee.

The main responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and select, or make recommendations to the Board on the selection of individuals nominated for directorships.

Prior to its establishment, the above responsibility was performed by the board members.

Auditors' Remuneration

During the year ended 31 December 2011, the fees paid/payable to PricewaterhouseCoopers the existing auditors of the Company, in respect of audit is HK$1,450,000 (for the year ended 31 December 2010: HK$944,000).

Directors' Responsibility for the Financial Statements

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

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

Internal Control

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

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF GOLDPOLY NEW ENERGY HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Goldpoly New Energy Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 94, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	840,491	249,078
Cost of sales	8	(689,994)	(139,811)
Gross profit		150,497	109,267
Other income	7	40,879	473
Other (losses)/gains — net	7	(1,133,567)	432
Distribution costs	8	(36,435)	(54,911)
Administrative expenses	8	(99,718)	(59,636)
Operating loss		(1,078,344)	(4,375)
Finance income	10	996	1,641
Finance costs	10	(61,485)	(11,098)
Finance costs — net	10	(60,489)	(9,457)
Loss before income tax		(1,138,833)	(13,832)
Income tax expense	11	(10,035)	(1,257)
Loss for the year attributable to shareholders of the Company		(1,148,868)	(15,089)
Loss per share for loss attributable to shareholders of the Company			
— basic (HK cents)	13	(135.82)	(4.07)
— diluted (HK cents)	13	(45.15)	(0.80)

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(1,148,868)**	(15,089)
Other comprehensive income:		
Exchange differences arising on translation of financial statements of subsidiaries	**49,105**	(23)
Total other comprehensive income/(loss) for the year, net of tax	**49,105**	(23)
Total comprehensive loss for the year attributable to shareholders of the Company	**(1,099,763)**	(15,112)

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Land use rights	14	143,082	134,620
Property, plant and equipment	15	675,570	371,690
Investment properties	16	6,370	13,364
Intangible assets	17	612,788	1,753,554
Investments in associates	18	5,123	—
Rental deposits	20	2,323	7,095
Prepayments for the purchase of plant and equipment	20	67,972	57,371
		1,513,228	2,337,694
Current assets			
Inventories	21	22,272	98,563
Trade receivables, deposits and prepayments	20	281,479	68,762
Pledged bank deposits	22	55,180	41,781
Cash and bank balances	22	162,751	117,208
		521,682	326,314
Total assets		2,034,910	2,664,008
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	23	85,878	73,241
Reserves		744,660	1,675,262
Total equity		830,538	1,748,503

Consolidated Statement of Financial Position (Continued)

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible notes	25	594,059	540,768
Provision for long service payments	26	—	1,913
Deferred tax liabilities	27	31,693	30,593
Deferred government grant	28	84,000	—
		709,752	573,274
Current liabilities			
Trade payables, other payables and accruals	28	342,522	237,835
Amounts due to shareholders	29	5,800	14,300
Bank borrowings	30	136,472	85,757
Tax payable		9,826	4,339
		494,620	342,231
Total liabilities		1,204,372	915,505
Total equity and liabilities		2,034,910	2,664,008
Net current assets/(liabilities)		27,062	(15,917)
Total assets less current liabilities		1,540,290	2,321,777

Lam Ho Fai
Director

Yiu Ka So
Director

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	1,324,154	2,266,232
Current assets			
Prepayments and deposit	20	931	108
Cash and bank balances	22	5,178	13,844
		6,109	13,952
Total assets		1,330,263	2,280,184
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	23	85,878	73,241
Reserves	24	643,313	1,664,403
Total equity		729,191	1,737,644
Liabilities			
Non-current liabilities			
Convertible notes	25	594,059	540,768
Current liabilities			
Other payables and accruals	28	1,713	1,472
Amounts due to shareholders	29	5,300	300
		7,013	1,772
Total liabilities		601,072	542,540
Total equity and liabilities		1,330,263	2,280,184
Net current (liabilities)/assets		(904)	12,180
Total assets less current liabilities		1,323,250	2,278,412

Lam Ho Fai
Director

Yiu Ka So
Director

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible note equity reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2010	24,884	70,453	2,839	—	215	1,238	(62,773)	36,856
Comprehensive income								
Loss for the year	—	—	—	—	—	—	(15,089)	(15,089)
Other comprehensive income								
Exchange differences arising on translation of financial statements of subsidiaries	—	—	—	—	(23)	—	—	(23)
Total comprehensive income/(loss)	—	—	—	—	(23)	—	(15,089)	(15,112)
Transactions with owners								
Issue of convertible notes (Note 25)	—	—	—	1,409,593	—	—	—	1,409,593
Conversion of convertible notes (Note 23(b))	4,202	20,585	—	(2,746)	—	—	—	22,041
Issue of shares under an open offer (Note 23(c))	6,641	25,339	—	—	—	—	—	31,980
Issue of shares related to business combination (Note 23(d))	9,294	115,242	—	—	—	—	—	124,536
Issue of shares through placement (Note 23(e))	28,000	109,150	—	—	—	—	—	137,150
Issue of shares upon exercise of share options (Note 23(f))	220	1,239	—	—	—	—	—	1,459
Share option lapsed	—	—	(2,050)	—	—	—	2,050	—
Total transactions with owners	48,357	271,555	(2,050)	1,406,847	—	—	2,050	1,726,759

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible note equity reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 December 2010 and 1 January 2011	73,241	342,008	789	1,406,847	192	1,238	(75,812)	1,748,503
Comprehensive income								
Loss for the year	—	—	—	—	—	—	(1,148,868)	(1,148,868)
Other comprehensive income								
Exchange differences arising on translation of financial statements of subsidiaries	—	—	—	—	49,105	—	—	49,105
Total comprehensive income/(loss)	—	—	—	—	49,105	—	(1,148,868)	(1,099,763)
Transactions with owners								
Issue of shares through placement (Note 23(e))	12,537	167,432	—	—	—	—	—	179,969
Issue of shares upon exercise of share options (Note 23(f))	100	562	—	—	—	—	—	662
Share based payment (Note 23(g))	—	—	1,167	—	—	—	—	1,167
Share option lapsed	—	—	(378)	—	—	—	378	—
Release of property revaluation reserve upon disposals	—	—	—	—	—	(1,238)	1,238	—
Total transactions with owners	12,637	167,994	789	—	—	(1,238)	1,616	181,798
Balance at 31 December 2011	85,878	510,002	1,578	1,406,847	49,297	—	(1,223,064)	830,538

