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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3800)

Annual Report 2012

Company Profile

GCL-Poly Energy Holdings Limited is the world's leading polysilicon producer, the largest wafer supplier globally and a leading green energy enterprise in China. The product quality of the Group's polysilicon has reached electronic grade level since 2010, and the Group has ramped up the production capacity to 65,000 MT since the end of 2011. The Group's wafer production capacity achieved 8 GW at the end of December 2011. For the power business, the Group owns and invests in a total of 18 cogeneration power plants, two incineration power plants, one wind power plant and one rooftop solar project. Most of these plants are located in Jiangsu and Zhejiang provinces in China with strong economic growth and robust demand for electricity and steam. Regarding the solar farm business, in addition to the 17 MW solar projects in operation in the U.S., the Group owns a 20 MW solar farm in Xuzhou, Jiangsu province, and a 10 MW solar farm in Sangri County, the Tibet Autonomous Region.

Contents

Five-Year Financial Summary

	For the year ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)			
Revenue	3,947,539	4,943,622	18,471,924	25,505,564	**22,348,026**
(Loss) profit before taxation	2,586,447	(56,897)	5,547,369	5,839,132	**(3,261,408)**
Income tax expense	(160,089)	(93,236)	(1,159,320)	(1,269,174)	**(123,876)**
(Loss) profit for the year	2,426,358	(150,133)	4,388,049	4,569,958	**(3,385,284)**
(Loss) profit for the year attributable to:					
Owners of the Company	2,155,528	(199,736)	4,023,577	4,274,893	**(3,515,515)**
Non-controlling interests	270,830	49,603	364,472	295,065	**130,231**
	2,426,358	(150,133)	4,388,049	4,569,958	**(3,385,284)**

	At 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)			
Total assets	10,125,910	26,178,807	40,580,865	67,488,237	**67,818,426**
Total liabilities	11,083,781	13,960,562	23,201,579	45,354,105	**50,047,966**
	(957,871)	12,218,245	17,379,286	22,134,132	**17,770,460**
Equity attributable to owner of the Company	(957,871)	11,615,250	16,152,202	20,567,110	**16,210,027**
Non-controlling interests	—	602,995	1,227,084	1,567,022	**1,560,433**
	(957,871)	12,218,245	17,379,286	22,134,132	**17,770,460**

Performance Highlights

	2012 HK$'000	2011 HK$'000	Change	% of change
Revenue				
Sales of wafer	**10,918,717**	18,702,567	(7,783,850)	–41.6%
Sales of project assets	**2,580,569**	—	2,580,569	N/A
Sales of polysilicon	**2,025,100**	1,049,267	975,833	93.0%
Sales of electricity	**3,501,462**	3,003,847	497,615	16.6%
Sales of steam	**1,887,558**	1,690,072	197,486	11.7%
Sales of coal	**489,657**	334,158	155,499	46.5%
Others	**944,963**	725,653	219,310	30.2%
	22,348,026	25,505,564	(3,157,538)	–12.4%
(Loss) profit for the year attributable to owners of the Company	**(3,515,515)**	4,274,893	(7,790,408)	–182.2%

	2012 HK cents	2011 HK cents	Change	% of change
(Loss) earnings per share				
— Basic	**(22.71)**	27.62	(50.33)	–182.2%
— Diluted	**(22.71)**	27.58	(50.29)	–182.3%

	2012 HK$ million	2011 HK$ million	Change	% of change
EBITDA*	**3,061**	8,964	(5,903)	–65.9%

* The impairment losses on property, plant and equipment and goodwill were excluded in the calculation of EBITDA (Earnings before interest, taxes, depreciation and amortization).

	2012 HK$'000	2011 HK$'000	Change	% of change
Extracts of consolidated statement of financial position				
Equity attributable to owners of the Company	**16,210,027**	20,567,110	(4,357,083)	–21.2%
Total assets	**67,818,426**	67,488,237	330,189	0.5%
Bank balances, cash, pledged bank deposits and restricted bank deposits	**9,716,165**	11,238,598	(1,522,433)	–13.5%
Indebtedness	**36,911,031**	32,815,390	4,095,641	12.5%
Key financial ratios				
Current ratio	**0.73**	1.03	(0.30)	–29.1%
Quick ratio	**0.62**	0.86	(0.24)	–27.9%
Net debt to equity	**167.8%**	104.9%	0.63	60.1%


bring GREEN
power to life


Tk1403C


GCL
GCL
k 1407A
TK 1

Major Events 2012

MAR

- In March 2012, GCL-Poly successfully developed high efficiency multicrystalline wafer "GCL Multi-Wafer S1+" with average conversion efficiency reached 17.6%, representing an increase of 0.5-0.7% when compared with the current benchmark.

- In March 2012, the 600 MW project of GCL-CSI (Suzhou) Photovoltaic Technology Co. Ltd. commenced production.

- In March 2013, the Northern Gas Turbine Co-generation Project in Suzhou Industrial Park, which are jointly invested by GCL-Poly and CNPC Kunlun Natural Gas, commenced construction. The project is a key project under the "Twelfth Five Year Plan" of Jiangsu province.

MAY

- In May 2012 , GCL-Poly introduced a series of innovative technology products in the SNEC 6th (2012) PV POWER EXPO, and demonstrated the leading role of GCL-Poly in the research and development of new products to the industry players and interested parties from other industries.

JUN

- In June 2012, GCL-Poly won the "2012 the Best Brand Image Enterprise Award" from the organization committee of 2012 China Financial Summit by virtue of its brand influence, contribution to low-carbon business and its leading role in the new energy industry.

JUL

- In July 2012, an essay titled "Application of simulation technology on reducing energy consumption of silicon ingot furnace (模擬技術在降低硅鑄錠爐能耗方面的應用)" jointly written by Dr. Chen Li-guo from GCL Solar R&D Center in the United States and Dr. Dai Bing from the photovoltaic CTO of GCL-Poly was published on "Journal of Crystal Growth" ISSN :0022-0248, the most authoritative academic journal for crystal growth in the world.
- In July 2012, Chiang Pin-kung, the first vice-chairman of the Kuomintang and chairman of Straits Exchange Foundation, as the leader, led Taiwan Business Leaders Delegation to visit Jiangsu Zhongneng.

AUG

- In August 2012, the National Energy Administration approved GCL-Poly to commence the preparatory work for the construction of a 310 MW ground-mounted solar farm and a 30 MW rooftop solar project in Datong city, Shanxi province.

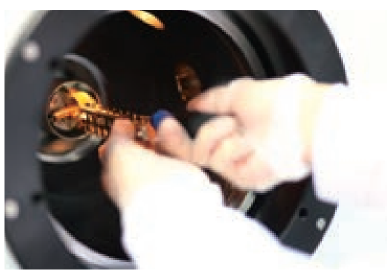
SEP

- In September 2012, Jiangsu Zhongneng successfully tuned and tested the pilot unit and successfully produced up-to-standard silane gas. The commencement of production of this unit fills the gap of silane gas technology in China and marked a milestone on the production of polysilicon with silane fluidised bed.

OCT

- In October 2012, a launching ceremony of “GCL Multi-Wafer S2” for GCL-Poly’s high efficiency multicrystalline wafer was successfully held in Taiwan World Trade Exhibition Hall. The efficiency of “GCL Multi-Wafer S2” was 0.4% higher than that of “GCL Multi-Wafer S1”.

- In October 2012, the application of Jiangsu Zhongneng for the establishment of the “National-Local Engineering Research Center for Advanced Silicon Material Production Technology (先進硅材料製備技術國家地方聯合工程研究中心)” was approved and named by the National Development and Reform Commission. It is GCL-Poly’s first approved state-level engineering research center successfully.



NOV

- In November 2012, GCL-Poly was honored as one of the “Top 100 Listed Companies in Hong Kong” by QQ.com and Hong Kong Finet Group.

- In November 2012, Mr. Zhu Gongshan, Chairman of the Board of GCL-Poly, was awarded “The Most Influential Leader Award” in the second “Golden Bauhinia Award” for Chinese securities. Ms. Sun Wei, Executive Director, attended the ceremony and received the award on his behalf.

DEC

- In December 2012 , Mr. Ma Kai, a member of the Political Bureau of the CPC Central Committee, State Councilor and Secretary-General of the State Council visited Jiangsu Zhongneng. It fully reflected the unprecedented attention and support from the Central Committee and the State Council to domestic PV industry.

Chairman's Statement

On behalf of the Board of Directors, I hereby report that GCL-Poly achieved the following operating results for the year of 2012. For the year ended 31 December 2012, GCL-Poly recorded a total revenue of approximately HK$22.35 billion, representing a 12.4% decrease as compared with that in 2011. Gross profit was approximately HK$1.75 billion, a 79.3% decrease as compared with that for the same period in 2011. Losses attributable to owners of the Company amounted to approximately HK$3.5 billion. Basic losses per share amounted to approximately HK22.71 cents. Due to the factors such as cyclical oversupply of the industry, the European debt crisis, changes in the European subsidy policy and the dumping of imported polysilicon into China, the Company's performance was affected and market prices of polysilicon and wafer continued to decline in 2012. The polysilicon and wafers selling prices fell by 56.4% and 53.7% respectively as compared with those for the same period in 2011. Although our production costs of polysilicon and wafer lowered by 5.6% and 41.7% respectively as compared with those for the same period in 2011 and our production costs continued to lead the industry, our business performance was still heavily affected by the significant decline in market prices. With stringent cost control, expenses and asset flow management, we recorded HK$2.3 billion operating cash flow and achieved an EBITDA of HK$3 billion.

Despite the fact that PV industry has faced various challenges, we still saw a remarkable progress in terms of policies and technologies in 2012 and a number of favorable forecasts have been realized such as the increasing diversification of the global PV market and the rapid rise of emerging markets. As such, the expected 2012 installed capacity should range between 31 to 32 GW. In the Southeast Asian emerging markets, the performance of the PV market in Japan was also outstanding. The installed capacity of the PV market in Japan reached 2.5 GW, representing a significant growth as compared with that in last year. The "Twelfth Five-Year Plan of Solar Power Generation Development" (《太陽能發電發展「十二五」規劃》) promulgated in July 2012 further increased the installed capacity targets to 21 GW and 50 GW by 2015 and 2020 respectively, doubling the original targets. On 26 October 2012, the "Opinions for the Distributed Photovoltaic Power Generation and Grid Connection Services" (做好分布式光伏發電併網服務的工作意見) was issued by China's State Grid to support distributed solar power generation. In February 2013, State Grid in Beijing has further confirmed the grid-connection for qualified solar power generation, as well as natural gas, biomass, wind power, geothermal, tidal power and other integrated resources applications. On 19 December 2012, Wen Jiabao, Premier of the State Council of the PRC, chaired a standing meeting of the State Council to study the current situation of the PV industry and issue five policy measures to promote the healthy growth of it. The above information indicates that the Chinese government is determined to expand the application of solar power and to increase the domestic demand. The PV installed capacity in China in 2012 reached 4 GW or above, increased more than half of the installation in the previous year. It is expected that the PV installed capacity in China would reach as much as 10 GW in 2013.

A World Leader in Silicon Materials in terms of Technology, Cost and Quality

As one of the most influential and competitive silicon materials manufacturers and suppliers in the world, GCL-Poly continues to maintain its market leadership and competitive advantages in polysilicon and wafer business. As a global leading company with a focus in technology, technological innovations continue to fuel the growth of GCL-Poly beyond its industry peers. We continue to expand our R&D team both in China and overseas, to enhance "GCL production method" through the application of the large-scale reduction furnaces and the improvement of systems and environmentally-friendly operations reaching world leading standards in various indices, as well as creating "Green GDP" and achieve harmony and benefits among shareholders, management and the society.

Regarding the research and development and the application of new technologies, we achieved a substantial progress in our "GCL production method" using silane-based technology. We successfully produced silane gas products with electronic grade quality in September 2012 and in January 2013 we successfully produced quality granular silicon with silane method and our production lines have met the advanced standards of the world, if not leading the industry peers. This reinforced GCL-Poly's leading position in manufacturing polysilicon material in the world, on the basis of further enhancement without increasing capacity.

Chairman's Statement

We are optimistic that GCL-Poly will achieve further breakthroughs in both production technology, manufacturing cost and product quality and product mix of polysilicon in the next one to two years. GCL-Poly will also continue to maintain its leading position in the high-end polysilicon materials market.

Meanwhile, in the ingot and wafer area, GCL-Poly has continuously developed new products that are popular among our customers: In March 2012, we launched our high-efficiency product "GCL Multi-Wafer S1+ (鑫多晶 S1+)"; in October 2012, we again launched our high-efficiency product "GCL Multi-Wafer S2 (鑫多晶 S2)" which notably increased the conversion efficiency of PV cells. In the future, GCL-Poly will launch more new wafer products as planned, with a view to enhancing the price-performance and value-adding nature of the products to our customers. We will continue to upgrade our manufacturing equipment and to enhance our process technology, as well as achieving breakthroughs in the usage of heat-shielding, diamond wire sawing and online recycling in our manufacturing business.

To tackle the temporary challenges of the industry, management will put stronger emphasis on cost control. The management took the initiatives to cut salary by 30–50% with respect to their performance, as well as to streamline and enhance the current company business management structure to achieve full expense control.

Outstanding Results of Overseas Solar Power Plants Business

The solar power investment team of GCL-Poly achieved good results in 2012. On 25 July 2012, GCL Solar Energy. Inc, a wholly-owned subsidiary of the Company, closed the sale of a 92 MW solar power plant project in the United States to Consolidated Edison Development, Inc., a power company located on the East Coast of the United States, with total revenue of US$286 million and expected profit before tax of US$16 million. On 15 November 2012, the Company successfully sold two solar power plant projects in the United States with a total capacity of 48 MW and recorded total revenues of US$46 million. These two disposals demonstrated our execution capability in the development, construction and financing for large scale solar farms.

In China, GCL-Poly signed a cooperation framework agreement with China Merchants New Energy in 2012 to develop solar farm projects, pursuant to which both parties will jointly develop solar farms with an installed capacity of approximately 1 GW within the next three years. As at the end of August 2012, the Company obtained the approval from the National Energy Administration for the construction of a 310 MW ground solar power plant and a 30 MW rooftop solar power plant in Datong City, Shanxi Province and the preliminary works have been commenced. Upon completion, this project will become the largest solar farm in China and one of the largest standalone solar farms in the world. At the same time, the Company has established successful cooperation with several well-known international banks and financial institutions such as Wells Fargo, Bank of America Merrill Lynch, Standard Chartered Bank and China Development Bank. All of them will provide strong financing support to GCL-Poly on its solar farm projects, which lays a solid foundation for GCL-Poly to expand its investment in solar farms in the United States and the other oversea regions.

For system integration, on 10 December 2012, the Company announced that it would arrange the solar module procurement for two 75 MW solar power plant projects which are currently the largest in South Africa. All the solar modules used in these projects are made from GCL-Poly's quality wafers. The Company signed the 20-year power purchase agreements for both projects with Eskom, a power company in South Africa. This transaction not only expanded sales channels for our wafers, but also proved our capability in providing solar system integration solutions for the international market. To strengthen our leadership in the solar industry, we continue to implement our dual-core strategy in both the upstream and downstream businesses. In the upstream market, we manufacture high quality polysilicon and wafers; while at downstream, we develop solar power plants and provide system integration services.

Chairman's Statement

Stable Power Business Development Outperforms Peers

In 2012, the power business continued to record stable development. The Company has continued to maximize the efficiencies of existing resources by means of centralized management, cost cutting measures and exploring new opportunities to ensure the sound and stable development of its power and steam businesses. As at the end of 2012, the Company sold 5,370,397 MWh of electricity, with a year-on-year increase of 12.0%, and 8,501,198 tonnes of steam, with a year-on-year rise of 12.4%. While ensuring stable growth of the business, the Company also adopted various measures including coal purchasing cost controls, bulk purchasing of resources, expansion of steam supply, and vigorous efforts in steam-price adjustment. The financial results for the electricity business in 2012 showed our clear advantage when compared with the industry peers.

While devoting all our effort to the solar business development, we will ensure our environmentally friendly power business development remain healthy and stable. On one hand, we will adopt proactive measures to cope with fluctuations in fuel prices and ensure effective development of the power business. On the other hand, we will further optimize our business mix in accordance with carbon neutral principles by increasing our investments in clean and renewable energy, and raising the proportion of power plants biomass and gas power generation.

Social Responsibilities and Honors

As a global leading enterprise that has long been engaged in the development of renewable energy, GCL-Poly is well aware of its responsibilities to environmental protection and social contribution. While ensuring our manufacturing activities to be in compliance with national environmental standards, we also actively participated in various public welfare activities and gained positive feedbacks from the society. On 22 February 2012, GCL-Poly Energy Holdings Limited was honored as the "Model Charity Unit in Suzhou" (蘇州慈善標兵單位) by the Municipal Government of Suzhou. In March 2012, our Company was recognized as "China's Creditability Enterprises", was the only power company received such accolade. In June 2012, GCL Poly was awarded "2012 Best Brand Image Enterprise" during the China's Financial Summit; In November 2012, the Company was chosen to be the "Top 100" Listed Companies in Hong Kong. During the same month, the Company Chairman also received the 2nd Golden Bauhinia "Most Influential Leader Award". In 2013, we will continue to use our best effort to actively serve the society by creating jobs, making charitable donations and taking an active role in public welfare.

Outlook

As a result of technological innovation, economy of scale of polysilicon production, as well as solar cell technology improvements in China, lower costs of solar power generation is achieved, thus providing a favorable position for China to develop domestic PV market in a meaningful scale. China is set to become one of the world's largest country for renewable energy consumption.

Chairman's Statement

At the same time, in the face of increasing global environmental issues and the depletion of fossil-based energy resources, various governments also put focus on the development and usage of new energy, such as photovoltaic solar energy and other clean energies, have become the future energy strategy development focus. The negative impact to the solar industry development resulted from the current international trade protection and barriers, as well as the existing supply and demand imbalance, is only a temporary phenomenon. With the rapid rise of emerging markets such as Japan, Latin America, South Africa, ASEAN countries and the Middle East, we have full confidence in the future prospects of the solar industry.

With reduction in production costs along the entire PV value chain, higher product conversion efficiency rates and the growth of emerging markets, we believe that there will be substantial growth of demand in the PV industry. In the first quarter of 2013, the market price of polysilicon increased from the lowest of US$15 per kilogram to US$18 per kilogram. The prices of wafers, cells and modules for the downstream industry steadily increase. As market demand slowly grows, the capacity utilization in the various segments of the industry has increased, as compared to the fourth quarter of the previous year.

This year, we will continue to increase our emphasis on technological enhancements this year, such that we could lower our polysilicon and wafer manufacturing cost to improve our profitability and cash flow. Meanwhile, we are making great progress with modifying our power sources for polysilicon manufacturing projects in Xuzhou. The final confirmation of power sources for polysilicon manufacturing projects will eventually bring positive impacts to our profitability and polysilicon manufacturing cost structure significantly, and further expand our global cost leadership in polysilicon manufacturing. In order to improve the company fundamentals of long-term investments, we will also actively seek the use of low-cost long-term financing products to strengthen our capital structure and solidify our operations.

Finally, I would like to express my heartfelt gratitude to our Directors, management team and all the staff members of GCL-Poly for their efforts and hard work over the past year. I also wish to extend my gratitude to our shareholders and business partners for their continuing support.

Zhu Gongshan
Chairman

Hong Kong, 14 March 2013

Biographical Details of Directors & Senior Management

Executive Directors:

Mr. ZHU Gongshan (朱共山), aged 55, has been an Executive Director of the Company since July 2006 and is the Chairman, Chief Executive Officer and a member of the Strategic Planning Committee of the Company. Mr. Zhu, the founder of the Group, and his family (including his son, Mr. Zhu Yufeng, who is also a Director of the Company) are the beneficiaries of a discretionary trust which owns about 32.43% issued share capital of the Company at 31 December 2012. He is currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference, the Deputy Chairman of China Fortune Foundation Limited, the Co-Chairman of China Photovoltaic Industry Alliance, the Vice Chairman of the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering (中國電機工程學會熱電專業委員會), the Vice Chairman of China Overseas Chinese Entrepreneurs Association, the Vice Chairman of China Industrial Overseas Development & Planning Association, the Honorable Chairman of the 4th Board of Directors of Nanjing University, the Honorary President of Hong Kong Baptist University Foundation, the Vice Chairman of Jiangsu Chinese Overseas Friendship Association, the Vice Director-general of Jiangsu Foundation for the Wellbeing of the Youth, the Honorable Chairman of Jiangsu Residents Association in Hong Kong, the Honorable Chairman of Jiangsu Yancheng Residents Association in Hong Kong, the Chairman of Hong Kong Yancheng Chamber of Commerce Limited, the Honorable Chairman of Jiangsu Chamber of Commerce in Guangdong, the Honorable Chairman of Xuzhou Chamber of Commerce in Shenzhen, the Vice President of Chinese Renewable Energy Industries Association, a member of Chinese Entrepreneur Club on Renewable Energy, the Vice Director of The Prince's Charities Foundation, a member of American Council on Renewable Energy and the Honorable Chairman of Africa Food Fund. Mr. Zhu has been awarded an Honorable Citizen of Texas of United States, an Honorable Citizen of Taicang, Jiangsu Province of the PRC, an Honorable Citizen of Xuzhou, Jiangsu Province of the PRC, an Honorable Citizen of Xilinheote, Inner Mongolia of the PRC and in 2012, awarded the Golden Bauhinia — Most Influential Leader Award. Mr. Zhu majored in electrical automation and holds a degree of Doctor of Philosophy in Business Administration.

Mr. SHU Hua (舒樺), aged 50, has been an Executive Director of the Company since October 2007. Mr. Shu was appointed as the Executive President of the Company in May 2010 and he is responsible the overall operation and management of the polysilicon and wafer businesses of the Company. He has over 15 years of experience in the energy industry. Mr. Shu has obtained a Master's degree in Business Administration for Senior Management from the Tongji University in the PRC.

Mr. JI Jun (姬軍), aged 65, has been an Executive Director of the Company since November 2006. He is also a member of the Strategic Planning Committee of the Company. Mr. Ji focuses on strategic planning and business development of the Group. He has extensive experience in the power industry and has experience in handling corporate finance projects.

Mr. YU Baodong (于寶東), aged 49, has been an Executive Director of the Company since November 2006. He is a member of the Connected Transaction Committee and Corporate Governance Committee of the Company. Mr. Yu is responsible for the overall development strategy and project implementation for the Group. He has over 15 years of experience in project investment and corporate management. Mr. Yu holds a Doctorate degree in Economics from the Wuhan University in the PRC. Mr. Yu is also the Chairman and a non-executive director of Asia Energy Logistics Group Limited.

Ms. SUN Wei (孫瑋), aged 41, re-joined the Company in October 2007 as an Executive Director. She is a member of the Nomination Committee and Strategic Planning Committee of the Company. Ms. Sun is responsible for the financial management of the Group, including participation in the budget planning process of the Group. Ms. Sun holds a Doctorate degree in Business Administration and she has over 15 years of experience in power plant investment and management. Ms. Sun is currently a non-executive director of Asia Energy Logistics Group Limited.

Mr. ZHU Yufeng (朱鈺峰), aged 31, has been an Executive Director of the Company since September 2009. He graduated from George Brown College (Business Administration Faculty) in 2005. Mr. Zhu and his family (including his father, Mr. Zhu Gongshan, who is also a Director of the Company) are the beneficiaries of a discretionary trust which owns about 32.43% issued share capital of the Company at 31 December 2012. Mr. Zhu joined a subsidiary of the Company in 2006. He is responsible for internal control, human resources, administration and project tender of the Group.

Biographical Details of Directors & Senior Management

Non-Executive Directors:

Mr. ZHOU Yuan (周元), aged 56, has been a Non-executive Director and a member of the Connected Transaction Committee of the Company since November 2012. Mr. Zhou joined China Investment Corporation ("CIC") in Beijing in 2008 and has become the Chief Strategy Officer since February 2012, and Head of Finance Department since November 2012. CIC owns approximately 20.1% of the issued share capital of the Company at 31 December 2012. Prior to joining CIC, he served as Executive Vice Chairman of Hong Kong Mercantile Exchange and Head of Asia Business Development at Chicago Mercantile Exchange. From 1988 to 1994, Mr. Zhou was the Head of Research Department at State Street Bank. From 1994 to 1998, Mr. Zhou was UBS's Regional Head of China and Chief Representative of Beijing and Shanghai Offices. From 1998 to 2001, Mr. Zhou was the Chief Financial Officer of Hong Kong Futures Exchange Limited (which became a subsidiary company of Hong Kong Exchanges and Clearing Limited), and Chief Executive Officer of Hong Kong Futures Clearing Limited, and held consulting and executive positions at various finance and investment institutions. Mr. Zhou attended Peking University in 1977, and obtained a Master's degree from Brandeis University in 1984.

Mr. ZHANG Qing (張勍), aged 44, has been a Non-executive Director of the Company since March 2012. Mr. Zhang is currently the Head and Managing Director of Special Investment Department of CIC. Prior to that, Mr. Zhang held various senior level positions in the Norinco Group in China and was also a vice president of China Zhenhua Oil Co,. Ltd. Mr. Zhang received an executive Master's degree in Business Administration from the School of Business at New York State University at Buffalo and a Bachelor's degree from the Beijing University of Aeronautics & Astronautics in 1991.

Independent Non-Executive Directors:

Mr. QIAN Zhixin (錢志新), aged 67, has been an Independent Non-Executive Director of the Company since July 2007. He is a member of the Audit Committee, Remuneration Committee, Strategic Planning Committee and Nomination Committee of the Company. Prior to that, he was a principal of the Development and Reform Commission of Jiangsu Province in February 2004. Mr. Qian holds a Doctorate degree in Management from the Nanjing Agricultural University in the PRC.

Ir. Dr. Raymond HO Chung Tai (何鍾泰), *SBS, MBE, S.B.St.J., JP*, aged 73, has been an Independent Non-Executive Director of the Company since September 2007. He is the Chairman of the Remuneration Committee, the Strategic Planning Committee and the Corporate Governance Committee of the Company, and also a member of the Audit Committee of the Company.

Dr. Ho is a Deputy to the National People's Congress. He holds a Doctorate degree in Civil Engineering from the City University of London, United Kingdom, an Honorary Doctorate of Business Administration from the City University of Hong Kong, an Honorary Doctorate of Laws from the University of Manchester, United Kingdom, a Postgraduate Diploma in Geotechnical Engineering from the University of Manchester, United Kingdom and a Bachelor's degree in Engineering from the University of Hong Kong. Dr. Ho is currently a Board Member of the Airport Authority Hong Kong, the Chairman of the Hong Kong Trade Development Council Infrastructure Development Advisory Committee and the Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee. In addition, he is an independent non-executive director of Deson Development International Holdings Limited and China State Construction International Holdings Limited.

Biographical Details of Directors & Senior Management

Mr. XUE Zhongsu (薛鍾甦), aged 73, has been an Independent Non-Executive Director of the Company since October 2007. He is the Chairman of the Nomination committee and a member of the Strategic Planning Committee of the Company. He graduated from Shanghai Jiaotong University in 1962. Mr. Xue worked for the Shanghai Municipal Power Company (上海市電力公司) in 1985 as the Deputy General Manager. From 1986 to 2000, Mr. Xue was the Vice President of the Shanghai Municipal Power Bureau (上海市電力工業局) and Deputy General Manager of Shanghai Municipal Power Company. From 1994 to 2000, Mr. Xue was also the General Manager of the Huaneng International Power Development Company, Shanghai Branch (華能國際電力開發公司上海分公司). From 2000 to 2005, Mr. Xue was the Party Secretary and General Manager of the China Huaneng Group Company, Shanghai Branch (中國華能集團公司上海分公司). Mr. Xue has over 20 years of experience in the power industry.

Mr. YIP Tai Him (葉棣謙), aged 42, has been an Independent Non-Executive Director of the Company since March 2009. He is the Chairman of the Audit Committee and the Connected Transaction Committee, he is also a member of the Remuneration Committee and the Corporate Governance Committee of the Company. Mr. Yip is a practising accountant in Hong Kong. He is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has around 20 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following listed companies in Hong Kong, namely, Wing Lee Holdings Limited, China Communication Telecom Services Company Limited, Vinco Financial Group Limited, China Media and Films Holdings Limited and iOne Holdings Limited.

Senior Management:

Mr. SHA Hongqiu (沙宏秋), aged 54, has been an Executive President of the Company since October 2007. Mr. Sha also served as an executive director of the Company during the period from November 2006 to November 2012. He is currently responsible for the overall operation and management of the Group's power business. Mr. Sha had been awarded various titles, including the Outstanding Entrepreneur of Xuzhou (優秀企業家) in 2000 and the Outstanding Enterprise Manager of Taicang (太倉市優秀企業管理人才) in 2005. He graduated from the China University of Mining and Technology in 1986, majoring in enterprise management. Mr. Sha is a Senior Economist. He has over 15 years of experience in the operation and management of power plants.

Mr. CHAU Tien Hsiang (周天白), aged 43, has been the Chief Financial Officer of the Company since January 2012. Mr. Chau joined the Company as the Chief Financial Officer of the Company's overseas solar business in June 2010 and was promoted to the Head of Finance of the Company in October 2011. Mr. Chau holds a Bachelor degree in Business Administration from the University of Texas at Austin and a degree of Master of Business Administration from Massachusetts Institute of Technology. Prior to joining the Company, Mr. Chau gained extensive experience in investment banking, management consultation, treasury and corporate finance from a number of multinational companies and was the Chief Financial Officer of a Toyko main board listed company.

Management Discussion and Analysis

Overview

2012 was a challenging year for the solar industry. Negative market sentiment caused by global economic uncertainties followed by anti-dumping and countervailing investigations initiated by the United States and the European Union resulted in a sharp decline in pricing of solar products in 2012. However, we believe solar electricity generation is approaching grid parity and it should finally start to stimulate demand. Additionally, with the closing down of many less efficient solar manufacturers last year, we expect a more balanced supply/demand situation to enable prices to stabilize in the first half of 2013 and believe demand will finally approach the aggregate capacities of cost-competitive polysilicon and wafer manufacturers in the near future.

In the meantime, GCL continues to execute our dual-core strategy in both the upstream solar material business and downstream solar power plant business. During 2012, GCL developed and sold an aggregate of 140 MW of solar farm project, which is a great achievement in our downstream solar farm project businesses and further strengthen our leadership in the solar industry.

Results of the Group

Revenue amounted to HK$22,348.0 million for the year ended 31 December 2012, representing a decrease of 12.4% compared with the revenue of HK$25,505.6 million for the year ended 31 December 2011. Decrease in revenue was mainly due to decrease in the selling price of polysilicon and wafer.

In addition, the results for the year were impacted by impairment loss on plant and machinery and goodwill of total HK$1,184.0 million. As a result, the Group recorded a net loss attributable to owners of the Company of HK$3,515.5 million for 2012, as compared to net profit attributable to owners of the Company of HK$4,274.9 million in 2011.

Business Review

Solar Material Business

Production

GCL supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material for wafer used in the solar wafer production. In the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules.

As at 31 December 2012, our annual polysilicon production capacity maintained at 65,000 MT. During the year ended 31 December 2012, GCL produced approximately 37,055 MT of polysilicon, representing an increase of 26.0% as compared to 29,414 MT for the year ended 31 December 2011. In addition, GCL has successfully trial-run our first phase polysilicon silane system and produced qualified high-purity silane gas in 2012. The commencement of GCL's silane system marks the first-stage achievement in silane manufacturing and the technology of FBR method, which lays a solid foundation for the execution of the Group's technology strategy, cost strategy and product strategy.

Management Discussion and Analysis

As at 31 December 2012, our annual wafer production capacity maintained at 8 GW. During 2012, we have successfully launched our high-efficiency product "GCL Multi-Wafer S1+" which notably increased the conversion efficiency of PV cells. For the year ended 31 December 2012, approximately 5,622 MW of wafers were produced, representing an increase of 25.3% as compared with 4,488 MW for the year ended 31 December 2011.

Production Costs

GCL's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes.

During the year, Jiangsu Zhongneng carried out various cost control measures to reduce the energy consumption and other variable and fixed costs incurred during the polysilicon production. Despite a lower utilisation rate in the second half of 2012, our average polysilicon production costs decreased 5.6% from HK$161.7 (US$20.8) per kilogram for 2011 to HK$152.7 (US$19.7) per kilogram for 2012.

Attributed to our effective in-house raw material recycling together with other measures that helped to increase our production yield and reduce costs, GCL continued to reduce its wafer production cost to an extremely competitive level. For the year ended 31 December 2012, our average wafer production cost (before eliminating the internal profit of polysilicon) was approximately HK$1.94 (US$0.25) per W, representing a decrease of 41.7% as compared to HK$3.33 (US$0.43) per W for the year ended 31 December 2011.

Sales Volume and Revenue

Revenue of our solar material business for the year ended 31 December 2012 amounted to approximately HK$13,116.7 million, representing a decrease of 35.9% from HK$20,459.8 million for the year ended 31 December 2011.

For the year ended 31 December 2012, GCL sold 12,593 MT of polysilicon and 5,594 MW of wafer, an increase of 3.5 times and 25.7% respectively, as compared with the 2,812 MT of polysilicon and 4,451 MW of wafer for the corresponding period in 2011.

The average selling prices of polysilicon and wafer were approximately HK$161.2 (US$20.8) per kilogram and HK$1.94 (US$0.25) per W respectively for the year ended 31 December 2012. The corresponding average selling prices of polysilicon and wafer for the year ended 31 December 2011 were HK$370.8 (US$47.7) per kilogram and HK$4.20 (US$0.54) per W respectively.

For the year ended 31 December 2012, GCL sold approximately 119 MW PV modules to customers in the U.S and Europe. Revenue generated from trading of PV modules was approximately HK$772.1 million.