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	31(a)	171,465	(10,454)
Income tax (paid)/refund		(6,415)	16
Interest paid		(8,194)	(1,305)
Net cash generated from/(used in) operating activities		156,856	(11,743)
Cash flow from investing activities			
Purchase of property, plant and equipment		(314,206)	(17,744)
Acquisition of subsidiaries, net of cash acquired		—	19,777
Acquisition of an associate		(5,123)	—
Prepayment for the purchase of plant and equipment		(10,601)	(54,065)
Proceeds from disposal of property, plant and equipment	31(a)	852	106
Proceeds from disposal of investment property		7,000	—
Interest received		950	170
Net cash used in investing activities		(321,128)	(51,756)
Cash flow from financing activities			
Net proceeds from open offer		—	31,980
Net proceeds from placing of new shares	23(e)	179,969	137,150
Net proceeds from issuance of new shares	23(f)	662	26,247
Repayment of loan to shareholders		(14,000)	(2,000)
Proceeds from loan from a shareholder		5,500	—
Proceeds from other loan		—	(4,500)
Proceeds from new bank borrowings		141,055	34,091
Repayment of bank borrowings		(97,527)	(35,072)
Repayment of finance lease obligation		—	(49)
Increase in pledged bank deposits		(13,399)	(10,111)
Net cash generated from financing activities		202,260	177,736
Net increase in cash and cash equivalents		37,988	114,237
Cash and cash equivalents at beginning of year		117,208	2,994
Effect of foreign exchange rate changes		7,555	(23)
Cash and cash equivalents at end of year	22	162,751	117,208

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 General Information

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

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2012.

2 Summary of Significant Accounting Policies

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

2.1 Basis of presentation

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

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

(a) New standards, revised standards and amendments and interpretations to standards that are effective for the financial year beginning 1 January 2011 and have been adopted by the Group:

- Amendment to HKFRS 1, limited exemption from comparative HKFRS 7, "Disclosures" for first-time adopters. The amendment is to provide first-time adopters with the same transition provisions as included in the March 2009 amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements.

- HKAS 24 (Revised) "Related party disclosures", the amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

  — the name of the government and the nature of their relationship; and

  — the nature and amount of any individually-significant transactions; and

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of presentation (Continued)

(a) (Continued)

— the extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the Hong Kong Institute of Certified Public Accountants. All relevant improvements are effective in the financial year of 2011 and are adopted by the Group.

(b) New standards, revised standards and amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first time adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosure — Transfer of financial assets	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

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

2 Summary of Significant Accounting Policies (Continued)

2.3 Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the income statement.

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

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

2.4 Segment reporting

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

2 Summary of Significant Accounting Policies (Continued)

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

(c) *Group companies*

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

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

(b) income and expense for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the dates of the transactions); and

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

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

2 Summary of Significant Accounting Policies (Continued)

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Buildings	20 years
Leasehold improvements	Over the unexpired periods of the leases or their expected useful lives of 3 years, whichever is shorter
Plant and machinery	5–8 years
Furniture, fixtures and office equipments	5 years
Motor vehicles	4–5 years

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

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

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

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

2 Summary of Significant Accounting Policies (Continued)

2.7 Land use rights

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

2.8 Investment property

Investment property is defined as property (land or a building — or part of a building — or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in other income.

2.9 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

(b) *Unfinished sales contracts*

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

2 Summary of Significant Accounting Policies (Continued)

2.10 Impairment of investments in subsidiaries and non-financial assets

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

2.11 Financial assets — loans and receivables

2.11.1 Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

2.11.2 Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.12 Impairment of financial assets

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

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

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

2 Summary of Significant Accounting Policies (Continued)

2.12 Impairment of financial assets (Continued)

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.15 Cash and cash equivalents

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

2.16 Share capital

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

2.17 Trade payables

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

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

2 Summary of Significant Accounting Policies (Continued)

2.18 Borrowings

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

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

2.19 Compound financial instruments

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

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

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

2.20 Current and deferred income tax

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

(a) Current income tax

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

2 Summary of Significant Accounting Policies (Continued)

2.20 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

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

(c) *Offsetting*

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

2.21 Employee benefits

(a) *Pension obligations*

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

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

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

2 Summary of Significant Accounting Policies (Continued)

2.21 Employee benefits (Continued)

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.22 Share-based payments

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

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

2 Summary of Significant Accounting Policies (Continued)

2.23 Provisions

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

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

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

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods and scrap materials — solar energy related goods*

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

(b) *Sales of goods — retail*

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

(c) *Subcontracting income*

Subcontracting income is recognised when the subcontracting services are rendered.

(d) *Trademark licensing income*

Trademark licensing income is recognised on accrual basis in accordance with the substance of the relevant agreement.

(e) *Rental income*

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

(f) *Royalty income*

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

2 Summary of Significant Accounting Policies (Continued)

2.24 Revenue recognition (Continued)

(g) *Income from forfeiture of customer deposits*

Income from forfeiture of customer deposits is recognised on basis in accordance with the substance of the relevant agreements.

(h) *Interest income*

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

2.25 Leases

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

2.26 Government grants

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

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

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2011, if RMB had strengthened/weakened by 5% (2010: 5%) with all other variables held constant, loss for the year would have been approximately be HK$431,000 higher/lower (2010: HK$420,000 higher/lower) mainly as a result of net foreign exchange losses/gains on translation of deposits in banks, trade receivables, trade payables and bank borrowings.

At 31 December 2011, if US$ had strengthened/weakened by 5% (2010: 5%) with all other variables held constant, loss for the year would have been approximately be HK$51,000 higher/lower (2010: HK$1,220,000 lower/higher) mainly as a result of net foreign exchange losses/gains on translation of deposits in banks, trade receivables, trade payables and bank borrowings.

At 31 December 2011, if Euro had strengthened/weakened by 5% (2010: 5%) against HK$ with all other variables held constant, loss for the year would have been approximately be HK$1,000 lower/higher (2010: HK$1,049,000 higher/lower) mainly as a result of net foreign exchange gains/losses on translation of deposits in banks and trade receivables.