Overseas Solar Power Plant Business

As of 31 December 2012, the Group had 327 MW PV projects which were ready to commence construction. Approximately 1,000 MW projects in the United States and Puerto Rico are currently in the planning stage.

Management Discussion and Analysis

In the second half of 2012, GCL sold 100% equity interests in four solar farm project companies with a total of planned capacity of 140 MW (DC) in California, the U.S to a company which is incorporated in New York with principal business to develop, own and operate renewable and other energy assets. Revenue from sales of solar farm projects was HK$2,580.6 million (US$332.0 million).

GCL also completed a solar power project of 1 MW capacity in the Palmdale School district in California which was under the sales and leaseback transactions with Bank of America Merrill Lynch. As a result, a total of approximately 17 MW PV installation was operated by us in the United States in 2012. For the year ended 31 December 2012, revenue from sales of electricity generated by the PV projects in the United States was approximately HK$71.6 million (US$9.2 million).

In November 2012, partnered with Solar Reserve, GCL invested in two 75 MW solar farm projects as a minority shareholder of 19% in South Africa. The projects are the largest solar projects ever built in South Africa. The projects are under construction and expected to achieve commercial operation in August 2014. In addition, GCL will arrange procurement of modules for the above two 75 MW solar farm projects in South Africa in 2013.

Power Business

The Group's power plants are one of the categories of environmentally friendly power plants that are encouraged by the People's Republic of China (the "PRC") government.

As at 31 December 2012, the Group operates 24 power plants which includes its subsidiary and associated power plants in the PRC. These comprise 14 coal-fired cogeneration plants and resource utilisation comprehensive cogeneration plants, 2 gas-fired cogeneration plants, 2 biomass cogeneration plants, 2 solid-waste incineration plant, 1 wind power plant, 2 solar farms and 1 rooftop solar farm. For the year ended 31 December 2012, the total installed capacity and attributable installed capacity were 1,150.5 MW and 798.3 MW respectively, representing an increase of 15 MW as compared to last year. The increase was due to acquisition of 1 solid-waste incineration plant and 1 rooftop solar farm with installed capacity of 12 MW and 3 MW respectively. The total steam extraction capacity and attributable steam extraction capacity were 2,239 tonne/h and 1,756.4 tonne/h, respectively for the year ended 31 December 2011 and 2012.

In addition, a gas-fired cogeneration plant is currently under construction and expected to be completed in 2013. The expected installed and attributable capacity for the above gas-fired cogeneration plant will be 360 MW and 134 MW, respectively.

Sales Volume and Revenue

For the year ended 31 December 2012, total electricity and steam sales volume were 5,370,397 MWh and 8,501,198 tonnes, representing an increase of 12.0% and 12.4% respectively as compared to 4,793,282 MWh and 7,565,162 tonnes for the same period last year. The increase in sales volume was mainly due to increase in demand from customers.

Management Discussion and Analysis

The following table indicates total electricity sales and steam sales for each of the Group's power plants:

Plant	**Electricity Sales MWh 31.12.2012**	Electricity Sales MWh 31.12.2011	**Steam Sales tonne 31.12.2012**	Steam Sales tonne 31.12.2011
Subsidiary power plants:				
Kunshan Cogeneration Plant	**415,986**	392,904	**647,935**	677,026
Haimen Cogeneration Plant	**162,320**	119,550	**266,440**	317,357
Rudong Cogeneration Plant	**179,668**	155,240	**757,481**	759,534
Huzhou Cogeneration Plant	**139,409**	144,695	**361,616**	342,959
Taicang Poly Cogeneration Plant	**216,542**	156,008	**393,945**	394,801
Jiaxing Cogeneration Plant	**212,923**	191,721	**898,819**	937,041
Lianyungang Xinneng Cogeneration Plant	**93,992**	67,509	**375,079**	462,334
Puyuan Cogeneration Plant	**196,155**	196,907	**956,028**	917,057
Fengxian Cogeneration Plant	**127,836**	79,884	**1,550,359**	575,976
Yangzhou Cogeneration Plant	**342,849**	295,442	**249,227**	265,195
Dongtai Cogeneration Plant	**117,120**	90,178	**496,565**	449,670
Peixian Cogeneration Plant	**132,007**	79,603	**210,288**	198,385
Xuzhou Cogeneration Plant	**166,656**	101,031	**258,290**	249,439
Suzhou Cogeneration Plant	**2,384,005**	2,253,877	**725,007**	700,414
Baoying Cogeneration Plant	**120,507**	146,201	**204,009**	183,802
Lianyungang Xiexin Cogeneration Plant	**125,936**	137,224	**116,835**	134,172
Taicang Incineration Plant	**74,583**	76,676	**N/A**	N/A
Guotai Wind Power Plant	**87,349**	86,825	**N/A**	N/A
Xuzhou Solar Farm	**21,377**	21,807	**N/A**	N/A
Xuzhou Incineration Plant (Note 1)	**50,263**	N/A	**33,275**	N/A
Jiangsu Guoneng (Note 1)	**2,914**	N/A	**N/A**	N/A
Total subsidiary power plants	**5,370,397**	4,793,282	**8,501,198**	7,565,162
Associated power plants:				
Funing Cogeneration Plant	**121,464**	95,004	**77,006**	78,303
China Resources Beijing Cogeneration Plant	**679,624**	664,990	**393,478**	384,396
Total subsidiary and associated power plants	**6,171,485**	5,553,276	**8,971,682**	8,027,861

Note 1: Xuzhou Incineration Plant and Jiangsu Guoneng have become our subsidiary power plants since 23 May 2012 and 29 February 2012, respectively. The steam sales of Xuzhou Incineration Plant was made to a fellow subsidiary of the Group for internal consumption purpose.

Management Discussion and Analysis

Revenue for the power business for the year ended 31 December 2012 was approximately HK$5,807.1 million, representing an increase of 16.4% as compared to HK$4,988.6 million for the same period last year. The increase was mainly due to increase in sales volume of electricity and steam during the year.

Average Utilisation Hours

Average utilisation hours for the Group's subsidiary power plants, defined as the amount of electricity produced during a specified period (in MWh) divided by the average installed capacity of the plant during the same period (in MW), was 6,132 hours for the year of 2012, representing an increase of 10.7% compared with 5,540 hours for the same period last year. The increase was due to the increase in electricity generation during the year.

Approved On-Grid Tariff

For electricity output, the major customers of our power plants are their respective local provincial power-grid companies. Prices are based on an approved on-grid tariff that is determined by the provincial price bureaus. The on- grid tariff depends on the fuel type of the relevant power plant and whether government-encouraged desulphurisation equipment has been installed. For the year ended 31 December 2012, the approved on-grid tariff of the Group's power plants (excluding solar farm) ranged from approximately HK$626.7/MWh to HK$933.9/MWh (2011: HK$614.8/MWh to HK$916.1/MWh). The increase was due to exchange difference arising from translation of Renminbi into Hong Kong dollars.

Approved Steam Price

In response to the PRC-government incentive programme, the Group sells steam to customers exclusively within a certain radius of where our cogeneration plants are located. Steam prices are negotiated commercially between customers and the cogeneration plants and are subject to local government pricing guidelines. Prices may vary according to market forces. For the year ended 31 December 2012, the approved steam price of our subsidiaries and associated power plants ranged from HK$184.3/tonne to HK$304.1/tonne (2011: HK$180.8/tonne to HK$298.3/tonne). The increase was mainly due to exchange difference arising from translation of Renminbi into Hong Kong dollars.

Fuel Costs

The major cost of sales in the power business were fuel costs including coal, natural gas, coal sludge, sludge, gangue and biomass materials.

For the Group's coal-fired cogeneration plants, resource utilization comprehensive plants and biomass cogeneration plants, the average unit fuel costs for electricity sales and steam sales were HK$439.0/MWh and HK$139.2/tonne respectively for the year ended 31 December 2012. The corresponding average unit fuel costs for electricity sales and steam sales were HK$471.4/MWh and HK$154.3/tonne respectively for the same period last year.

In the case of the Group's gas-fired cogeneration plants, Suzhou Cogeneration Plant, natural gas was the major component of the cost of sales. The average unit fuel costs for electricity sales and steam sales were HK$508.8/MWh and HK$192.5/tonne respectively for the year ended 31 December 2012. The corresponding average unit fuel costs for electricity sales and steam sales for the year ended 31 December 2011 were HK$497.9/MWh and HK$194.2/tonne, respectively.

Management Discussion and Analysis

Recent Developments

In addition to overseas solar power projects, GCL is now also focusing on construction of 310 MW ground-mounted and 30 MW roof-top solar projects in Datong, Shanxi province. These projects mark as a milestone in large scaled solar farms projects construction plan that is adopted by the Chinese government. It is expected that the projects will be the largest solar farm in China and one of the largest single-unit solar farms in the world. In addition, GCL will continue to co-operate with China Merchants New Energy Limited and China Technology Development Group Corporation on the investment, development and construction of PV power projects in the PRC and abroad based on each party's comparative advantages.

Outlook

In 2012, uncertainties in global economy continue to affect the liquidity of the capital markets and commercial lending. As a result, it remains challenging for the solar project developers to obtain the necessary funding and resulting in declining growth of the global solar markets. Global demand for new installations of PV systems grew to about 31–32 GW in 2012 with resilient demand from Germany and Italy despite falling subsidies from respective governments. The module sales of our customers in China were affected by anti-dumping and countervailing investigations that were initiated by the United States and the European Union. These issues affected solar products demand in the second half of 2012. In addition, overcapacity along the PV value chain also leads to an oversupply situation resulting in sharp decline in solar products selling prices. Lower factory utilisation has also impacted our manufacturing cost reduction effort.

We anticipate that 2013 global PV solar demand to grow modestly to approximately 35 GW, with European demand slowing while emerging markets such as China, the United States, Japan, India, Korea, Australia and Brazil continue to have higher growth. These emerging markets will play a more important role in the solar industry, leading to a more balanced geographical diversification. Recently, the National Development and Reform Commission ("NDRC") has indicated the 2015 cumulative solar PV target could be as high as 35 GW from 20 GW under China's Five-Year Plan. In addition, we also observed an increase in ground-mounted installation following the launch of Feed-In-Tariff ("FiT") scheme in July 2011 by the NDRC. For solar projects of which construction can be completed and connected to the state grid in 2013 and afterwards can enjoy the tariff of RMB1/kWh. In China, according to the press and industry sources, the Chinese government is planning to roll out a FiT scheme for rooftop installation in China that will provide the support of 10 GW installation target for 2013. In Japan, the government also introduced a solar FiT of 42Yen/kWh, and we believe that the incentives in Japan is attractive enough to promote Japan to be a major PV market in the next few years. With the abundance of sunlight resources and the availability of government incentives such as the National Solar Mission and State Programs, India also attracted substantial foreign capital to invest in the country and has become one of the fastest growing markets for the PV industry.

As many small solar producers have halted their production or exited the market recently, the average selling prices of polysilicon, wafer, cell and module have rebounded slightly since February of 2013 and we expect they remain stable or slightly higher in the first half of this year as our customers finish their inventory de-stocking. We are optimistic that our manufacturing cost will continue to decrease as capacity utilization will rise again. We believe our Company will remain competitive with our superior cost structure, co-location strategy and in-house wafer production capability. We expect solar module shipment will be steady in second half of 2013.

The cost and quality of PV products will continue to be the critical factors to the global demand in the solar industry. The launch of "GCL Quasi-Mono Wafer" and "GCL Multi-Wafer S1+" meet the requirements of our customers as the average conversion efficiency has already attained 18.5% and 17.6% respectively. It helps our customers to reduce their manufacturing costs, further lower the overall capital expenditure of solar power plants, and increase the competitiveness and return on investment of PV system installation.

Management Discussion and Analysis

The solar power plant business will be the growth driver for our company. We will focus not only on the domestic market but also the overseas markets. We expect that the United States will continue to offer excellent investment opportunities in PV systems, with attractive government support programs such as the Federal Business Energy Investment Tax Credit (ITC). With over 1 GW of pipeline projects on hand, coupled with the tax equity investment partnership with Wells Fargo, Bank of America Merrill Lynch and other tax equity investors, we are well positioned to benefit from PV system investment and system integration business opportunities in the United States. The successful completion of the development and sale of an aggregate of 140 MW projects in the US demonstrates our ability in large-scale solar farm development, construction and financing. This reinforces our dual core strategy where we produce high quality polysilicon and wafer in the upstream and develop solar farm projects and provide system integration services in the downstream. The Group proactively participates in solar farm construction in China. We have signed a letter of intent with China Merchants New Energy Group to develop no less than 973 MW of rooftop projects in China. In the meantime, we will continue to identify, develop and invest in projects in India, South Africa, Australia, as well as other emerging high-growth markets.

For the power business, the coal price is an important factor to the profitability. The coal price recorded a considerable extent of decrease in 2012 and we expect it will be more stable in 2013. We expect the average coal prices in the first half of 2013 will decrease compared with the second half of 2012. We will continue to focus on steam sales as contract prices of steam can be negotiated with our customers directly based on local government pricing guidelines, making it easier to maintain profit margins. The Group will try every possible ways to further enhance operation efficiency. In the long run, we will continue to emphasize on the development of renewable-energy power plants.

Health, Safety and Environmental Matters

GCL has adopted the modified Siemens method for its polysilicon production. We process all our waste water and waste gas according to national environmental standards. In addition, most of our solid waste can be recycled and does not contain poisonous materials. We have established a pollution control system and installed variety of anti- pollution apparatus in our facilities to reduce, treat, and where feasible, recycle any waste generated during the manufacturing process. We have a pollutant discharge permit, a work-safety permit for the storage and use of hazardous chemicals, and a permit for the use of our high-pressure containers.

Our wafer production facilities are environmentally friendly, with various pollution control measures in force. Moreover, we have developed our in-house slurry recovery facilities, enabling us to recycle and reuse our slurry.

All power plants within the Group have implemented internal safety policies that include protective measures against health and safety hazards. Health and safety issues are closely monitored.

All existing coal-fired cogeneration plants are installed either with circulating fluidised bed boilers or pulverised coal boilers with desulphurisation equipment to reduce the emission of air pollutants. All power plants operated by the Group have obtained the required applicable approvals and have satisfied the emission requirements set forth by local government.

All power plants within the Group have installed the CEMS (Continuous Emissions Monitoring System) required by the PRC government for the purpose of monitoring pollutant emissions of thermal power plants.

We believe that the environment protection system and installed facilities of our polysilicon and wafer production facilities and power plants are adequate to comply with the national environmental protection regulations.

Management Discussion and Analysis

Employees

We consider our employees to be our most important resource. As at 31 December 2012, the Group had approximately 13,973 employees in Hong Kong, the PRC and overseas. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits include discretionary bonuses, with share options granted to eligible employees.

Financial Review

Segment Information

The Group reported its financial information in three segments — the solar material business, power business and overseas solar power plant business — during the year. The following table sets forth the Group's profits from operations by business segment:

	Solar Material Business HK$ million	Power Business HK$ million	Overseas Solar Power Plants business HK$ million	Corporate HK$ million	Consolidated HK$ million
Revenue from external customers	13,889	5,807	2,652	—	22,348
Segment (loss) profit	(3,356)	364	28	—	(2,964)
EBITDA*	1,787	1,202	112	(40)	3,061

* The impairment losses on property, plant and equipment and goodwill were excluded in the calculation of EBITDA "Earnings before interest, tax, depreciation and amortization").

Revenue

Revenue for the year ended 31 December 2012 amounted to HK$22,348.0 million, representing a decrease of 12.4% as compared with HK$25,505.6 million for the year ended 31 December 2011. The decrease was mainly due to the decrease in revenue attributable to the solar material business as a result of significant decline in polysilicon and wafer selling price.

Gross Profit Margin

The Group's gross profit margin for the year ended 31 December 2012 was 7.8%, as compared with 33.2% for the year ended 31 December 2011. Gross profit margin for the solar material business decreased from 38.6% for the year ended 31 December 2011 to 4.4% for the year ended 31 December 2012. The decrease in gross profit margin was mainly due to the significant drop in average selling price of polysilicon and wafer since the first quarter of 2012, which was partially offset by the decrease in the polysilicon production cost and the wafer processing cost. Gross profit margin for the overseas solar power plant business was 55.1% for the year ended 31 December 2011 and 9.7% for the year ended 31 December 2012. For the power business, the gross profit margin increased from 11.0% for the year ended 31 December 2011 to 15.9% for the year ended 31 December 2012 as a result of the decrease in fuel costs.

Management Discussion and Analysis

Other Income

Other income mainly comprised government grants of HK$285.9 million, sales of scrap materials of HK$137.3 million, bank interest income amounting to HK$182.9 million, and waste processing management fee income of HK$59.3 million.

Distribution and Selling Expenses

Distribution and selling expenses amounted to HK$95.6 million for the year ended 31 December 2012, representing an increase of 68.6% from HK$56.7 million for the year ended 31 December 2011. Increases in distribution and selling expenses were due to more sales and marketing activities were carried out during the year.

Share-Based Payment Expenses

The amount mainly represented the share option expenses arising from the Company's employee share option scheme.

Other Administrative Expenses

Other administrative expenses amounted to HK$1,857.5 million for the year ended 31 December 2012, representing an increase of 14.9% from HK$1,617.2 million for the year ended 31 December 2011. The growth was due to expansion of our solar material business and solar power plant business.

Other Expenses

Other expenses for the year ended 31 December 2012 were HK$1,486.1 million, represent an increase of 3.6 times from HK$321.0 million for the year ended 31 December 2011. The increase was mainly due to impairment loss on property, plant and equipment and goodwill.

For the year ended 31 December 2012, the Group reviewed the value in use of our property, plant and equipment. As a result of the downturn in both polysilicon and wafer market and significant drop in average selling price, value in use of our polysilicon production facility and some of our wafer production facilities decreased and an impairment losses of HK$865.3 million (2011: HK$96.4 million) is recognised.

For the year ended 31 December 2012, the Group reviewed the carrying amounts of its goodwill. The Group recognised an impairment loss of HK$42.2 million (2011: HK$90.4 million) for the goodwill of our power business, mainly due to the increase in biomass price during 2012. The Group also recognised an impairment loss HK$276.5 million (2011: Nil) for the goodwill arising from acquisition of Konca Solar. As a result of decrease in gross profit margin in wafer business, the management of the Group revised Konca Solar's profit forecast for the coming five years and an impairment loss was recognised.

Finance Costs

Finance costs of the Group in 2012 were HK$2,309.3 million, which rose by 98.0% from HK$1,166.3 million in 2011. Larger amount of average bank borrowings and long-term notes led to the increase in interest expenses during the year.

Share of Profit of Associates

The Group's share of profits of associates for the year ended 31 December 2012 was HK$3.4 million, which was mostly derived from the power business.

Management Discussion and Analysis

Share of Loss of Jointly Controlled Entities

The amount represented the Group's share of losses of our jointly controlled entities, GCL-SR Solar Energy, LLC and Sunora Energy Solutions I LLC, for the year ended 31 December 2012.

Income Tax Expense

Income tax expense for the year ended 31 December 2012 was HK$123.9 million, representing a decrease of 90.2% as compared with HK$1,269.2 million for the year ended 31 December 2011. The decrease was mainly due to the decline in the PRC Enterprise Income Tax as the taxable income of our PRC subsidiaries is less than last year.

(Loss) Profit attributable to Owners of the Company

Loss attributable to Owners of the Company for the year ended 31 December 2012 was HK$3,515.5 million as compared with profit attributable to Owners of the Company HK$4,274.9 million for the year ended 31 December 2011.

Liquidity and Financial Resources

	2012 **HK$ million**	2011 HK$ million
Net cash from operating activities	**2,326.4**	2,716.5
Net cash used in investing activities	**(5,310.7)**	(18,198.0)
Net cash from financing activities	**616.8**	15,534.0

For the year ended 31 December 2012, the Group's main sources of funding were cash generated from operating activities. The net cash from operating activities in 2012 was HK$2,326.4 million, which was similar to 2011. The net cash used in investing activities primarily arose from payments for the purchase of property, plant and equipment. Since GCL has no new capacity expansion carried out in 2012, the payments for the purchase of property, plant and equipment decreased significantly. The main financing activities of the Group in 2012 included newly raised bank borrowings of HK$23,570.9 million, issuance of long-term notes of HK$1,217.7 million and repayment of bank borrowings amounting to HK$20,459.9 million.

The aggregate restricted and unrestricted cash and bank balances amounted to approximately HK$9,716.2 million as at 31 December 2012 (31 December 2011: HK$11,238.6 million). The Group's total assets as at 31 December 2012 were HK$67,818.4 million (31 December 2011: HK$67,488.2 million).

The Group suffered losses of HK$3,385 million from operations for the year ended 31 December 2012 and as of 31 December 2012, the Group has current liabilities exceeded its current assets by HK$8,270 million. As of the same day, the Group had cash and cash equivalents of HK$4,496 million with bank borrowings due within one year of HK$19,705 million.

As at 31 December 2012, the Group has undrawn banking facilities of HK$4,477 million and renewable bank borrowings, which are originally due within one year, of HK$16,009 million. To improve liquidity, the Group has successfully negotiated with certain banks and will continue to negotiate with other banks to obtain revolving banking facilities to ensure the Group's bank borrowings can be renewed on an on-going basis. The Group's management believe that the Group will successfully renew the bank borrowings based on past experience and strong relationships with the banks. Subsequent to the end of the reporting period, the Group has renewed bank borrowings of approximately HK$294 million with banks and with corresponding maturity dates extended to 2014. In addition, the Group has obtained additional banking facilities of approximately HK$3,926 million from banks for operating use subsequent to the end of the reporting period.

Management Discussion and Analysis

To manage the liquidity risk, the Group regularly monitors current and expected liquidity requirement to ensure that it maintains sufficient reserves of cash in the short and long term. The Group's managements are of the opinion that, taking into account the above undrawn bank facilities and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its liabilities as they fall due in the next twelve months from the end of the reporting period.

Indebtedness

The indebtedness of the Group mainly comprises bank borrowings, obligations under finance lease and long-term notes. As at 31 December 2012, the Group's total bank borrowings amounted to HK$32,522.4 million (31 December 2011: HK$29,286.3 million), obligations under finance lease amounted to HK$1,329.9 million (31 December 2011: HK$1,697.9 million) and long-term notes amounted to HK$3,058.8 million (31 December 2011: HK$1,831.2 million). Below is a table showing the bank borrowing structure and maturity profile of the Group's total bank borrowings:

	2012 HK$ million	2011 HK$ million
Secured	**10,120.4**	4,133.8
Unsecured	**22,402.0**	25,152.5
	32,522.4	29,286.3
Maturity profile of bank borrowings		
On demand or within one year	**19,705.1**	11,582.4
After one year but within two years	**8,726.4**	7,375.6
After two years but within five years	**3,353.3**	9,873.2
After five years	**737.6**	455.1
Group's total bank borrowings	**32,522.4**	29,286.3
Bank borrowings are denominated in the following currencies		
RMB	**24,913.1**	21,753.6
USD	**7,609.3**	7,339.5
CHF	**—**	193.2
	32,522.4	29,286.3

As at 31 December 2012, RMB bank borrowings carried both fixed and floating interest rates at rates with reference to the Benchmark Borrowing Rate of The People's Bank of China or Shanghai Interbank Offer Rate (SIBOR). USD bank borrowings carried interest rates at rates with reference to the London Interbank Offer Rate (LIBOR).

The long-term notes bear interest at a rate of 5.77%–7.05% per annum.

Management Discussion and Analysis

Key Financial Ratios of the Group

	2012	2011
Current ratio	**0.73**	1.03
Quick ratio	**0.62**	0.86
Net debt to equity attributable to the owners of the Company	**167.8%**	104.9%

Current ratio	=	Balance of current assets at the end of the year/balance of current liabilities at the end of the year
Quick ratio	=	(Balance of current assets at the end of the year — balance of inventories at the end of the year)/balance of current liabilities at the end of the year
Net debt to total equity attributable to owners of the Company	=	(Balance of total interest-bearing borrowings at the end of the year — balance of bank balances, cash and pledged and restricted bank deposits at the end of the year)/balance of equity attributable to owners of the Company at the end of the year

Foreign Currency Risk

Most of our revenue, cost of sales and operating expenses are denominated in RMB, US dollars and Hong Kong dollars. Most of the bank deposits are denominated in Hong Kong dollars and US dollars. Most of our assets and liabilities are denominated in RMB and US dollars. Since RMB is our functional currency, our foreign currency risk exposure is mostly confined to assets denominated in Hong Kong and US dollars.

For the year ended December 2012, the Group did not purchase any material foreign currency or interest rate derivatives or related hedging instruments.

Pledge of Assets

As at 31 December 2012, property, plant and equipment and prepaid lease payments with a carrying value of approximately HK$10,702.7 million and HK$476.6 million respectively, were pledged as security for certain banking facilities and borrowings granted to the Group (31 December 2011: HK$10,353.4 million and HK$425.4 million respectively). Apart from these, bank deposits of an aggregate amount of HK$1,590.6 million (31 December 2011: HK$1,551.3 million) were pledged to the banks to secure borrowings granted to the Group and obligations under finance leases.

Capital Commitments

As at 31 December 2012, the Group had capital commitments in respect of acquisition of property, plant and equipment and constructions costs of project assets contracted for but not provided in financial statements amounting to HK$2,693.4 million and HK$2,950.7 million, respectively (31 December 2011: HK$3,362.9 million and 448.9 million). In addition, the Group had capital commitments in respect of acquisition of property, plant and equipment authorised but not contracted amounting to HK$5,418.3 million (31 December 2011: HK$6.6 million).

Management Discussion and Analysis

Contingent Liabilities

As at 31 December 2012, the Group provided a total guarantees of HK$135.7 million (31 December 2011: HK$111.0 million) to a bank in respect of the banking facilities granted to an associate company. The associate had utilised HK$101.1 million (2011: HK$96.2 million) of such banking facilities at the end of the reporting period.

Events After the End of Reporting Year

On 22 November 2012, Ease Soar Limited ("Ease Soar"), a wholly-owned subsidiary of the Group, together with other vendors ("Vendors") have entered into a conditional sale and purchase agreement with Goldpoly New Energy Holdings Limited ("Goldpoly"), a company listed in the Stock Exchange and, together with its subsidiaries, is principally engaged in fashion apparel retail and trademark licensing business and manufacturing, sale and provision of subcontracting services of solar energy related products, and Profit Icon Investment Limited ("Profit Icon"), a wholly-owned subsidiary of Goldpoly, pursuant to which Profit Icon has conditionally agreed, among others, to purchase the entire 17.39% equity interests in China Merchant New Energy Holdings Limited ("CMNE") legally and beneficially owned by Ease Soar for a total consideration of HK$400.0 million (subject to profit guarantee adjustment), which will be satisfied by the issue of new ordinary shares and convertible bonds by Goldpoly.

As at 31 December 2012, since the completion of this transaction is still subject to the fulfillment of certain conditions, which included the approval from the shareholders of Goldpoly and the Stock Exchange, the 17.39% equity interest in CMNE amounting to HK$40.9 million held by the Group is still recognised as an interest in associate and is not reclassified as assets held for sale accordingly. The management of the Group is still in the process of assessing the financial impact of this transaction.

Corporate Governance Report

The Company is dedicated to achieve and maintain a high standard of corporate governance to maximize the Company's and the shareholders' value and continuous review and evaluation of the various systems and procedures are carried out to ensure their effectiveness. During 2012, the Group has set up the Corporate Governance Committee and the Nomination Committee to further strengthen its corporate governance framework. New policies and procedures have been adopted and the existing practices have been formalized and adopted as policies to comply with the principles and code provisions set out from time to time under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and other relevant rules applicable to the Company.

Corporate Governance Practice

The Company has complied with all the code provisions as set out in (a) the Code on Corporate Governance Practices ("CG Code") under Appendix 14 in the Listing Rules (which was amended as the Corporate Governance Code (the "Revised Code") with most of the amended provisions becoming effective on 1 April 2012) for the period from 1 January 2012 to 31 March 2012 and (b) the Revised Code for the period from 1 April 2012 to 31 December 2012 save for the deviation from code provision A.2.1 of the CG Code and the Revised Code.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhu Gongshan, the Chairman and a Director of the Company, acted as the Chairman of the Board and also the Chief Executive Officer of the Company. In view of Mr. Zhu as the founder of the Company and our Xuzhou polysilicon production base, his in-depth knowledge and expertise, his extensive business network and connections, the scope of operations and the business development of the Company, the Board considered that it was appropriate to elect Mr. Zhu as the Chief Executive Officer. The Board is of the view that an experienced and dedicated management team and executives will give continuous support and assistance to Mr. Zhu and that he discharges his responsibilities to manage the Board as well as the Group's businesses effectively. The Board and the Nomination Committee will review the board structure regularly to ensure it meets the needs of the Company's development and objectives.

Corporate Governance Report

The Board

Board Composition

The Board is currently comprised twelve Directors with professional background and/or extensive expertise in the Group's business related industries. The Board includes six executive Directors, two non-executive Directors and four independent non-executive Directors ("INEDs"). The Directors who served the Board during the year ended 31 December 2012 and up to the date of this report are as follows:

Executive Directors

Zhu Gongshan *(Chairman and CEO)*	
Sha Hongqiu	*resigned on 9 November 2012*
Ji Jun	
Shu Hua	
Yu Baodong	
Sun Wei	
Zhu Yufeng	

Non-executive Directors

Bai Xiaoqing	*resigned on 12 March 2012*
Chau Kwok Man, Cliff	*resigned on 9 November 2012*
Zhang Qing	*appointed on 12 March 2012*
Zhou Yuan	*appointed on 9 November 2012*

Independent non-executive Directors

Qian Zhixin
Ho Chung Tai, Raymond
Xue Zhongsu
Yip Tai Him

Biographical details of the Directors are set out under the section headed "Biographical details of Directors and Senior Management" of this annual report on pages 12 to 14.

Mr. Zhu Yufeng is the son of Mr. Zhu Gongshan. Save for the above and to the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board.

Mr. Zhu Gongshan is the founder of a trust which owns approximately 32.43% issued share capital of the Company as at 31 December 2012 for himself and his family, including Mr. Zhu Yufeng. Mr. Zhou Yuan and Mr. Zhang Qing are employees of China Investment Corporation, which through its wholly-owned subsidiary, namely Chengdong Investment Corporation, controls approximately 20.1% issued share capital of the Company at 31 December 2012. Save as disclosed in this paragraph and to the best knowledge of the Company, there is no relevant relationships between the members of the Board and the substantial shareholders of the Company.

Corporate Governance Report

Each INEDs has made a written confirmation to the Company of his independence with reference to the criteria and guidelines as set out in Rule 3.13 of the Listing Rules. Each Director has declared to the Company of his/her interests in any material contracts or other interest in the business of the Group or in any competing business with the Group. The Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules, which requires that every board of directors of a listed issuer must include at least 3 INEDs, at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise and an issuer must appoint INEDs representing at least one-third of the board, respectively.

Appropriate insurance to cover against liability of the Directors and officers of the Company has been arranged and will be renewed annually.

Board Process and Effectiveness

The Board is responsible for leading the Group's activities by determining strategic directions and business plan, exercising a number of reserved powers to oversee the operations and monitor the financial performance of the Group by determination of the annual budget, approving significant capital investment, ensuring the integrity of the Group's accounting and financial reporting system and to review the adequacy of the resources. The management is responsible to implement the Board's decision within the delegated authority, formulate business policy, make investment proposal and to meet regularly with the executive Board members to report their performance.

Key features of Board process:

- at least four regular Board meetings will be held each year, with additional meetings to be held as and when required. All Directors will be informed of the tentative dates of the regular Board meetings to be held within the year at the beginning of the year. In 2012, there were four regular meetings and three non-regular meetings held by the Board;

- in respect of regular meetings, at least 14 days' notice is given to all Directors to give them an opportunity to attend. For all other meetings, reasonable notice is given;

- proposed agenda will be given to all Directors at least 14 days prior to the regular meetings to give them an opportunity to include matters in the agenda and the board papers were sent to all Directors at least 3 days before the meetings;

- all Directors is able to access to the advice and services of the company secretary, management and external professionals with a view to ensuring that board procedures, all applicable rules and regulations, are followed;

- minutes of all board meetings and committee meetings have been sent to all directors for their comments and records respectively, within a reasonable time after the meetings are held;

- a procedure has been adopted by the Company to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

Corporate Governance Report

Appointment and Re-election of Directors

The independent non-executive Directors and non-executive Directors are appointed for a specific term of office for three years. The Board had renewed the term of service of Mr. Yip Tai Him, an INED, for a term of three years commencing from 29 March 2012. The other three INEDs, namely Ir. Dr. Ho Chung Tai, Mr. Xue Zhongsu and Mr. Qian Zhixin, each have his term of office for three years, commencing from 13 November 2011. The two non-executive Directors, namely Mr. Zhou Yuan and Mr. Zhang Qing, were appointed for a term of three years commencing from their appointment date, ie. 9 November 2012 and 12 March 2012, respectively. All Directors, including the INEDs and non-executive Directors as well as any newly appointed Directors within the year are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association, provided that every Director shall be retired at least once every three years. In the annual general meeting held in May 2012, Mr. Zhang Qing, Ms. Sun Wei, Mr. Zhu Yufeng, Mr. Chau Kwok Man, Cliff, Mr. Qian Zhixin and Mr. Yip Tai Him had been retired and re-elected as directors.

Nomination of Director

On 15 March 2012, the Board set up a nomination committee, details of the constitution and duties of the committee was set out below under the section headed "Other Committee" of this report. Where vacancies arise at the Board or whenever any qualified professionals or individuals with relevant expertise and experience is likely to be invited to join the Board, the qualifications, experience and awards (if any) of the proposed candidate(s) will be put forward to the Nomination Committee for its consideration and recommendation to the Board.