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

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk (Continued)*

(ii) Price risk

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

(iii) Cash flow and interest rate risk

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

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

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

At 31 December 2011, if interest rates on borrowings had been 50 basis points (2010: 50 basis points) higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$570,000 (2010: HK$358,000) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) *Credit risk*

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

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

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

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

Notes to the Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities (Note 30(d)) and cash and bank balances (Note 22) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year HK$'000	Between 1 year to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
At 31 December 2011				
Trade and other payables	259,964	—	—	259,964
Amounts due to shareholders	5,800	—	—	5,800
Bank borrowings	140,004	—	—	140,004
Convertible notes	—	—	850,000	850,000
	405,768	—	850,000	1,255,768
At 31 December 2010				
Trade and other payables	225,063	—	—	225,063
Amounts due to shareholders	14,300	—	—	14,300
Bank borrowings	88,816	—	—	88,816
Convertible notes	—	—	850,000	850,000
	328,179	—	850,000	1,178,179

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Less than 1 year HK$'000	Between 1 year to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
At 31 December 2011				
Trade and other payables	50	—	—	50
Amounts due to shareholders	5,300	—	—	5,300
Convertible notes	—	—	850,000	850,000
	5,350	—	850,000	855,350
At 31 December 2010				
Trade and other payables	130	—	—	130
Amounts due to shareholders	300	—	—	300
Convertible notes	—	—	850,000	850,000
	430	—	850,000	850,430

3.2 Capital risk management

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

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

3.3 Fair value estimation

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

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

4 Critical Accounting Estimates and Assumptions

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

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in Note 2.9.

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

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

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

An impairment charge of HK$1,132,000,000 arose in the solar energy segment, which is a CGU, during the year, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the discount rate used in the fair value less cost to sell calculation for the CGU had been 0.5% higher than management's estimates at 31 December 2011 (for example, 14.5% instead of 14%), the Group would have recognised a further impairment of goodwill by HK$58,664,000.

(b) Impairment of property, plant and equipment

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

4 Critical Accounting Estimates and Assumptions (Continued)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimation at each balance sheet date. As at 31 December 2011, the directors of the Company have identified certain slow-moving inventories and has written back a provision of HK$1,045,000 and inventory written off of HK$225,000. Where the actual cash flows are less than expected, a write down of inventories to estimated net realisable value may arise.

(d) Fair value of investment property

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

(e) Deferred tax assets

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

5 Revenue

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

	2011 HK$'000	2010 HK$'000
Sales of retail fashion	69,530	124,333
Sales of solar energy related products	765,941	117,227
Subcontracting services income	3,020	7,518
Trademark licensing income	2,000	—
	840,491	249,078

6 Segment Information

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

There are two operating segments, namely fashion apparel and solar energy. Other operation includes corporate functions managed by the Group management. The Company is domiciled in Hong Kong. Revenue derived from Hong Kong and other countries is HK$71,530,000 (2010: HK$124,333,000) and HK$768,961,000 (2010: HK$124,745,000) respectively.

As at 31 December 2011, all of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China. As at 31 December 2010, approximately 98% of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China while the remaining 2% are located in Hong Kong.

For the year ended 31 December 2011, there were three customers (2010: three customers) in the "solar energy" segment who in aggregate contributed over 39% (2010: 33%) of the revenue. The revenue contributed by these customers amounted to HK$302,031,000 (2010: HK$40,619,000).

6 Segment Information (Continued)

	For the year ended 31 December 2011			
	Fashion apparel HK$'000	Solar energy HK$'000	Corporate function HK$'000	Total HK$'000
Revenue	71,530	768,961	—	840,491
Gross profit	23,738	126,759	—	150,497
Operating loss	(45,322)	(1,024,068)	(8,954)	(1,078,344)
Finance costs — net	(35)	(7,163)	(53,291)	(60,489)
Income tax expense	(53)	(9,982)	—	(10,035)
Loss attributable to shareholders	(45,410)	(1,041,213)	(62,245)	(1,148,868)
Other information:				
Depreciation and amortisation	(3,563)	(49,509)	—	(53,072)
Impairment charge on goodwill	—	(1,132,000)	—	(1,132,000)
Capital expenditure	(45)	(314,161)	—	(314,206)

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

Notes to the Financial Statements (Continued)

6 Segment Information (Continued)

	As at 31 December 2011			
	Retail fashioning HK$'000	Solar energy HK$'000	Corporate function HK$'000	Total HK$'000
Total assets	11,094	2,015,877	7,939	2,034,910
Total liabilities	(6,224)	(593,759)	(604,389)	(1,204,372)

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

7 Other Income and Other (Losses)/Gains, Net

	2011 HK$'000	2010 HK$'000
Other income		
Sales of scrap materials	1,069	—
Rental income	453	121
Royalty fee income	—	119
Income from forfeiture of customers' deposits	33,001	—
Government subsidies	5,571	—
Others	785	233
	40,879	473
Other (losses)/gains, net		
Fair value gain on investment property	—	400
Exchange (losses)/gains	(1,567)	32
Impairment charge on goodwill	(1,132,000)	—
	(1,133,567)	432

8 Expenses by Nature

	2011 HK$'000	2010 HK$'000
Raw materials used and changes in inventories of finished goods and work in progress	563,661	117,058
(Reversal of)/provision for inventories obsolescence	(1,045)	703
Inventories written off	225	—
Amortisation of land use rights (Note 14)	3,173	494
Amortisation of intangible assets (Note 17)	9,524	1,461
Depreciation of property, plant and equipment (Note 15)	40,375	6,764
Staff costs (including Directors' emoluments) (Note 9 (a))	72,755	52,947
Auditor's remuneration	1,542	944
Loss/(gain) on disposals of property, plant and equipment	845	(29)
Loss on disposals of investment property	500	—
Operating leases rentals in respect of land and buildings		
— Minimum lease payments under operating leases	15,479	31,021
— Contingent rental payments	78	958
Legal and professional fees	4,637	12,711
Rental and building management fee	3,950	—
Utilities	40,738	4,449
Insurance	3,565	113
Transportation	3,445	2,192
Repair and maintenance	1,275	680
Land use tax	2,722	32
Value added tax	4,795	—
Other expenses	53,908	21,860
Total cost of sales, distribution costs and administrative expenses	826,147	254,358

9 Staff Costs (Including Directors' Emoluments)

(a) Employee benefit expenses

	2011 HK$'000	2010 HK$'000
Salaries, wages and bonuses	49,152	48,659
Contributions to retirement contribution plan	10,631	2,829
Severance payments	6,029	—
Reversal of long service payments	(1,913)	(223)
Equity-settled share-based payment expenses	1,167	—
Social security costs	7,689	1,682
	72,755	52,947

9 Staff Costs (Including Directors' Emoluments) (Continued)

(b) Directors' emoluments

The emoluments paid or payable to each of the eleven (2010: twelve) directors were as follows:

	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2011					
Executive director:					
Lin Xiayang	—	200	—	—	200
Wong Pak Lam, Louis (vii)	—	2,025	3	—	2,028
Lam Ho Fai	—	1,040	12	—	1,052
Yiu Ka So	250	780	12	307	1,349
	250	4,045	27	307	4,629
Non-executive director:					
Yao Jiannian	200	—	—	307	507
Chiang Chao-Juei (xi)	124	—	—	—	124
	324	—	—	307	631
Independent non-executive director:					
Ching Kwok Ho, Samuel	120	—	—	—	120
Ip Shu Kwan, Stephen	200	—	—	246	446
Kwan Kai Cheong (viii)	150	—	—	—	150
Hui Bing Kuen (ix)	50	—	—	—	50
Yen Yuen Ho, Tony (x)	147	—	—	—	147
	667	—	—	246	913
Total	1,241	4,045	27	860	6,173

9 Staff Costs (Including Directors' Emoluments) (Continued)

(b) Directors' emoluments (Continued)

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

Note:

(i) Resigned on 17 November 2010
(ii) Resigned on 26 November 2010
(iii) Appointed on 25 October 2010
(iv) Resigned on 30 December 2010
(v) Resigned on 26 November 2010
(vi) Appointed on 30 December 2010
(vii) Resigned on 16 February 2011
(viii) Appointed on 1 April 2011
(ix) Resigned on 1 April 2011
(x) Appointed on 6 April 2011
(xi) Appointed on 19 May 2011

9 Staff Costs (Including Directors' Emoluments) (Continued)

(c) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2010: four) are directors of the Company, whose emoluments are included in the disclosure set out in Note 9(b) above. The emolument of the remaining two (2010: one) highest paid individual is as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	1,647	892
Retirement benefit scheme contributions	7	—
	1,654	892

The emoluments fell within the following bands:

	Number of individuals 2011	 2010
Emolument bands (in HK dollar)		
HK$500,000–HK$1,000,000	2	1
HK$1,000,001–HK$1,500,000	—	—

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year (2010: Nil).

10 Finance Costs, Net

	2011 HK$'000	2010 HK$'000
Finance income:		
Interest income on bank balances and deposits	950	170
Exchange gains on bank borrowings	46	1,471
	996	1,641
Finance costs:		
Interest expense on bank borrowings — wholly repayable within five years	(8,136)	(1,175)
Interest on finance lease	—	(5)
Interest on other loan	(58)	(125)
Imputed interest expense on convertible notes	(53,291)	(9,793)
	(61,485)	(11,098)
Finance costs, net	(60,489)	(9,457)

11 Income Tax Expense

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for the year (2010: Nil).

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

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

	2011 HK$'000	2010 HK$'000
Current income tax		
— Corporate income tax in Mainland China	9,638	1,494
— Under-provision in prior year	1,941	—
Deferred income tax	(1,544)	(237)
	10,035	1,257

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

	2011 HK$'000	2010 HK$'000
Loss before income tax	(1,138,833)	(13,832)
Calculated at a tax rate of 16.5%	(187,906)	(2,282)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	7,648	565
PRC tax concession	(13,015)	(2,725)
Tax effect of expenses not deductible for tax purposes	205,987	3,866
Tax effect of non-taxable items	(8,573)	(142)
Tax effect of temporary differences not recognised	(3,161)	37
Tax effect on unused tax losses not recognised	7,114	2,912
Utilisation of previously unrecognised tax losses	—	(974)
Under-provision in prior year	1,941	—
Income tax charge	10,035	1,257

12 Loss Attributable to Shareholders of the Company

Loss attributable to shareholders of the Company includes a loss of HK$1,190,251,000 (2010: HK$22,913,000) which has been dealt with in the financial statements of the Company.

13 Loss Per Share

(a) Basic

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

	2011	2010
Loss attributable to shareholders of the Company (HK$'000)	1,148,868	15,089
Weighted average number of ordinary shares in issue (thousand shares)	845,875	370,427
Basic loss per share (HK cents)	135,82	4.07

(b) Diluted

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

	2011	2010
Loss attributable to shareholders of the Company (HK$'000)	1,148,868	15,089
Imputed interest expense on convertible notes, net of tax (HK$'000)	(53,291)	(9,793)
Loss used to determine diluted loss per share (HK$'000)	1,095,577	5,296
Weighted average number of ordinary shares in issue (thousand shares)	845,875	370,427
Adjustments for:		
— Assumed conversion of convertible notes (thousand shares)	1,579,926	292,823
— Share options (thousand shares)	741	1,640
	2,426,542	664,890
Diluted loss per share (HK cents)	45.15	0.80

Notes to the Financial Statements (Continued)

14 Land Use Rights

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

	2011 HK$'000	2010 HK$'000
Net book value at 1 January	134,620	—
Acquisition of subsidiaries	—	135,114
Amortisation	(3,173)	(494)
Exchange difference	11,635	—
Net book value at 31 December	143,082	134,620

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

At 31 December 2011, land use rights of HK$143,082,000 (2010: HK$134,620,000) were pledged as security for the Group's bank borrowings (Note 30).

15 Property, Plant and Equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, Fixtures and office equipments HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 1 January 2010							
Cost	—	9,891	3,944	7,582	4,287	—	25,704
Accumulated depreciation	—	(7,916)	(3,866)	(6,307)	(2,977)	—	(21,066)
Net book amount	—	1,975	78	1,275	1,310	—	4,638
Year ended 31 December 2010							
Opening net book amount	—	1,975	78	1,275	1,310	—	4,638
Acquisition of subsidiaries	22,626	—	170,666	2,419	1,072	159,366	356,149
Additions	—	1,481	1,475	1,953	215	12,620	17,744
Transfer	—	—	122,205	255	—	(122,460)	—
Disposals	—	—	(65)	(12)	—	—	(77)
Depreciation	(212)	(1,282)	(3,824)	(806)	(640)	—	(6,764)
Closing net book amount	22,414	2,174	290,535	5,084	1,957	49,526	371,690
At 31 December 2010							
Cost	22,626	11,372	298,225	12,197	5,574	49,526	399,520
Accumulated depreciation	(212)	(9,198)	(7,690)	(7,113)	(3,617)	—	(27,830)
Net book amount	22,414	2,174	290,535	5,084	1,957	49,526	371,690