Responsibilities of Directors

During the year, Directors, including non-executive Directors have performed their responsibilities by attending and participating in various committees, board and general meetings. In order to encourage the Director's active participation in the meetings, meeting materials will be and have been dispatched to the Directors days in advance of the meetings to allow them to have the chance to read and understand the issues to be discussed in the meetings. The Company will also circulate a monthly report to the Directors to keep them up-to-date of the financial status and position of the Group.

Corporate Governance Report

At the beginning of each year, the Directors are provided with the tentative schedule of meetings so that they can mark their calendar as early as possible to avoid conflict of meetings. There were seven Board meetings held during the year and the average attendance rate is 80%. One general meeting, the annual general meeting, has been held during the year 2012. The attendance of such meetings was shown in the table below:

Members of the Board	Number of Board meetings attended/held	Number of general meetings attended/held
Executive Directors		
Zhu Gongshan *(Chairman and CEO)*	6/7	1/1
Sha Hongqiu *(resigned on 9 November 2012)*	6/6	1/1
Ji Jun	6/7	0/1
Shu Hua	6/7	0/1
Yu Baodong	6/7	1/1
Sun Wei	7/7	0/1
Zhu Yufeng	5/7	0/1
Non-Executive Directors		
Chau Kwok Man, Cliff *(resigned on 9 November 2012)*	2/6	0/1
Bai Xiaoqing *(resigned on 12 March 2012)*	0/1	0/0
Zhang Qing *(appointed on 12 March 2012)*	6/6*	0/1
Zhou Yuan *(appointed on 9 November 2012)*	1/1#	0/0
Independent Non-executive Directors		
Yip Tai Him	6/7	1/1
Qian Zhixin	7/7	1/1
Ho Chung Tai, Raymond	5/7	1/1
Xue Zhongsu	7/7	1/1

* 3 out of the 6 meetings attended by his proxy

\# attended by his proxy

Directors' Induction and Continuous Professional Development

Upon the appointment of Directors, a comprehensive Directors' handbook, which sets out the Company's business and a summary of the applicable laws, rules and regulations and key governance issues, will be provided to each newly appointed Director. A briefing regarding the rules and regulations applicable to directors of listed companies to observe during their services on Board as well as the businesses and development of the Group will also be provided to each of the newly appointed Directors. During the year, Mr. Zhou Yuan and Mr. Zhang Qing were appointed as non-executive Directors of the Company.

The Company will also update the Directors and senior management on any amendments to or revision of any applicable rules, regulations and laws or refresh their knowledge and skills by providing briefings or arrangement of seminars for the Directors and senior management to attend.

Corporate Governance Report

The Directors acknowledged the importance of updating their professional development and refreshing their knowledge and skills. The Company encouraged the Directors to participate in any seminar or forum organized by professional bodies, independent auditors, solicitors, chambers and business organizations as well as reading relevant articles. Below is a table in accordance with the records maintained by the Company indicating the current Directors had received the following training in compliance with Rule A.6.5 of the Listing Rules during the year:

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Zhu Gongshan *(Chairman and CEO)*	✓		✓	✓
Ji Jun	✓		✓	
Shu Hua	✓	✓	✓	
Yu Baodong	✓	✓	✓	
Sun Wei	✓	✓	✓	✓
Zhu Yufeng	✓	✓	✓	
Non-Executive Directors				
Zhang Qing *(appointed on 12 March 2012)*	✓	✓	✓	
Zhou Yuan *(appointed on 9 November 2012)*	✓	✓	✓	
Independent Non-executive Directors				
Yip Tai Him	✓	✓	✓	✓
Qian Zhixin	✓	✓	✓	
Ho Chung Tai, Raymond	✓	✓	✓	✓
Xue Zhongsu	✓	✓	✓	

Chairman and Chief Executive Officer

Mr. Zhu Gongshan is the Chairman and the Chief Executive Officer of the Company. The primary responsibilities of the Chairman are to provide leadership to the Board in setting corporate goals of the Company, overseeing the performance and effectiveness of the Board, ensuring the compliance of rules and regulation and taking a lead to ensure that the Board acts in the best interest of the Company and shareholders as a whole. The primary responsibilities of the Chief Executive Officer of the Company are to provide leadership for the management of the Company, taking a lead to implement the Company's business strategies and oversee the performance of the management in achieving corporate goals. The Board notes that the Chairman and the Chief Executive Officer of the Company are being acted by the same person and will continuously monitor and make new appointments when appropriate.

The Chairman will meet with the non-executive directors to discuss openly with them of any issues concerning the Company, without the presence of executive Directors. During the year, the Chairman had held two separate meetings with the non-executive Directors and the INEDs.

Corporate Governance Report

Delegation by the Board

The Board delegates certain responsibilities to various committees which are discussed below. Each of these committees has its respective terms of reference, which are posted on the Stock Exchange's and the Company's websites.

On 15 March 2012, the Board set up the Corporate Governance Committee and Nomination Committee with the delegated duties as mentioned below to further strengthen the corporate governance framework of the Company.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the profits and cash flows of the Group in accordance with the International Financial Reporting Standards, disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently; made judgements and estimates which are reasonable and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position, results of operations, cash flows and changes in equity of the Group. The Independent Auditor's Report relating to their reporting responsibilities on the financial statements of the Company is set out on pages 69 and 70 of this annual report.

Audit Committee

The Company established the Audit Committee on 22 October 2007, which currently comprises three INEDs, namely Mr. Yip Tai Him, Mr. Qian Zhixin and Ir. Dr. Raymond Ho Chung Tai. Mr. Yip Tai Him, who is a practicing accountant in Hong Kong and an associate member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountant in the United Kingdom, possesses extensive accounting experience and serves as the chairman of the committee.

The terms of reference of the Audit Committee setting out the operation, authorities and responsibilities of the committee is available on the websites of the Company and the Stock Exchange. The major responsibilities of the Audit Committee includes:

- monitoring integrity of the financial statements;
- reviewing annual report and interim report;
- monitoring and assessing the internal control system (including the adequacy of resources, qualifications and experience of accounting and financial reporting staff) and risk management system;
- monitoring and assessing the performance of internal control function;
- monitoring the independence of an external auditor;

Corporate Governance Report

- monitoring and assessing the performance of external auditor, proposing to the board the appointment or removal of external auditor, and facilitating the communication between external auditor and internal audit function;

- reviewing arrangements on raising, independent investigation and appropriate follow-up action in relation to possible improprieties in financial reporting and internal control are in place; and

- acting as key representative body for overseeing the Company's relations with the external auditor.

Three Audit Committee meetings were held in 2012 and the attendance is set out in the following table:

Members of Audit Committee	**Number of meetings attended/held**
Mr. Yip Tai Him *(Chairman)*	3/3
Mr. Qian Zhixin	3/3
Ir. Dr. Raymond Ho Chung Tai	3/3

In addition to the aforesaid three meetings, the Audit Committee also held a meeting in March 2013. The following work was performed by the Audit Committee during and subsequent to the year ended 31 December 2012:

i. reviewed and approved the audit fees;

ii. reviewed and recommended to the Board to approve the revised terms of reference of Audit Committee;

iii. assessed the independence of the external auditors;

iv. approved the scope of audit for the year ended 31 December 2012;

v. reviewed the 2012 auditor's report from Deloitte Touche Tohmatsu;

vi. reviewed the 2012 audited financial statements and the results announcement (including the unaudited financial statements and the results announcement for 1st half of 2012);

vii. reviewed the report on the continuing connected transactions for the financial year ended 31 December 2012;

viii. reviewed the corporate governance internal control review reports prepared by Baker Tilly Hong Kong Business Services Ltd. and concluded that the Group has an effective internal control system and the qualifications and experience of the Company's accounting staff and resource for financial reporting function are adequate; and

ix. reviewed various aspects of risk management.

Corporate Governance Report

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor and ensures that their engagement in other non-audit services will not impair their audit independence. Deloitte Touche Tohmatsu has confirmed that for the year ended 31 December 2012 and thereafter to the date of this report, they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

For the year ended 31 December 2012, the total remuneration in respect of services provided by Deloitte Touche Tohmatsu is analyzed as follows:

Nature of Service	Fees (HK$'000)
Audit services	
— 2012 Annual audit	8,179
Non-audit services	
— 2012 Interim review	1,150
— Reporting accountant	6,380
	15,709

Internal Controls

The Directors assume the responsibility for maintaining and reviewing the effectiveness of the Group's internal controls, and through the Company's Audit Committee, kept regularly appraised of significant risks that may impact on the Group's performance. Appropriate policies and control procedures covering tendering, financial reporting, sales and procurement, human resources and legal compliance have been designed, implemented and reviewed to ensure that assets are safeguarded against improper use or disposal; established system, relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact on the Group's performance are appropriately identified and managed. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud.

The various system and procedures, freely accessible on the Group's intranet, is maintained and communicated to all staff for compliance. In addition, the Whistleblowing Policy for staff to raise concerns about suspected misconducts, malpractice or improprieties relating to the Group was established. The Inside Information Policy to safeguard the exposure of breaching risk was also established during the year.

In addition to the internal control function carried out internally by the Group, an external independent risk advisory firm (the "Advisor") has been engaged to review and appraise the internal control system of the Group regularly. The semi-annual internal control review plan of the Group covers major activities and material controls (including operational, financial and compliance) of the Group's business and service units. During the year the Advisor had conducted site visits, walked through tests on (i) financial and cash management cycles, fixed assets management cycles, expenses and payment management cycles of Xuzhou Solar Farm; (ii) sale and receivables collection cycles, procurement and payment cycles, stock management

Corporate Governance Report

cycles and fixed assets management cycles of the ingot and wafer plants in Changzhou and Henan; and (iii) receivable and credit management of wafer business. The Advisor also discussed directly with the executives of the Suzhou production plant and our Suzhou Management office for the purpose of assessing the overall risks faced by wafer production plant and the effect of such risks to its operation. A report on the result of assessment and recommendations from Baker Tilly Hong Kong Business Services Ltd. was provided to the Audit Committee in August 2012 and March 2013, respectively.

Based on the two reviews carried out by Baker Tilly Hong Kong Business Services Ltd. and the auditor's report from Deloitte Touche Tohmatsu, the Audit Committee and the Board concluded that there are no material irregularities nor areas of material concern that would have significant adverse impact on the Company's financial position or results of operations, and that the internal control systems are adequate and effective and the Company's accounting staff and resource for financial reporting function are adequate.

The Board assessed the effectiveness of the internal control by considering the views of the Audit Committee and both the internal and external auditors.

Remuneration of Directors and Senior Management

Remuneration Committee

The Remuneration Committee was established on 22 October 2007 and currently comprises three INEDs, namely Ir. Dr. Raymond Ho Chung Tai, Mr. Yip Tai Him and Mr. Qian Zhixin. Ir. Dr. Raymond Ho Chung Tai is the chairman of the committee. The Board resolved to adopt that the Remuneration Committee has the duty to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management on 15 March 2012. A copy of the updated terms of reference setting out the operation, authorities and responsibilities of the Remuneration Committee is available at the Company's and the Stock Exchange's websites.

The primary responsibilities of the Remuneration Committee include:

- making remuneration recommendations of non-executive Directors to the Board;
- recommending the remuneration policy and structure for all Directors and senior management to the board for approval; and
- reviewing and approving the compensation arrangement to executive Directors and senior management for any loss or termination of officer appointment to ensure that it is consistent with contractual terms and is fair and not excessive.

A meeting was held by the Remuneration Committee during the year 2012 and all members of the committee had attended such meeting in person.

Subsequent to the year ended 31 December 2012, the Committee had convened a meeting in March 2013. The Remuneration Committee had performed the following work during and subsequent to the year ended 31 December 2012:

i. reviewed and recommended the Board on the remuneration policy of the executive Directors and management of the Company;

Corporate Governance Report

ii. reviewed, considered and approved the remuneration package, annual base salary and incentive scheme of the executive Directors; and

iii. approved the amount of incentives paid to the Directors.

Details of remuneration payable to each Director of the Company have been set out in note 13 to the consolidated financial statements. With effect from 1 January 2013, all executive Directors' annual base salary was reduced. Mr. Shu Hua's annual base salary cut was 30% while all other executive Directors' salary cut was 15%.

Other Committees

Strategic Planning Committee

The Strategic Planning Committee was established on 22 October 2007 and currently comprises six members, three independent non-executive Directors and three executive Directors. The independent non-executive Directors include Ir. Dr. Raymond Ho Chung Tai (chairman of the committee), Mr. Qian Zhixin and Mr. Xue Zhongsu. The executive Directors who are also the committee members are Messrs. Zhu Gongshan, Sha Hongqiu and Ji Jun. Ms. Sun Wei (an executive Director) was appointed as an additional member of the Committee by the Board on 15 March 2012. Mr. Sha Hongqiu resigned as a member of the Committee with effect from 9 November 2012.

The primary responsibilities of the Strategic Planning Committee include:

- reviewing long-term strategic development plans;
- reviewing the annual performance of the Company and assessing implementation and progress of the long term strategic development plans;
- reviewing and recommending to the Board with regard to the political, social and economic development in the PRC affecting or potentially affecting the business activities of the Group; and
- reviewing and monitoring the relationship of the Company with its key strategic joint-venture partners or the relationship building with these partners.

A meeting was held during the year and all the members had attended such meeting in person. During the meeting, the Strategic Planning Committee had reviewed the market analysis and development strategy of the Group.

Nomination Committee

The Board has approved to set up the Nomination Committee and its terms of reference on 15 March 2012. The Committee comprises two INEDs, namely Mr. Xu Zhongsu (chairman of the committee) and Mr. Qian Zhixin, and an executive Director, namely Ms. Sun Wei.

A copy of the terms of reference setting out the operation, authorities and responsibilities of the Nomination Committee is available at the Company's and the Stock Exchange's websites.

Corporate Governance Report

The duties of the Nomination Committee includes reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board, identifying and making recommendations to the Board on the selection of individual nominated for directorships, assessing the independence of INEDs, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

A meeting has been convened by the Committee and all the members had attended the meeting in person. During the meeting, the committee had reviewed and assessed (i) the independence of the INEDs against the criteria and guidelines as set out in Rule 3.13 of the Listing Rules and concluded that all INEDs are complied with the criteria; (ii) the composition of the existing Board members with reference to their experience, qualification and expertise against the business scope of the Company, and (iii) approved the system and procedures of nomination of directors.

Connected Transaction Committee

The Connected Transaction Committee was established in March 2011. The Committee comprises three members, one independent non-executive Director (Mr. Yip Tai Him), one non-executive Director (Mr. Zhou Yuan succeeded Mr. Chau Kwok Man, Cliff as a member of the committee with effect from 9 November 2012) and one executive Director (Mr. Yu Baodong). Mr. Yip Tai Him was appointed the Chairman of the Committee.

The main duties of the Committee are to:

i. review and recommend to the Board the connected/continuing connected transactions which are subject to announcement and reporting and/or shareholders' approval;

ii. review and recommend to the Board the Company's policies and practices on compliance with legal and regulatory requirements on connected/continuing connected transactions.

During 2012, the Committee held two meetings, the attendance of which is as set out below. The meetings had reviewed and analyzed two continuing connected transactions of the Company, the conclusions of which and the recommendations were reported to the Board.

Members of Connected Transaction Committee	**Number of meetings attended/held**
Yip Tai Him *(Chairman of Committee)*	2/2
Chau Kwok Man, Cliff *(resigned on 9 November 2012)*	1/2
Zhou Yuan *(appointed on 9 November 2012)*	0/0
Yu Baodong	2/2

Corporate Governance Report

Corporate Governance Committee

The Board resolved to establish the Corporate Governance Committee and adopted its terms of reference on 15 March 2012. The Committee comprises two independent non-executive Directors, namely Mr. Yip Tai Him and Ir. Dr. Raymond Ho Chung Tai, and an executive Director, namely Mr. Yu Baodong. Ir. Dr. Raymond Ho Chung Tai was appointed the Chairman of the Committee.

A copy of the terms of reference setting out the operation, authorities and responsibilities of the Corporate Governance Committee is available at the Company's and the Stock Exchange's websites.

The duties of the Corporate Governance Committee includes:

i. developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

ii. reviewing and monitoring the training and continuous professional development of directors and senior management;

iii. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

iv. developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and

v. reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

A meeting has been convened by the Committee during the year 2012 and all members had attended the meeting in person. During the meeting, the committee had reviewed (i) certain policies and practices of the Company to determine its compliance with the Listing Rules, including the whistle-blowing system and the connected transaction system; (ii) policy in relation to the training and continuous professional development of directors and senior management; and (iii) employees' code of conduct. The committee also reviewed the effectiveness of these policies after implementation and make suggestions on them. The Committee has also reviewed the contents of the corporate governance report to ensure its compliance with the Corporate Governance Code under the Listing Rules.

Compliance with Model Code

The Board has adopted the model code with terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules as its own model code of conduct regarding directors' securities transactions (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2012.