15 Property, Plant and Equipment (Continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, Fixtures and office equipments HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Year ended 31 December 2011							
Opening net book amount	22,414	2,174	290,535	5,084	1,957	49,526	371,690
Additions	45,865	—	902	268	535	266,636	314,206
Transfer	—	—	4,814	—	—	(4,814)	—
Disposals	—	(568)	(417)	(505)	(207)	—	(1,697)
Depreciation	(1,991)	(1,631)	(33,478)	(2,439)	(836)	—	(40,375)
Exchange difference	1,938	25	25,095	283	124	4,281	31,746
Closing net book amount	68,226	—	287,451	2,691	1,573	315,629	675,570
At 31 December 2011							
Cost	72,964	11,547	328,426	13,484	6,422	315,629	748,472
Accumulated depreciation	(4,738)	(11,547)	(40,975)	(10,793)	(4,849)	—	(72,902)
Net book amount	68,226	—	287,451	2,691	1,573	315,629	675,570

Notes: Depreciation expense of HK$22,285,000 (2010: HK$4,246,000) has been charged in cost of sales, HK$10,044,000 (2010: HK$1,478,000) in distribution costs and HK$8,046,000 (2010: HK$1,040,000) in administrative expenses, respectively.

Notes to the Financial Statements (Continued)

16 Investment Properties

	2011 HK$'000	2010 HK$'000
Carrying value at 1 January	13,364	7,100
Acquisition of subsidiaries	—	5,864
Increase in fair value	—	400
Disposals	(7,500)	—
Exchange difference	506	—
Carrying value at 31 December	6,370	13,364

Note:

(a) The investment property was revalued at 31 December 2011 by Jones Lang LaSalle Sallmanns Limited, an independent and professionally qualified valuer. Valuation is based on current prices in an active market.

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

	2011 HK$'000	2010 HK$'000
— Hong Kong	—	7,500
— Mainland China	6,370	5,864
	6,370	13,364

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

	2011 HK$'000	2010 HK$'000
Rental income	453	121
Direct operating expense arising from investment properties	(19)	(85)

(d) At 31 December 2011, no investment properties (2010: HK$7,500,000) were pledged as security for the Group's bank borrowings (Note 30).

17 Intangible Assets

	Goodwill HK$'000	Unfinished sales contracts HK$'000	Total HK$'000
Year ended 31 December 2010			
Opening net book amount	—	—	—
Acquisition of subsidiaries	1,744,788	10,227	1,755,015
Amortisation charge	—	(1,461)	(1,461)
Closing net book amount	1,744,788	8,766	1,753,554
At 31 December 2010			
Cost	1,744,788	10,227	1,755,015
Accumulated amortisation	—	(1,461)	(1,461)
Net book amount	1,744,788	8,766	1,753,554
Year ended 31 December 2011			
Opening net book amount	**1,744,788**	**8,766**	**1,753,554**
Amortisation charge	**—**	**(9,524)**	**(9,524)**
Impairment charge	**(1,132,000)**	**—**	**(1,132,000)**
Exchange difference	**—**	**758**	**758**
Closing net book amount	**612,788**	**—**	**612,788**
At 31 December 2011			
Cost	**612,788**	**10,227**	**623,015**
Accumulated amortisation	**—**	**(10,227)**	**(10,227)**
Net book amount	**612,788**	**—**	**612,788**

Amortisation of HK$8,766,000 (2010: HK$1,461,000) is included in "administrative expenses".

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

17 Intangible Assets (Continued)

The recoverable amount of a CGU is determined based on its fair value less cost to sell. The calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows beyond the five-year period assuming no growth. Management determined the financial budgets and gross margin based on past performance and its expectations for market development and made reference to industry reports. The discount rate used is 14% (2010: 14%), which is a pre-tax discount rate and reflects specific risk relating to the Group.

The impairment charge arose in solar energy segment following a decision in 2011 of the postponement of the Group's expansion plan of production capacity due to significant decline in global demand of photovoltaic cell and its market selling price. Following this decision, the Group reassessed the recoverable amount of solar energy segment and an impairment charge of HK$1,132 million was made accordingly and it is included in "other (losses)/gains — net".

No other class of asset other than goodwill was impaired.

18 Investments in Associates — Group

	2011 **HK'000**	2010 HK'000
At 1 January	**—**	—
Additions	**5,123**	—
At 31 December	**5,123**	—

The Group's share of the results of its associate, and its aggregated assets and liabilities, are as follows:

Name	**Country of incorporation**	**% interest held**	**Assets** HK$'000	**Liabilities** HK$'000	**Revenue** HK$'000	**Results** HK$'000
GCL Goldpoly (Quanzhou) Photovoltaic Technology Co., Ltd	PRC	5%	5,469	346	—	—

The English name of this associate represents the best effort by the Group's management to translate its Chinese name, as this associate does not have an official English name.

Although the Group holds less than 20% of the equity shares of the associate, the Group exercises significant influence by virtue of its contractual right to appoint one director to the board of directors and has the power to participate in the financial and operating policy decisions of GCL Goldpoly (Quanzhou) Photovoltaic Technology Co., Ltd.

19 Interests in Subsidiaries

	The Company 2011 HK'000	2010 HK'000
Unlisted shares, at cost	**2,194,788**	2,194,788
Amounts due from subsidiaries (Note (b))	**293,617**	154,305
	2,488,405	2,349,093
Less: Impairment losses	**(1,164,251)**	(82,861)
	1,324,154	2,266,232

(a) Particulars of the principal subsidiaries as at 31 December 2011 are as follows:

Name of company	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Proportion of issued share capital/registered capital held by the Company Directly	Indirectly	Principal activities
Gay Giano Holdings Limited	British Virgin Islands	US$1,000	100%	—	Investment holding
Sky Cypress Limited	British Virgin Islands	US$1	100%	—	Investment holding
Fortune Arena Limited	British Virgin Islands	US$1	100%	—	Investment holding
Cour Carré Company Limited	Hong Kong	HK$1,000	—	100%	Distribution of fashion apparel and complementary accessories
Gay Giano Company Limited	Hong Kong	HK$1,000,000	—	100%	Distribution of fashion apparel and complementary accessories
Gay Giano International Limited	Hong Kong	HK$1,000	—	100%	Investment holding and provision of administrative services
Gay Giano Technology Limited	British Virgin Islands	US$1	—	100%	Provision of information technology services

Notes to the Financial Statements (Continued)

19 Interests in Subsidiaries (Continued)

(a) (Continued)