Corporate Governance Report

Investor Relations and Communication with Shareholders

The Board recognizes the importance of communication with shareholders and has formalized its practices to a communication policy in 2012. The general communication policy includes timely dispatch full and accurate information to shareholders and investment public by announcement, financial reports and circulars through the websites of the Stock Exchange and the Company; maintain dialogue with shareholders by disclosing the way of communication to the Board and in relation to share registration matters, the contact of the share registrar in Hong Kong; and by convening the general meetings and annual general meeting. On 28 May 2012, the Company convened an annual general meeting, at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The Chairman of the Company and the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Connected Transaction Committee had all attended such meeting. At the annual general meeting, all ordinary business and special business were voted by poll and duly passed by the shareholders. Upon the completion of the meeting, the Directors took the chance to talk to the shareholders and answer all questions raised by them, all in relation to the business of the Company.

Our listing and share information, important dates for shareholders and enquiries contact are all listed under the section headed “Information for Investor” in this report.

The Board also communicated from time to time with analysts, fund managers, institutional shareholders and media while keeping the stringent standard of not disclosing price sensitive information to a selective group. The Directors, executives together with our Investor Relations team held/participated in meetings, presentations and conference with them. Details of investor relations activities were further described under the section headed “Major Investor Relations Activities” of this report.

There is no change in the Company’s Memorandum and Articles of Association during the year. A copy of the Memorandum and Articles of Association was available at the websites of the Stock Exchange and the Company.

Shareholders’ Rights

Procedures for members to convene extraordinary general meeting (“EGM”)

The following procedures are subject to the Company’s Articles of Association and applicable legislation and regulation.

1. Pursuant to Article 58 of the Articles of Association of the Company, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition. Such written requisition must be duly signed by the members concerned and to be verified by the Company’s share registrar; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

2. The requisitionist(s) shall deposit his/their requisition together with the proposals to be considered at such meeting at the principal place of business of the Company at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary.

3. If the requisition is in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered members. On the contrary, if the requisition is invalid, the members concerned will be advised of this outcome and accordingly, an EMG will not be convened as requested.

4. The notice period to be given to all the registered members for consideration of the proposal raised by the member(s) concerned at an EGM varies according to the nature of the proposal, as follows:

   — at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

   — at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

   Members who have enquires about the above procedures may write to the Company Secretary at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time.

Procedures for a member to put forward proposals at general meeting

The following procedures are subject to the Company's Articles of Association and applicable legislation and regulation.

To put forward proposals at a general meeting of the Company, a member should lodge a written request signed by the member concerned setting out the proposals at the principal place of business of the Company at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary.

The request will be verified with the Company's share registrars and if in order, the Company Secretary will pass the request to the Board for consideration. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a member is (a) pursuant to a requisition by a member to convene an EGM or (b) forms part of ordinary business to be considered at an annual general meeting as described in article 61(1) of the Company Articles of Association.

Corporate Governance Report

Procedures for a member to propose a person for election as a director

The following procedures are subject to the Company's Articles of Association and applicable legislation and regulation.

1. If a member, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the member himself/herself) for election as a director at that meeting, he/she can deposit a written notice at the Company's principal office at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, or at any address notified by the Company from time to time for the attention of the Company Secretary of the Company.

2. In order for the Company to inform all members of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by rule 13.51(2) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited, and be signed by the member concerned and that person indicating his/her willingness to be elected.

3. The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the general meeting and end no later than seven (7) clear days prior to the date of such general meeting. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the members at least fourteen (14) clear days and not less than ten (10) business days prior to the general meeting.

Members who have enquires about the above procedures may write to the Company Secretary at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time.

Enquiries to the Board

No procedure set in the Articles of Association of the Company available for any member to put forward an enquiry to the Board. A member may, of course, at any time write to the board of directors of the Company at the Company's principal office at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time. In relation to share registration matters in Hong Kong, a member shall contact the branch share registrar in Hong Kong, namely Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Major Investor Relations Activities

The Board and management of the Company believe that effective investor relations is instrumental in enhancing investors' understanding to the Company, improving the quality of corporate governance and creating shareholders' value. Last year, we, together with various investor relations intermediaries and securities brokers, organized a series of investor relations activities to promote the Company in the capital markets.

In 2012, we launched various non-deal roadshows in Hong Kong, Singapore, Japan, Korea, Taiwan, Europe, the United States and the Mainland China (such as Beijing, Shanghai and Shenzhen). Since it was a challenging year for the photovoltaic industry last year, we felt the need to be more proactive in communicating with the investors community so that they get to keep abreast of the business development of the Company to maintain confidence in the future growth of the Company.

Throughout last year, we participated in over 300 investor relations activities including non-deal roadshows, investor seminars and one-on-one meetings. We have taken advantage of every opportunity to participate in various investor forums organized by Goldman Sachs, Deutsche Bank, UBS, Nomura, Citigroup, Macquarie, Morgan Stanley, UOB, HSBC, Standard Chartered, Piper Jaffray, CLSA, Barclays, BOCI, JP Morgan, CICC, Shenyin Wanguo, Sinolink, Guotai Junan, China Merchants, GF Securities, Huatai United Securities, Huaan, SMBC and First Shanghai etc. We also organized one-on-one meetings with investors whenever possible.

We also organized a number of site visits in 2012 as we hoped that global investors would learn more about our manufacturing competitive advantages in the solar industry. Representatives from major media groups, research analysts and fund managers all over the world were invited to visit our power plants and our polysilicon and wafer manufacturing facilities in the PRC. Through face-to-face meetings with our frontline staff members, media and investors were able to learn more about our operations and business strategies.

Furthermore, we re-created the Company's website to enrich contents and further improve the user interfaces. We update the information on our website on a timely basis and through various media channels and emails, we communicate immediately with investors on the latest business developments of the Company.

Report of the Directors

The directors of the Company (the "Directors" or the "Board") submit their report together with the audited consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

Principal Activities

The principal activities of the Group are principally engaged in the manufacturing of polysilicon and wafers for the solar industry, the development, management and operation of environmentally friendly power plants. The particulars of the Company's principal subsidiaries, associates and jointly controlled entities are set out in notes 48, 21 and 20 of the consolidated financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 71.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: HK5.5 cents per share).

Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 3.

Property, Plant and Equipment

Movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Share Capital

Details of movements in the issued share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2012 amounted to HK$22,074.3 million (2011: HK$32,024.9 million).

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Report of the Directors

Bank Borrowings

Particulars of the Group's bank borrowings are set out in note 34 to the consolidated financial statements.

Donations

Donations by the Group for charitable and other purposes as at 31 December 2012 amounted to HK$11,517,000.

Directors

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Zhu Gongshan *(Chairman and Chief Executive Officer)*
Mr. Sha Hongqiu *(Executive President, resigned as Executive Director on 9 November 2012)*
Mr. Shu Hua *(Executive President)*
Mr. Ji Jun
Mr. Yu Baodong
Ms. Sun Wei
Mr. Zhu Yufeng

Non-Executive Directors

Mr. Chau Kwok Man, Cliff *(resigned on 9 November 2012)*
Ms. Bai Xiaoqing *(resigned on 12 March 2012)*
Mr. Zhang Qing *(appointed on 12 March 2012)*
Mr. Zhou Yuan *(appointed on 9 November 2012)*

Independent Non-executive Directors

Mr. Qian Zhixin
Mr. Xue Zhongsu
Ir. Dr. Raymond Ho Chung Tai
Mr. Yip Tai Him

Report of the Directors

In accordance with Article 86(3) of the Articles of Association of the Company, Mr. Zhou Yuan, being a director appointed by the Board on 9 November 2012, will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Articles 87(1) and (2) of the Articles of Association of the Company, Mr. Shu Hua, Mr. Yu Baodong, Ir. Dr. Raymond Ho Chung Tai and Mr. Xue Zhongsu will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received from each of its 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 ("Stock Exchange") (the "Listing Rules"). The Company has assessed their independence and considers that all the independent non-executive Directors are independent in accordance with guidelines set out in the Listing Rules.

Directors' Services Contracts

Each of the non-executive Directors has entered into a service contract with the Company for an initial fixed term of three years and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Upon the expiry of the notice period, the appointment will be terminated.

No Director proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interest in Contracts

Save as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" in this report of the Directors, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party, and which subsisted at the end of the year or at any time during the year.

Report of the Directors

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2012, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules:

Long position in the shares and underlying shares of the Company

Name of director/ chief executive	Number of ordinary shares: Beneficiary of a trust	Corporate interests	Personal interests	Number of underlying shares	Total	Approximate percentage of issued share capital of the Company
Zhu Gongshan	5,018,843,327 (note 1)	—	—	—	5,018,843,327	32.43%
Ji Jun	—	—	—	3,000,000 (note 2)	3,000,000	0.02%
Shu Hua	—	—	1,200,000	3,000,000 (note 2)	4,200,000	0.03%
Yu Baodong	—	6,108,934 (note 3)	1,112,000	3,000,000 (note 2)	10,220,934	0.07%
Sun Wei	—	—	5,723,000	3,000,000 (note 2)	8,723,000	0.06%
Zhu Yufeng	5,018,843,327 (note 1)	—	—	1,000,000 (note 2)	5,019,843,327	32.44%
Yip Tai Him	—	—	—	500,000 (note 2)	500,000	0.003%
Ho Chung Tai, Raymond	—	—	—	500,000 (note 2)	500,000	0.003%
Qian Zhixin	—	—	—	500,000 (note 2)	500,000	0.003%
Xue Zhongsu	—	—	—	500,000 (note 2)	500,000	0.003%

Report of the Directors

Notes:

(1) An aggregate of 5,018,843,327 shares of the Company are collectively held by Highexcel Investments Limited and Happy Genius Holdings Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee and Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries.

(2) These are share options granted by the Company to the Directors, pursuant to the pre-IPO share option scheme and the share option scheme, both were adopted by the shareholders of the Company on 22 October 2007. Such granted share options can be exercised by the Directors at various intervals during the period from 1 April 2009 to 14 July 2021 at an exercise price of HK$4.10 or HK$0.59.

(3) Mr. Yu Baodong is the ultimate beneficial owner of Bonus Billion Group Limited which owns 6,108,934 shares of the Company as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register that was required to be kept under Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Option Schemes

(A) Pre-IPO share option scheme

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 22 October 2007 which became effective on 13 November 2007. No further options under the Pre-IPO Share Option Scheme can be granted after 13 November 2007, the date of listing of the shares of the Company on the Stock Exchange ("Date of Listing"). The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from the effective date.

Details of the outstanding and movements of the pre-IPO share options of the Company during the year are as follows:

				Number of options				
Name or category of participant	**Date of grant**	**Exercise period**	**Exercise Price** HK$	**Outstanding as at 01.01.2012**	**Granted during the year**	**Lapsed or forfeited during the year**	**Exercised during the year**	**Outstanding as at 31.12.2012**
Directors/ chief executive								
Ji Jun	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Shu Hua	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Yu Baodong	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Sun Wei	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Non-director employees (in aggregate)	13.11.2007	13.11.2010 to 12.11.2017	4.10	20,340,000	–	–	–	20,340,000
				26,340,000				26,340,000

Report of the Directors

Notes:

(1) the consideration for the pre-IPO share options granted to each participant is HK$1.00.

(2) Mr. Sha Hongqiu resigned as an executive Director on 9 November 2012. The 1,680,000 outstanding option shares at 1 January 2012 granted to him on 13 November 2007 was re-classified from the category of Directors to the category of employees.

The vesting scale of the granted share options is 20%, 30% and 50% to be vested on the third, fourth and fifth anniversaries of the Date of Listing, respectively, such that the share options granted are fully vested on the fifth anniversary of the Date of Listing.

During the year, no options was lapsed, cancelled nor exercised.

(B) Share option scheme

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

During the year, no option shares was granted by the Company, a total of 24,700,000 option shares were lapsed, 5,114,000 option shares were exercised and there were 128,239,000 option shares outstanding as at 31 December 2012.

Report of the Directors

Details of the share options outstanding and movements under the Share Option Scheme of the Company during the year are as follows:

				Number of options				
Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Outstanding as at 01.01.2012	Granted during the year	Lapsed or forfeited during the year	Exercised during the year	Outstanding as at 31.12.2012
Directors/ chief executive								
Ji Jun	16.02.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Shu Hua	16.02.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Yu Baodong	16.02.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Sun Wei	16.02.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Zhu Yufeng	16.02.2009	01.04.2009 to 15.02.2019	0.59	1,000,000	–	–	–	1,000,000
Yip Tai Him	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000
Ho Chung Tai	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000
Qian Zhixin	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000
Xue Zhongsu	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000
Non-director employees (in aggregate)	16.02.2009	01.04.2009 to 15.02.2019	0.59	17,697,000	–	–	(4,594,000)	13,103,000 (note 1)
	24.04.2009	01.05.2009 to 23.04.2019	1.054	2,056,000	–	–	(520,000)	1,536,000
	12.01.2011	01.03.2011 to 11.01.2021	3.32	23,500,000	–	(6,500,000)	–	17,000,000
	15.07.2011 (note 2)	01.09.2011 to 14.07.2021	4.10	105,800,000	–	(18,200,000)	–	87,600,000
				158,053,000	–	(24,700,000)	(5,114,000)	128,239,000

Report of the Directors

Notes:

(1) Mr. Sha Hongqiu resigned as an executive Director on 9 November 2012. The 168,000,000 outstanding option shares at 1 January 2012 granted to him on 16 February 2009 was re-classified from the category of Directors to the category of employees.

(2) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised during the year ended 31 December 2012:

Date of Grant	No. of options exercised	Exercise price per share (HK$)	Weighted average closing price (HK$)
16.2.2009	4,594,000	0.59	1.98
24.2.2009	520,000	1.054	2.45

(3) 20% of the share options granted will be vested on the year of grant, the first, second, third and fourth anniversary of the date of grant, respectively, such that the share options granted are fully vested on the fourth anniversary of the date of grant.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Report of the Directors

Interests and Short Positions of Substantial Shareholders

As at 31 December 2012, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

Interests in the shares or underlying shares of the Company

Name	Note	**Capacity/nature of interest**	**Number of ordinary shares/ underlying shares**	**Approximate percentage of issued share capital of the Company**
Asia Pacific Energy Fund Limited	1	Interest in a controlled corporation	5,018,843,327	32.43
China Investment Corporation	2	Interest in a controlled corporation	3,111,103,054	20.10

Notes:

(1) Highexcel Investments Limited and Happy Genius Holdings Limited collectively hold 5,018,843,327 shares of the Company, both of which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee and Mr. Zhu Gongshan (a Director and Chairman of the Company) and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries.

(2) China Investment Corporation ("CIC") is interested in approximately 3,111,103,054 shares of the Company, out of which Chengdong Investment Corporation (a wholly-owned subsidiary of CIC) owns 3,108,163,054 shares. Mr. Zhang Qing and Mr. Zhou Yuan, both are non-executive Directors of the Company, are currently employees of CIC.

(3) The total number of ordinary shares of the Company in issue as at 31 December 2012 is 15,476,076,268.

Save as disclosed aforesaid, so far as is known to any Directors or chief executive of the Company, as at 31 December 2012, no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO.

Report of the Directors

Connected Transactions and Continuing Connected Transactions

(A) Connected Transactions

The following are summaries of connected transactions which were disclosed in the announcements during the year :

(1) Acquisitions of the entire interests in 保利協鑫(徐州)再生能源有限公司 Xuzhou GCL-Poly Renewable Energy Company Limited ("Xuzhou Incineration Power Plant") and 四川協鑫硅業科技有限公司 Sichuan Xie Xin Silicon Technology Company Limited* ("Sichuan Silicon")*

On 12 January 2012, Macro Pace Limited (a wholly-owned subsidiary of the Company) entered into a share purchase agreement ("Share Purchase Agreement") with Sinopro Enterprises Limited, pursuant to which Macro Pace Limited agreed to purchase 100% of the equity interest in Charm Team Limited from Sinopro Enterprises Limited, subject to and in accordance with the terms and conditions of the Share Purchase Agreement, for a consideration of RMB290 million. As Charm Team Limited holds indirectly 100% of the equity interest in Xuzhou Incineration Power Plant, the acquisition will result in Xuzhou Incineration Power Plant becoming an indirectly wholly-owned subsidiary of the Company. 10% of the consideration was paid in cash upon signing of the Share Purchase Agreement and the remaining 90% be paid in cash upon completion. The acquisition of Xuzhou Incineration Power Plant through the acquisition of the entire issued shares of Charm Team Limited was completed on 23 May 2012.

Sinopro Enterprises Limited is indirectly wholly-owned by a discretionary trust, of which Mr. Zhu Gongshan and Mr. Zhu Yufeng, each an executive Director, and their family are beneficiaries. As each of Mr. Zhu Gongshan and Mr. Zhu Yufeng is a connected person of the Company, Sinopro Enterprises Limited is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. As such, the transaction contemplated under the Share Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 12 January 2012, 江蘇中能硅業科技發展有限公司 *Jiangsu Zhongneng Polysilicon Technology Development Co., Limited** ("Jiangsu Zhongneng", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement ("Equity Transfer Agreement") with 上海國能投資有限公司 *Shanghai Guoneng Investment Company Limited** ("Shanghai Guoneng"), pursuant to which Jiangsu Zhongneng agreed to purchase 100% of the equity interest in Sichuan Silicon from Shanghai Guoneng, subject to and in accordance with the terms and conditions of the Equity Transfer Agreement. The consideration paid by Jiangsu Zhongneng for the acquisition is RMB91 million. 10% of the consideration was paid in cash upon signing of the Equity Transfer Agreement and the remaining 90% be paid in cash upon completion, subject to the satisfaction of the conditions precedent. The acquisition of Sichuan Silicon was completed on 2 March 2012.

As Shanghai Guoneng is indirectly wholly-owned by Mr. Zhu Yufeng, an executive Director and a connected person of the Company, Shanghai Guoneng is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. As such, the transaction contemplated under the Equity Transfer Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the Share Purchase Agreement and Equity Transfer Agreement was disclosed under an announcement of the Company dated 12 January 2012. The completion of purchase of Sichuan Silicon and Charm Team Limited was announced by the Company on 5 March 2012 and 23 May 2012, respectively.

Report of the Directors

(2) Assignment of outstanding amount of goods sold due from 協鑫光伏系統有限公司 GCL Solar System Company Limited ("GCL Solar") by the Assignor to 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Limited ("Jiangsu Zhongneng")*

Jiangsu Zhongneng, a wholly-owned subsidiary of the Company, entered into two sale agreements (the "Sale Agreements") dated 28 May 2012 and 8 June 2012 respectively to sell polysilicon products to a customer (the "Assignor"). As at 26 October 2012, the outstanding amount due from Assignor to Jiangsu Zhongneng in respect of goods sold under the Sale Agreements was RMB72,142,400.

GCL Solar entered into two purchase agreements dated 17 March 2011 and a supplemental agreement dated 26 June 2011 respectively (collectively the "Purchase Agreements") with the Assignor to purchase solar modules for a total amount of RMB184.2 million. As at 26 October 2012, the outstanding amount due from GCL Solar to the Assignor in respect of goods sold under the Purchase Agreements was RMB72,142,400.

Jiangsu Zhongneng entered into an agreement (the "Agreement") with the Assignor and GCL Solar dated 26 October 2012, pursuant to which the Assignor agreed to assign the outstanding amount of RMB72,142,400 due from GCL Solar in respect of goods sold under the Purchase Agreements to Jiangsu Zhongneng for the consideration to set off the same amount incurred by the Assignor to Jiangsu Zhongneng under the Sale Agreements.

GCL Solar is a wholly-owned subsidiary of a discretionary trust, of which Mr. Zhu Gongshan and Mr. Zhu Yufeng (executive Directors of the Company) and their family are beneficial owners. As Mr. Zhu Gongshan and Mr. Zhu Yufeng are connected persons of the Company, GCL Solar is an associate of both Mr. Zhu and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. An announcement of the Company dated 30 October 2012 setting out the details of the Agreement was issued.

(3) Engineering, Procurement and Construction Contracts

大同縣協鑫光伏電力有限公司 *Datong Xian GCL Solar Power Co., Ltd.** ("Datong Power") entered into an engineering, procurement and construction agreement with 協鑫光伏系統有限公司 *GCL Solar System Company Limited* ("GCL Solar").

Datong Power, a wholly-owned subsidiary of the Company, entered into an engineering, procurement and construction agreement (the "Contract") dated 1 November 2012 with GCL Solar, pursuant to which GCL Solar will, on a fixed-price turnkey basis, provide Datong Power (as the owner), among other services, turnkey design, engineering, procurement, construction, installation, and performance testing services for a solar generating project with a planned capacity of up to approximately 20 MW (DC) to be located in Datong, Shanxi, the PRC, at a total contract price of RMB42.99 million (subject to adjustments to be agreed upon by Datong Power and GCL Solar). The contract price shall be payable at the time of certain agreed milestones and a deposit of 20% shall be paid upon signing of the Contract.

GCL Solar is a wholly-owned subsidiary of a discretionary trust, of which Mr. Zhu Gongshan and Mr. Zhu Yufeng (executive Directors of the Company) and their family are beneficial owners. As Mr. Zhu Gongshan and Mr. Zhu Yufeng are connected persons of the Company, GCL Solar is an associate of both Mr. Zhu and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Contract constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the Contract was disclosed under an announcement of the Company dated 1 November 2012.

Report of the Directors

(B) Continuing Connected Transactions

The independent non-executive Directors of the Company, has reviewed and confirmed that the continuing connected transactions for the year ended 31 December 2012 were entered into:

i. in the ordinary course of the business of the Group;

ii. either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third party; and

iii. in accordance with the relevant written agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed to the Board in writing that for the year ended 31 December 2012, the continuing connected transactions, which were entered into:

1. have received the approval of the Board;

2. are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Group;

3. have been entered into in accordance with the relevant agreement governing such transactions; and

4. have not exceeded the relevant announced cap amounts for the financial year ended 31 December 2012.

Details of the continuing connected transactions of the Company for the year ended 31 December 2012 are as follows:

(1) Provision of operation and management services

(a) 南京協鑫生活污泥發電有限公司 *Nanjing Xiexin Life Sludge Power Co., Ltd.** ("Nanjing Cogeneration Plant") and 蘭溪協鑫環保熱電有限公司 *Lanxi Golden Concord Environmental Protection Cogen-Power Co., Ltd.** ("Lanxi Cogeneration Plant") are owned by a discretionary trust of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries. 徐州龍固坑口矸石發電有限公司 *Xuzhou Longgu Mine-site Gangue Power Generation Co., Ltd.** ("Longgu Cogeneration Plant"), in which Mr. Zhu Gongshan and his family have a 59% deemed interest, was disposed to a third party independent of the Company in March 2012. Mr. Zhu Yufeng, a Director of the Company owns the entire interest of 徐州金山橋熱電有限公司 *Xuzhou Jinshanqiao Cogeneration Co., Ltd.** ("Jinshanqiao Cogeneration Plant"). Mr. Zhu Yufeng also owned the entire equity interest of 保利協鑫(徐州)再生能源有限公司 *Xuzhou GCL-Poly Renewable Energy Company Limited** ("Xuzhou Incineration Power Plant"), which was acquired by the Company on 23 May 2012. Thus Nanjing Cogeneration Plant, Lanxi Cogeneration Plant, Longgu Cogeneration Plant (up to the time of disposal as mentioned-above), Jinshanqiao Cogeneration Plant and Xuzhou Incineration Power Plant (up to the time of completion of acquisition by the Company as mentioned-above) are associates of Mr. Zhu Yufeng and/or Mr. Zhu Gongshan, and therefore are connected persons of the Company under Chapter 14A of the Listing Rules.

Report of the Directors

上海保利協鑫電力運行管理有限公司 *Shanghai GCL-Poly Electricity Operating Management Co., Ltd.* (the "Management Company"), a subsidiary of the Company, entered into a renewed agreement on 7 January 2011 with each of Nanjing Cogeneration Plant (the "Renewed Nanjing Agreement"), Longgu Cogeneration Plant (the "Renewed Longgu Agreement"), Lanxi Cogeneration Plant (the "Renewed Lanxi Agreement"), Jinshanqiao Cogeneration Plant (the "the Renewed Jinshanqiao Agreement"), and Xuzhou Incineration Power Plant (the "Renewed Xuzhou Agreement") for a term of three years commencing from 1 January 2011 with an annual fees of RMB2,400,000, 1,000,000, 1,200,000, 2,000,000 and 1,200,000 respectively. Pursuant to the agreements, the Management Company agreed to provide operation and management services to each of the power plants. Each of the power plants may at its own discretion pay the Management Company a bonus which is payable in the first quarter of the following year if the actual profits of the power plant for the preceding year exceeds its profit forecast for that year mainly due to the efforts of the Management Company.

The scope of the operation and management services consists of two major components, namely (i) operation services; and (ii) management services. The operation services provided by the Management Company to all plants except Xuzhou Incineration Power Plant are the same, which include, among others, coordinating competitive bidding strategy, heat and electricity pricing, coal supply, purchase of production accessories, equipment maintenance, capital management, technical training and transfer of technology, utilisation of professional services specific to the power industry and other general professional services. Operation services provided to Xuzhou Incineration Power Plant include, among others, coordinating purchase of production accessories, equipment maintenance and technical training. Management Services provided to Nanjing Cogeneration Plant, Lanxi Cogeneration Plant, Jinshanqiao Cogeneration Plant and Xuzhou Incineration Power Plant includes, among others, providing guidance in operational target management, establishment of performance assessment system, corporate planning and budgeting, corporate asset management, cost management and financial management, corporate safety target management, production technology management, human resources management, IT management and reporting system management. Management Services provided to Longgu Power Plant includes guidance in corporate safety target management and production technology management.

An announcement of the Company dated 7 January 2011 was disclosed with full details of the renewals of the above-mentioned agreements.

On 15 February 2012, the Management Company and Jinshanqiao Cogeneration Plant entered into a supplemental agreement to amend the terms of the Renewed Jinshanqiao Agreement by increasing the scope of the operation services and revising the annual management fee from RMB2,000,000 to RMB4,000,000, commencing from 1 January 2012 due to Jinshanqiao Cogeneration Plant has expanded its generation capacity by the construction of three 240 tonne/hour additional boilers by the end of 2012. Other terms of the Renewed Jinshanqiao Agreement remain unchanged. Such supplemental agreement was disclosed by the Company under the announcement dated 15 February 2012.

Due to the relocation of our power management office from Shanghai to Suzhou in January 2013, most of the staff who provided the management and operation services were also moved to Suzhou. Accordingly, the Management Company, 保利協鑫有限公司 GCL-Poly Company Limited* (another wholly-owned subsidiary of the Company which is incorporated in Suzhou, the PRC) and each of Nanjing Cogeneration Plant, Lanxi Cogeneration Plant and Jinshanqiao Cogeneration Plant entered into three independent assignment agreements on 28 February 2013 respectively, pursuant to which Management Company assigned all the rights and liability under the Renewed Nanjing Agreement, Renewed Lanxi Agreement, Renewed Jinshanqiao Agreement (as amended) to GCL-Poly Company Limited with effect from 1 January 2013. Other than the above-mentioned change, all the terms and conditions of these agreements remain unchanged. The assignment also involved no change in commercial terms of these agreements and the annual caps remain the same.

Report of the Directors

The fees and annual cap of the Operation and Management Services under each of the agreements for the year ended 31December 2012 and the annual cap for the year ending 2013 were as follows:

Agreement	Aggregate fee for the year ended 31 December 2012 (RMB)	Annual cap for the year ended 31 December 2012 (RMB)	Annual cap for the year ending 31 December 2013 (RMB)
Renewed Nanjing Agreement	2,400,000	2,880,000	2,880,000
Renewed Longgu Agreement	300,000[1]	1,440,000	—
Renewed Lanxi Agreement	1,000,000	1,200,000	1,200,000
Renewed Jinshanqiao Agreement (as amended by the supplemental agreement dated 15 February 2012)	4,000,000	4,400,000	4,800,000
Renewed Xuzhou Agreement	500,000[2]	1,440,000	—
	8,200,000	11,360,000	8,880,000

Notes:

(1) for the period from 1 January 2012 to 31 March 2012 due to the equity interest of Longgu Power Plant owned by the connected person was disposed to a third party independent of the Company in March 2012, when Longgu Power Plant ceased as a connected person.

(2) for the period from 1 January 2012 to 23 May 2012 due to the entire equity interests of Xuzhou Incineration Power Plant was acquired by the Company and completed on 23 May 2012, when Xuzhou Incineration Power Plant ceased as a connected person.

Report of the Directors

(2) Procurement of coal

內蒙古多倫協鑫礦業有限責任公司 Inner Mongolia Duolun Golden Concord Mining Limited*

The Company, through its wholly-owned subsidiary, 保利協鑫電力燃料有限公司 *GCL-Poly Power Fuel Co., Ltd.* ("GCL-Poly Fuel Company") entered into a coal supply agreement on 14 August 2009 ("Previous Coal Supply Agreement") with Inner Mongolia Duolun Golden Concord Mining Limited ("Duolun Golden Concord") to purchase coal from Duolun Golden Concord for the period from 11 August 2009 to 28 February 2010. On 10 February 2010, both parties entered into a coal supply framework agreement ("Coal Supply Framework Agreement") to renew the coal supply for the period from 1 March 2010 to 31 December 2012. A discretionary trust (of which Mr. Zhu Gongshan, Mr. Zhu Yufeng (both are executive Directors) and his family are beneficiaries) owns a 55% interest in Duolun Golden Concord, which is thus an associate of Mr. Zhu Gongshan and Mr. Zhu Yufeng, and therefore, a connected person of the Company. An announcement dated 10 February 2010 in relation to the coal supply framework agreement was published by the Company. The aggregate amount of coal purchased for the year ended 31 December 2012 and the annual cap for the year ended 31 December 2012 were as follows:

	Transaction amount for the year ended 31 December 2012 (RMB)	**Annual cap for the year ended 31 December 2012** (RMB)
Coal Supply Framework Agreement	–	91,200,000

(3) Supply of coal

In addition to act as a central procurement arm of coal for the Group companies, 保利協鑫電力燃料有限公司 *GCL-Poly Power Fuel Co., Ltd.* ("GCL-Poly Fuel Company"), a wholly-owned subsidiary of the Company, also trades coal to increase income for the Group.

Pursuant to the prospectus of the Company dated 31 October 2007, GCL-Poly Fuel Company entered into a coal supply agreement with Nanjing Cogeneration Plant dated 31 January 2007 to supply coal to Nanjing Cogeneration Plant for a period from 1 February 2007 to 31 December 2007, which is supplemented by a supplemental agreement dated 15 August 2007 to extend the effective period of coal supply to 31 December 2009. The agreement was further amended by a supplemental agreement dated 20 October 2008 ("Nanjing Supplemental Agreement") to extend the effective period from 31 December 2009 to 30 June 2011 and to increase the annual caps. The original coal supply agreement and the two supplemental agreements are collectively referred to "Previous Nanjing Coal Sale Agreement". As a discretionary trust (of which Mr. Zhu Gongshan, Mr. Zhu Yufeng (both are executive Directors) and his family are beneficiaries) owns the entire equity interest of Nanjing Cogeneration Plant, it is an associate of Mr. Zhu Gongshan and Mr. Zhu Yufeng. Accordingly, Nanjing Cogeneration Plant is a connected person of the Company under the Listing Rules.

Report of the Directors

GCL-Poly Fuel Company, also entered into a coal sale agreement on 20 October 2008 with Lanxi Cogeneration Plant (the "Previous Lanxi Coal Sale Agreement") to supply coal by GCL-Poly Fuel Company for a period between 1 November 2008 to 30 June 2011 at the market price of Eastern China and Tianjin Port. As Lanxi Cogeneration Plant is also wholly-owned by the above-mentioned discretionary trust of which Mr. Zhu Gongshan and his family are beneficiaries, it is an associate of Mr. Zhu Gongshan and Mr. Zhu Yufeng, and thus a connected person of the Company.

As the Previous Nanjing Coal Sale Agreement and the Previous Lanxi Coal Sale Agreement were expired on 30 June 2011, GCL-Poly Fuel Company renew these agreements by entering into an agreement with each of Nanjing Cogeneration Plant ("Nanjing Coal Sale Agreement") and Lanxi Cogeneration Plant ("Lanxi Coal Sale Agreement") on 10 June 2011 to supply coal to each of the power plants for a term of three years, commencing from 1 July 2011. The coal price (inclusive of tax and delivery charge) for July 2011 was RMB750/tonne for a net calorific value of 5,000 kcal/kg, subject to adjustment.

On 10 June 2011, GCL-Poly Fuel Company also entered into an agreement ("Jinshanqiao Coal Sale Agreement") with Jinshanqiao Cogeneration Plant to supply coal to Jinshanqiao Cogeneration Plant for the period from 1 July 2011 to 30 June 2014. The coal price (inclusive of tax and delivery charge) for July 2011 was RMB750/tonne for a net calorific value of 5,000 kcal/kg, subject to adjustment.

Details of each of the Nanjing Coal Sale Agreement, Lanxi Coal Sale Agreement and Jinshanqiao Coal Sale Agreement were disclosed under the announcement of the Company dated 10 June 2011 and the circular of the Company dated 21 June 2011. The transactions contemplated under each of the agreements were approved by the shareholders of the Company on 12 July 2011.