Name of company	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Proportion of issued share capital/registered capital held by the Company Directly	Indirectly	Principal activities
Gay Giano Shanghai Limited	Hong Kong	HK$1	—	100%	Provision of administrative services
Gay Giano China Development Limited	British Virgin Islands	US$100	—	100%	Investment holding
Cour Carré (Asia) Limited	British Virgin Islands	US$1	—	100%	Investment holding
Jolly Wood Limited	British Virgin Islands	US$1	—	100%	Investment holding
City Mark Holdings Limited	British Virgin Islands	US$1	—	100%	Investment holding
Goldpoly International Limited	British Virgin Islands	US$1,000	—	100%	Investment holding
Goldpoly New Energy Technology Company Limited	Hong Kong	HK$200	—	100%	Investment holding
Goldpoly (Hong Kong) Machine & Instrument Company Limited	Hong Kong	HK$100	—	100%	Investment holding
Goldpoly (Quanzhou) Science & Technology Industry Company Limited	PRC	US$69,999,980	—	100%	Manufacturing of electronic components, solar silicon cell and related products
Goldpoly (Quanzhou) Packing Science & Technology Company Limited	PRC	US$7,500,000	—	100%	Inactive
Goldpoly (Quanzhou) Machine Meter Company Limited	PRC	US$6,200,000	—	100%	Inactive

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

19 Interests in Subsidiaries (Continued)

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

20 Trade Receivables, Deposits and Prepayments

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bill receivables	**186,351**	4,411	**—**	—
Prepayment for purchase of plant and equipment	**67,972**	57,371	**—**	—
Rental deposits	**6,307**	8,593	**—**	—
Value-added tax recoverable	**27,969**	16,246	**—**	—
Prepayment for raw materials	**45,925**	33,875	**—**	—
Other deposits and prepayments	**17,250**	12,732	**931**	108
	351,774	133,228	**931**	108
Less: non-current portion	**(70,295)**	(64,466)	**—**	—
Current portion	**281,479**	68,762	**931**	108

Included in the other deposits and prepayments is amount due from companies, which is beneficially owned by a shareholder of the Company, amounted to HK$2,612,000 as at 31 December 2011 (2010: HK$2,668,000).

20 Trade Receivables, Deposits and Prepayments (Continued)

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

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

The ageing analysis of trade debtors is as follows:

	2011 HK$'000	2010 HK$'000
Not yet due	1,808	828
1–30 days	154,655	—
31–60 days	—	3,583
Over 60 days	29,888	—
	186,351	4,411

As at 31 December 2011, trade receivables of HK$184,543,000 (2010: HK$3,583,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
1–30 days	154,655	—
31–60 days	—	3,583
Over 60 days	29,888	—
	184,543	3,583

No provision for impairment of receivables has been made to the consolidated income statement during the year (2010: Nil).

20 Trade Receivables, Deposits and Prepayments (Continued)

The trade receivables are denominated in following currencies:

	2011 HK$'000	2010 HK$'000
RMB	156,463	3,583
US$	29,888	—
HK$	—	828
	186,351	4,411

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

21 Inventories

	2011 HK$'000	2010 HK$'000
Raw materials	8,469	27,463
Work in progress	1,934	14,905
Finished goods	11,869	56,195
	22,272	98,563

The cost of inventories recognised as an expense and included in "cost of sales" amounted to HK$563,661,000 (2010: HK$117,058,000), which included inventory written off of HK$225,000 (2010: Nil).

22 Cash and Bank Balances, Pledged Bank Deposits

	Group		Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Pledged bank deposits	55,180	41,781	—	—
Cash at bank and on hand	162,751	117,208	5,178	13,844
	217,931	158,989	5,178	13,844

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December 2011, the weighted average effective interest rate on pledged bank deposits was approximately 0.5% per annum (2010: 1%). These deposits had an average maturity period of 101 days (2010: 60 days). For the purpose of statement of cash flows, cash and cash equivalents includes cash at bank and on hand of HK$162,751,000 (2010: HK$117,208,000).

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

	Group		Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
HK$	7,842	25,925	5,178	13,844
RMB	191,196	104,685	—	—
US$	18,851	28,174	—	—
Euro	42	205	—	—
	217,931	158,989	5,178	13,844

Pledged bank deposits have been pledged for trade finance facilities made available to the Group by the banks (Note 30).

As at 31 December 2011, the Group's bank balances of HK$210,733,000 (2010: HK$132,180,000) are deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

23 Share Capital

	Company			
	Number of shares		Share capital	
	2011	2010	2011	2010
			HK$'000	HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January	5,000,000,000	1,000,000,000	500,000	100,000
Increase in authorised share capital (Note (a))	–	4,000,000,000	–	400,000
At 31 December	5,000,000,000	5,000,000,000	500,000	500,000
Issued and fully paid:				
At 1 January	732,407,577	248,840,000	73,241	24,884
Issue of shares on exercise of convertible notes (Note (b))	–	42,016,804	–	4,202
Issue of shares under an open offer (Note (c))	–	66,411,680	–	6,641
Issue of shares related to a business combination (Note (d))	–	92,936,803	–	9,294
Issue of shares through placement (Note (e))	125,370,000	280,000,000	12,537	28,000
Issue of shares upon exercise of share options (Note (f))	1,000,000	2,202,290	100	220
At 31 December	858,777,577	732,407,577	85,878	73,241

Notes to the Financial Statements (Continued)

23 Share Capital (Continued)

Notes:

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

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

(c) On 25 June 2010, the Company issued and allotted 66,411,680 shares of HK$0.1 each at a subscription price of HK$0.5 per share in connection with an open offer. The net proceeds of the open offer were approximately HK$31,980,000.

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

(e) On 25 October 2010, of the Company issued 280,000,000 shares through placement with a placing price of HK$0.5 each. The net proceeds from the placement was approximately HK$137,150,000.

On 26 January 2011, of the Company issued 125,370,000 shares through placement with a placing price of HK$1.45 each. The net proceeds from the placement was approximately HK$179,969,000.

(f) During the year, 1,000,000 (2010: 2,202,290) shares were issued upon exercise of share options. Total net proceeds were HK$662,000 (2010: HK$1,459,000). The weighted average exercise price was HK$0.6624 (2010: HK$1.381) per share. The related transaction costs have been deducted from the proceeds received.

(g) Share option

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

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted under the Option Scheme and any other scheme of the Company shall not exceed 30% of the issued share capital of the Company at any point in time.

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

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

23 Share Capital (Continued)

Notes: (Continued)

(g) Share option (Continued)

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

	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2010	Adjustment after the open offer	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2010 and 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011
Directors	21.11.2007	21.11.2007 to 20.11.2017	2.3076	2,407,240	27,564	–	(2,213,458)	221,346	–	–	(221,346)	–
	24.11.2009	24.11.2009 to 23.11.2019	0.6624	4,400,000	50,382	(2,000,000)	–	2,450,382	–	(1,000,000)	–	1,450,382
	6.4.2011	1.6.2011 to 31.5.2014	1.4340	–	–	–	–	–	1,400,000	–	–	1,400,000
	6.4.2011	1.6.2012 to 31.5.2014	1.4340	–	–	–	–	–	1,400,000	–	–	1,400,000
Employees	24.11.2009	24.11.2009 to 23.11.2019	0.6624	200,000	2,290	(202,290)	–	–	–	–	–	–
	6.4.2011	1.6.2011 to 31.5.2014	1.4340	–	–	–	–	–	500,000	–	(500,000)	–
	6.4.2011	1.6.2012 to 31.5.2014	1.4340	–	–	–	–	–	500,000	–	(500,000)	–
Consultants	21.11.2007	21.11.2007 to 20.11.2017	2.3076	1,094,000	–	–	(1,094,000)	–	–	–	–	–
				8,101,240	80,236	(2,202,290)	(3,307,458)	2,671,728	3,800,000	(1,000,000)	(1,221,346)	4,250,382

23 Share Capital (Continued)

Notes: (Continued)

(g) Share option (Continued)

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

The fair values of the share options granted on 21 November 2007, 24 November 2009 and 6 April 2011 were calculated using Trinomial Option Pricing Model, Black-Scholes Model and Trinomial Model respectively. The significant inputs into the models were as follows:

	6 April 2011	**24 November 2009**	**21 November 2007**
Closing share price at the date of grant	HK$1.40	HK$0.670	HK$2.250
Exercise price	HK$1.434	HK$0.670	HK$2.334
Expected volatility (Note)	56.73%	55.37%	81.22%
Option life	3.14 years	10 years	10 years
Risk-free rate	1.22%	1.33%	3.51%
Expected dividend yield	0%	0%	0%
Fair value per share option	HK$0.5622 (exercisable period 1.6.2011 to 31.5.2014) HK$0.5183 (exercisable period 1.6.2011 to 31.5.2014)	HK$0.2865	HK$0.4345

Note:

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

24 Reserves of the Company

	Share premium HK$'000	Share options reserve HK$'000	Convertible note equity reserve HK$'000	Contributed surplus (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2010	70,453	2,839	—	32,051	(96,429)	8,914
Total comprehensive income						
Loss for the year	—	—	—	—	(22,913)	(22,913)
Transactions with owners						
Issue of convertible notes (Note 25)	—	—	1,409,593	—	—	1,409,593
Conversion of convertible notes (Note 23(b))	20,585	—	(2,746)	—	—	17,839
Issue of shares under an open offer (Note 23(c))	25,339	—	—	—	—	25,339
Issue of shares related to business combination (Note 23(d))	115,242	—	—	—	—	115,242
Issue of shares through placement (Note 23(e))	109,150	—	—	—	—	109,150
Issue of shares upon exercise of share options (Note 23(f))	1,239	—	—	—	—	1,239
Share option lapsed	—	(2,050)	—	—	2,050	—
Total transactions with owners	271,555	(2,050)	1,406,847	—	2,050	1,678,402
Balance at 31 December 2010 and 1 January 2011	342,008	789	1,406,847	32,051	(117,292)	1,664,403
Total comprehensive income						
Loss for the year	—	—	—	—	(1,190,251)	(1,190,251)
Transactions with owners						
Issue of shares through placement (Note 23(e))	167,432	—	—	—	—	167,432
Issue of shares upon exercise of share options (Note 23(f))	562	—	—	—	—	562
Share based payment (Note 23(g))	—	1,167	—	—	—	1,167
Share option lapsed	—	(378)	—	—	378	—
Total transactions with owners	167,994	789	—	—	378	169,161
Balance at 31 December 2011	510,002	1,578	1,406,847	32,051	(1,307,165)	643,313

24 Reserves of the Company (Continued)

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

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

25 Convertible Notes

	Convertible note issued on 22 April 2010 (Note (b)) HK$'000	**Convertible note issued on 9 June 2010** (Note (b)) HK$'000	**Convertible note issued on 20 October 2010** (Note (b)) HK$'000	**Convertible note issued on 25 October 2010** (Note (c)) HK$'000	**Total** HK$'000
Fair value of convertible note at issuance	10,000	7,000	8,000	1,938,002	1,963,002
Equity component	(1,396)	(883)	(467)	(1,406,847)	(1,409,593)
Transaction cost	(343)	—	—	—	(343)
Liability component on initial recognition	8,261	6,117	7,533	531,155	553,066
Interest expense	22	79	29	9,613	9,743
Conversion	(8,283)	(6,196)	(7,562)	—	(22,041)
Liability component at 31 December 2010 and 1 January 2011	—	—	—	540,768	540,768
Interest expense	—	—	—	53,291	53,291
Liability component at 31 December 2011	—	—	—	594,059	594,059
Effective interest at 31 December 2011	—	—	—	9.86%	
Effective interest at 31 December 2010	15.26%	13.03%	9.19%	9.86%	

25 Convertible Notes (Continued)

Notes:

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

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

During the year ended 31 December 2010, all convertible notes, which have an aggregated principal amount of HK$25,000,000, had been fully exercised.

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

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

26 Provision for Long Service Payments

	2011 HK$'000	2010 HK$'000
At 1 January	1,913	2,136
Reversal of provision	(1,913)	(223)
At 31 December	—	1,913

27 Deferred Taxation

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

	2011 HK$'000	2010 HK$'000
At 1 January	**30,593**	—
Acquisition of subsidiaries	**—**	30,830
Credited to income statement	**(1,544)**	(237)
Exchange difference	**2,644**	—
At 31 December	**31,693**	30,593

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

	Accelerated tax depreciation HK$'000	**Fair value gains** HK$'000	**Total** HK$'000
At 1 January 2010	91	—	91
Acquisition of subsidiaries	—	30,830	30,830
Credited to income statement	—	(237)	(237)
At 31 December 2010 and 1 January 2011	91	30,593	30,684
Credited to income statement	—	(1,544)	(1,544)
Exchange difference	—	2,644	2,644
At 31 December 2011	91	31,693	31,784

	2011 HK'000	2010 HK'000
Deferred tax liability to be recovered after more than 12 months	**31,340**	29,263
Deferred tax liability to be recovered within 12 months	**444**	1,421
	31,784	30,684

27 Deferred Taxation (Continued)

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

	HK$'000
At 1 January 2010 and 31 December 2010	91
Credited to income statement	—
At 1 January 2011	91
Credited to income statement	—
At 31 December 2011	91

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

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised deferred tax assets of HK$22,407,000 (2010: HK$15,293,000) in respect of tax losses of HK$135,800,000 (2010: HK$92,685,000).

28 Trade Payable, Other Payables and Accruals

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bill payables	**259,914**	97,670	**—**	—
Customers' deposits	**42,595**	60,127	**—**	—
Other payables and accruals	**40,013**	80,038	**1,713**	1,472
Deferred government grant	**84,000**	—	**—**	—
	426,522	237,835	**1,713**	1,472
Less: non-current portion	**(84,000)**	—	**—**	—
Current Portion	**342,522**	237,835	**1,713**	1,472

28 Trade Payable, Other Payables and Accruals (Continued)

The carrying amounts of payables approximate their fair values. The average credit period from the Group's trade creditors is of 30 to 90 days (2010: 30 to 60 days). The ageing analysis of trade payable is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Not yet due	230,430	78,979
1–30 days	11,301	6,429
31–60 days	9,963	1,705
61–90 days	8,220	10,557
	259,914	97,670

The trade and bill payables are denominated in following currencies:

	2011 HK$'000	2010 HK$'000
RMB	249,825	83,935
US$	10,073	3,635
Euro	16	9,067
HK$	—	1,033
	259,914	97,670

Included in the other payables and accruals are amounts due to companies, which are beneficially owned by a shareholder of the Company, amounted to HK$16,050,000 as at 31 December 2011 (2010: HK$58,864,000).

29 Amounts Due to Shareholders

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Amounts due to shareholders	5,800	14,300	5,300	300

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

30 Bank Borrowings

	2011 HK'000	2010 HK'000
Trust receipt loans	–	2,594
Short-term bank loans	136,472	83,163
	136,472	85,757

Notes:

(a) As at 31 December 2011, bank borrowings are secured by the following:

(i) land use rights with net book amount of HK$143,082,000 (2010: HK$134,620,000) (Note 14);

(ii) pledged bank deposits of HK$55,180,000 (2010: HK$41,781,000) (Note 22); and

(iii) legal charges over land use rights owned by a shareholder of the Company.

As at 31 December 2010, bank borrowings were also secured by an investment property situated in Hong Kong with carrying value of HK$7,500,000 (Note 16).

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

	2011	2010
Trust receipt loans	–	2.26%
Short-term bank loans	6.82%	3.66%

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

	2011 HK'000	2010 HK'000
RMB	107,408	72,305
US$	29,064	138
Euro	–	12,124
HK$	–	1,190
	136,472	85,757

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

(d) As at 31 December 2011, the Group had aggregate banking facilities of approximately HK$901,234,000 (2010: HK$349,148,000) for trade financing, loans and import bills. Unused facilities as at the same date amounted to approximately HK$202,194,000 (2010: HK$225,438,000).

Notes to the Financial Statements (Continued)

31 Consolidated Statement of Cash Flows

(a) Cash generated from/(used in) operations

	2011 HK$'000	2010 HK$'000
Operating activities:		
Loss before income tax expense	(1,138,833)	(13,832)
Adjustments for:		
Inventories written off	225	—
(Reversal of)/provision for inventories obsolescence	(1,045)	703
Amortisation of land use rights	3,173	494
Amortisation of intangible assets	9,524	1,461
Deprecation of property, plant and equipment	40,375	6,764
Loss/(gain) on disposal of property, plant and equipment	845	(29)
Loss on disposals on investment property	500	—
Fair value gain on investment properties	—	(400)
Impairment charge on goodwill	1,132,000	—
Reversal of long service payments	(1,913)	(223)
Equity settled share-based payment expenses	1,167	—
Interest income	(996)	(170)
Interest expense	61,485	11,098
Operating profit before working capital changes	106,507	5,866
Changes in working capital (excluding the effects of acquisition)		
Inventories	77,111	(42,765)
Trade receivables, deposits and prepayments	(200,840)	(7)
Other loan receivable	—	28,200
Trade payables, other payables and accruals	104,687	(1,748)
Deferred government grant	84,000	—
Cash generated from/(used in) operations	171,465	(10,454)

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

	2011 HK$'000	2010 HK$'000
Net book amount (Note 15)	1,697	77
(Loss)/gain on disposal of property, plant and equipment	(845)	29
Proceeds from disposal of property, plant and equipment	852	106

31 Consolidated Statement of Cash Flows (Continued)

(b) Non-cash transactions

In 2010, the principal non-cash transactions are the issue of shares and convertible notes as part of the consideration for the acquisition of Solar Energy business as discussed in Note 32.

32 Business Combinations

On 25 October 2010, the Group acquired the entire equity interests of Jolly Wood Limited and City Mark Holdings Limited, which are investment holding companies and jointly hold 100% equity interest in Goldpoly International Limited ("Goldpoly"). The principal activities of Goldpoly are manufacturing, sale and provision of subcontracting services of solar energy related products (the "Solar Energy business").

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

	HK$'000
Consideration:	
Cash	100,000
Issuance of 92,936,803 shares	124,535
Convertible notes	1,938,002
Total consideration	2,162,537
Total identifiable net assets	417,749
Goodwill	1,744,788

33 Commitments

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

	2011 HK$'000	2010 HK$'000
Contracted but not provided for		
— Property, plant and equipment	216,159	233,168
— Land use rights	11,093	10,211
	227,252	243,379

(b) Commitments under operating leases

At 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases for leasehold land and property, plant and equipment as follows:

	2011 HK$'000	2010 HK$'000
Within one year	13,083	26,069
After one year but within five years	2,827	17,814
	15,910	43,883

33 Commitments (Continued)

(c) Future operating lease receivables

At 31 December 2011, the Group had future aggregate lease receivables under non-cancellable operating leases for investment property as follows:

	2011 HK$'000	2010 HK$'000
Within one year	446	373
After one year but within five years	751	—
	1,197	373

34 Related Party Transactions

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the year and balances arising from related transactions at 31 December 2011 and 2010 are as follows:

(a) Key management compensation

	2011 HK$'000	2010 HK$'000
Salaries and other short-term employee benefits	6,373	7,585