The amount of coal sale for the year ended 31 December 2012, and the annual caps for the year ended 31 December 2012 and the year ending 31 December 2013 in respect of the Nanjing Coal Sale Agreement, the Lanxi Coal Sale Agreement and the Jinshanqiao Coal Sale Agreement were as follows:

	Transaction amount for the year ended 31 December 2012 (RMB)	**Annual Cap for the year ended 31 December 2012** (RMB)	**Annual Cap for the year ending 31 December 2013** (RMB)
Nanjing Coal Sale Agreement	124,536,000	187,200,000	194,400,000
Lanxi Coal Sale Agreement	27,349,000	93,600,000	97,200,000
Jinshanqiao Coal Sale Agreement	809,000	624,000,000	647,420,000

Report of the Directors

(4) Steam supply

(a) Steam Supply to 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* ("Jiangsu Zhongneng") & 江蘇協鑫硅材料科技發展有限公司 Jiangsu GCL Silicon Material Technology Development Co., Ltd. ("Jiangsu GCL")

On 26 November 2010, Jiangsu Zhongneng entered into an agreement with each of 徐州金山橋熱電有限公司 *Xuzhou Jinshanqiao Cogeneration Co., Ltd.** ("Jinshanqiao Cogeneration Plant") ("Jinshanqiao Steam Supply Agreement") and 保利協鑫(徐州)再生能源有限公司 *Xuzhou GCL-Poly Renewable Energy Company, Limited** ("Xuzhou Incineration Power Plant") ("Xuzhou Steam Supply Agreement") to purchase steam from Jinshanqiao Cogeneration Plant and Xuzhou Incineration Power Plant for a period from 1 January 2011 to 31 October 2013. Under the Jinshanqiao Steam Supply Agreement, the then agreed steam price for steam with pressure of 0.8 Mpa at about 200ºC was RMB180 per tonne, which was adjustable and cannot exceed the price approved by the Xuzhou Price Bureau. The steam supply price under the Xuzhou Steam Supply Agreement was RMB185 per tonne, which was adjustable and cannot exceed the price approved by the Xuzhou Price Bureau. Mr. Zhu Yufeng, a Director of the Company, indirectly owns the entire equity interest of Jinshanqiao Cogeneration Plant and Xuzhou Incineration Power Plant (which was later transferred to a family trust of which Mr. Zhu Yufeng is one of the beneficiaries). Mr. Zhu Yufeng is a connected person of the Company and both Jinshanqiao Cogeneration Plant and Xuzhou Incineration Power Plant were associates of Mr. Zhu Yufeng and therefore connected persons of the Company. On 23 May 2012, the Company completed the acquisition of the entire equity interests of Xuzhou Incineration Power Plant.

On 26 November 2010, Jiangsu GCL (a wholly-owned subsidiary of the Company) also entered into a steam supply agreement ("Jiangsu GCL Steam Supply Agreement") with Xuzhou Incineration Power Plant, pursuant to which Xuzhou Incineration Power Plant agreed to supply steam to Jiangsu GCL for the period from 26 November 2010 to 31 October 2013 at a steam price of RMB190 per tonne. The steam price, which cannot exceed the price approved by the Xuzhou Price Bureau, was adjustable and subject to the application and approval by Xuzhou Price Bureau. As mentioned-above that Xuzhou Incineration Power Plant is a connected person of the Company, the transactions contemplated under the steam supply agreement would be continuing connected transactions.

Details of the Jinshanqiao Steam Supply Agreement, Xuzhou Steam Supply Agreement and the Jiangsu GCL Steam Supply Agreement were disclosed in the announcement of the Company dated 26 November 2010. A circular dated 15 December 2010 contained information of the three agreements had been dispatched to the shareholders of the Company and the independent shareholders had approved the transactions contemplated under the three agreements at a meeting held on 5 January 2011.

Report of the Directors

The transaction amount and the annual cap for the year ended 31 December 2012 and the annual cap for the period from 1 January 2013 to 31 October 2013 under the Jinshanqiao Steam Supply Agreement, the Xuzhou Steam Supply Agreement and the Jiangsu GCL Steam Supply Agreement were as follows:

	Transaction amount for the year ended 31 December 2012 (RMB)	Annual cap for the year ended 31 December 2012 (RMB)	Annual cap for the period from 1 January 2013 to 31 October 2013 (RMB)
Jinshanqiao Steam Supply Agreement	744,764,000	2,240,000,000	1,908,504,000
Xuzhou Steam Supply Agreement	11,586,000[1]	152,040,000	—
Jiangsu GCL Steam Supply Agreement	3,639,000[1]	35,848,000	—

Note:

(1) for the period from 1 January 2012 to 23 May 2012 due to the entire equity interests of Xuzhou Incineration Power Plant was acquired by the Company and completed on 23 May 2012.

(b) Steam Supply to "Jiangsu GCL" from Jinshanqiao Cogeneration Plant

On 8 November 2011, Jiangsu GCL (a wholly-owned subsidiary of the Company) entered into a steam supply agreement (the "Steam Supply Agreement") with Jinshanqiao Cogeneration Plant, pursuant to which Jiangsu GCL purchased steam from Jinshanqiao Cogeneration Plant for the period from 8 November 2011 to 31 October 2014 at a price of RMB195 per tonne, to be payable monthly in arrears. Any change to the steam supply price in future will be subject to the application and approval by the Xuzhou Price Bureau. As Mr. Zhu Yufeng, an executive Director of the Company, indirectly owns the entire interests in Jinshanqiao Cogeneration Plant, it is an associate of Mr. Zhu Yufeng and a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Steam Supply Agreement are continuing connected transactions of the Company.

The transaction amount and the annual caps for the year ended 31 December 2012 and for the year ending 31 December 2013 under the Steam Supply Agreement were as follows:

	Transaction amount for the year ended 31 December 2012 (RMB)	Annual cap for the year ended 31 December 2012 (RMB)	Annual cap for the year ending 31 December 2013 (RMB)
Steam Supply Agreement	2,118,000	21,521,000	21,914,000

Report of the Directors

(5) Emission reductions consultation and agency agreement with Golden Concord (Singapore) Energy Investment Holding Pte Ltd. ("Golden Concord")

On 3 June 2009, the Company announced that each of its subsidiaries, namely 寶應協鑫生物質發電有限公司 *Baoying Xiexin Biomass Electric-Power Co., Ltd.**, 錫林郭勒國泰風力發電有限公司 *Xilinggol Guotai Wind Power Generation Co., Ltd.** 連雲港協鑫生物質發電有限公司 *Lianyungang Xiexin Biomass Electric-Power Generation Co., Ltd.* and 太倉協鑫垃圾焚燒發電有限公司 *Taicang Xiexin Refuse Incineration Power Co. Ltd.** entered into a separate emission reductions consultation and agency agreement (collectively the "Consultation Agreements") with Golden Concord, pursuant to which Golden Concord provided the consultation and agency services to each of the power plants for a period from 1 June 2009 to 31 May 2012 and for a service fee of 25% of net proceeds to be received by each of the power plants.

As Golden Concord is indirectly owned by a discretionary trust of which Mr. Zhu Gongshan, Mr. Zhu Yufeng (both are executive Directors) and their family are beneficiaries. Golden Concord is thus an associate of Mr. Zhu Gongshan and Mr. Zhu Yufeng, and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

The transaction amount under the Consultation Agreements and the annual cap for the period from 1 January 2012 to 31 May 2012 are nil and RMB3,278,000, respectively.

(6) Utility supply to Konca Solar Cells Co., Ltd. ("Konca Solar")

Konca Solar, a non-wholly owned subsidiary of the Company, entered into an energy supply agreement with Wuxi Huilian Cogeneration Company Limited ("Wuxi Huilian") on 7 January 2011, pursuant to which Wuxi Huilian agreed to supply utility, including power and steam at RMB210.60 per tonne to Konca Solar for the period from 1 January 2011 to 31 December 2013. The charges are adjustable with reference to the price approved by the Jiangsu Price Bureau. Wuxi Huilian is a subsidiary of Wuxi Guolian Development (Group) Co., Ltd., a substantial shareholder of Konca Solar. As Wuxi Huilian is an associate of Wuxi Guolian, and thus a connected person of the Company under the Listing Rules. An announcement of the Company with full details of the utility energy supply was published by the Company on 7 January 2011. The aggregate transaction amount for the year ended 31 December 2012 was RMB44,912,000. The annual cap for the year ended 31 December 2012 and the year ending 2013 were RMB201,240,000 and RMB202,800,000, respectively.

(7) Silicon Block supply to 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Limited ("Jiangsu Zhongneng")*

Jiangsu Zhongneng, a wholly-owned subsidiary of the Company, entered into an agreement on 7 November 2011 with 四川協鑫硅業科技有限公司 *Sichuan Xie Xin Silicon Technology Company Limited* * ("Sichuan Silicon"). Pursuant to the agreement, Sichuan Silicon agreed to sell and Jiangsu Zhongneng agreed to purchase silicon block of 25–100mm for the period from 7 November 2011 to 31 December 2012 at a price to be determined and adjustable with reference to the domestic market price. The initial price for November 2011 was RMB14,800/ tonne (inclusive of tax and transportation fees to Jiangsu Zhongneng). Mr. Zhu Yufeng, being an executive Director, indirectly owns the entire equity interest of Sichuan Silicon. As Mr. Zhu Yufeng is a connected person of the Company, Sichuan Silicon is an associate of Mr. Zhu Yufeng and therefore a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. An announcement of the transactions contemplated under the above-mentioned agreement was disclosed by the Company on 7 November 2011. The entire equity interest of Sichuan Silicon was acquired by the Company and completion took place on 2 March 2012.

The aggregate transaction amount for the period from 1 January 2012 to 2 March 2012 was RMB26,902,000. The annual cap for the year ended 31 December 2012 was RMB412,500,000.

Note: * English name for identification only

Report of the Directors

Loan Agreement with Covenants Relating to Specific Performance of the Controlling Shareholder

As at the date of this report, the following facility agreement contains a condition imposing specific performance obligations on the controlling shareholders and breach of such obligation will cause a default in respect of loan that are significant to the operations of the Company:

The Company (as borrower) entered into a facility agreement ("Facility I Agreement") dated 19 August 2010 with China Development Bank Corporation Hong Kong Branch (the "Bank", as lender) in relation to the provision of a facility in an aggregate amount equal to US$300 million for a term of three years (the "Facility I") to the Company. The Facility I Agreement was amended by a supplemental agreement dated 29 December 2010, pursuant to which the Facility I in the aggregate amount equal to US$300 million has been split into (i) US$220 million facility; and (ii) a RMB530 million facility. Save and except for the changes in the amount and denomination of the Facility I and other consequential amendments, all the other terms of the Facility I Agreement remain unchanged.

Under the Facility I Agreement (as amended by the supplemental agreement dated 29 December 2010), it shall be a change of control event if at any time Mr. Zhu Gongshan, Mr. Zhu Yufeng and other members of their family and their associates (as defined in the Listing Rules) either (i) cease to collectively remain as the single largest shareholder of the Company or (ii) cease to control the Company. If any of the above change of control event occurs, the Bank may, by notice to the Company, immediately cancel the Facility I and declare the outstanding principal together with accrued interest and all other amounts accrued under the Facility I Agreement immediately due and payable. If the Bank chooses not to exercise its right as above-mentioned, the Company shall in any event repay such outstanding principal together with accrued interest on the next interest payment date as provided in the Facility I Agreement.

On 1 September 2011, the Company (as borrower) entered into a facility agreement ("Facility II Agreement") with the Bank in relation to the provision to the Company of a US$400 million facility and a RMB2 billion facility (together, the "Facility II") with a term of three years.

Under the Facility II Agreement, it shall be a change of control event if at any time Mr. Zhu Gongshan, Mr. Zhu Yufeng and other members of their immediate family and their associates (as defined in the Listing Rules) either cease to (i) beneficially own at least 30% of the issued share capital of the Company; or (ii) remain as the single largest shareholder of the Company; or (iii) control the Company. If any of the above change of control event occurs, the Bank may, by notice to the Company, immediately cancel the Facility II and declare the outstanding principal together with accrued interest and all other amounts accrued under the Facility II Agreement immediately due and payable. If the Bank chooses not to exercise its right as above-mentioned, the Company shall in any event repay such outstanding principal together with accrued interest on the next interest payment date as provided in the Facility II Agreement, unless the Bank otherwise agreed.

Up to the date of this report, the above obligation is continue to exist.

Report of the Directors

Directors' Interests in Competing Business

The following Directors are considered to have interests in the businesses which compete or are likely compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules:

Names of the Company's Directors	Name of company in which the relevant Director has interest	Approved installed capacity (MW)	Principal activities of the competing company	% interest in competing company
(i) Mr. Zhu Gongshan	Taicang Harbour Power Plant	4 x 300 2 x 135	Operation of a power plant in Taicang, Jiangsu, the PRC	72% interest is held by a discretionary trust, of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries
	Nanjing Cogeneration Plant	2 x 48	Operation of a cogeneration plant in Nanjing, the PRC	100% interest is held by a discretionary trust, of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries
	Guohua Taicang Power Plant	2 x 600	Operation of a power plant in Taicang, Jiangsu	an effective interest of 36% is held by a discretionary trust, of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries
	Lanxi Cogeneration Plant	1 x 15 1 x 6	Operation of the cogeneration plant in Lanxi, Jiangsu Province, the PRC	100% interest is held by a discretionary trust, of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries
	Guangzhou Yonghe Project	1 x 180	The cogeneration power plant is in the pre-construction stage	Mr. Zhu Gongshan, beneficially owns 100% interest
	Lianyungang Baoxin Biomass Cogeneration Plant	2 x 15	The cogeneration power plant is in the pre-construction stage	Mr. Zhu Gongshan, beneficially owns 100% interest
(ii) Mr. Zhu Yufeng	Taicang Harbour Power Plant	4 x 300 2 x 135	Operation of a cogeneration plant in Taicang, Jiangsu, the PRC	72% interest is held by a discretionary trust, of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries
	Nanjing Cogeneration Plant	2 x 48	Operation of a cogeneration plant in Nanjing, the PRC	100% interest is held by a discretionary trust, of which Mr. Zhu Gongshan and Mr. Zhu Yufeng are among the beneficiaries

Report of the Directors

Names of the Company's Directors	Name of company in which the relevant Director has interest	Approved installed capacity (MW)	Principal activities of the competing company	% interest in competing company
	Lanxi Cogeneration Plant	1 x 15 1 x 6	Operation of the cogeneration power plant in Lanxi, Jiangsu Province, the PRC	100% interest is held by a discretionary trust, of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries
	Guohua Taicang Power Plant	2 x 600	Operation of a power plant in Taicang, Jiangsu, the PRC	An effective interest of 36% is held by a discretionary trust, of which Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng) are beneficiaries
	Jinshanqiao Cogeneration Plant	1 x 15 1 x 15	Operation of the cogeneration plant in Jinshaqiao, Xuzhou, the PRC	Mr. Zhu Yufeng, through companies controlled by him, holds 100% interest
	Dongwu Cogeneration Plant	2 x 24	Operation of the cogeneration plant in Dongwu, Jiangsu Province, the PRC	Mr. Zhu Yufeng, through companies controlled by him, holds 9% interest
	Jiema Hydropower Station	2 x 8 1 x 4	Operation of the hydro-power station in Sichuan, the PRC	Mr. Zhu Yufeng, through companies controlled by him, holds 75% interest
	Inner Mongolia Ingot Plant	—	Ingot Plant is in the pre-construction stage	Mr. Zhu Yufeng, through companies controlled by him, holds 100% interest

The Board is independent from the boards of the above-mentioned entities and is accountable to the shareholders of the Company. Coupled with the diligence of its independent non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities.

Deed of Non-Competition

Highexcel Investments Limited, Mr. Zhu Gongshan and Mr. Zhu Yufeng, collectively the "Covenantors", entered into a deed of non-competition ("Non-Competition Deed") dated 27 October 2007 in favour of the Company, pursuant to which, subject to the terms and conditions of the deed, the Covenantors agreed not to compete with the businesses of the Company. Under the Non-Competition Deed, Mr. Zhu Gongshan and Mr. Zhu Yufeng, collectively "Mr. Zhus", have granted the Company options under which the Company has the right to acquire their interests in the Nanjing Cogeneration Plant, the Taicang Harbour Power Plant, the Guohua Taicang Power Plant, the Lanxi Cogeneration Plant, Guangzhou Yonghe Project and Lianyungang Baoxin Biomass Cogeneration Project subject to the terms and at the consideration as set out in the Non-Competition Deed. In addition, each of Mr. Zhus undertakes, inter alia, offer to the Group (i) an option to acquire such interests at a fair market value to be agreed by the parties; and (ii) the first right of refusal for any business opportunity which they have acquired after the execution of the Non-Competition Deed. The independent non-executive Directors had reviewed from time to time offers provided by Mr. Zhus.

Report of the Directors

Two meetings were held in 2012 and attended by all the four independent non-executive Directors. During these meetings, the independent non-executive Directors reviewed the business portfolios of the Covenantors which are deemed, have competition with the business of the Group (which is listed under the section headed "Directors' Interests in Competing Business" of this report) and noted that under the Non-Competition Deed, the Company is entitled to a subscription right to acquire such business portfolios. Full information on the status of operation or development, shareholders and financial position of each of the projects under the business portfolios was provided by the Covenantors to the independent non-executive Directors for their review and consideration.

The Covenantors have provided confirmations to the Company that they have complied with the Non-Competition Deed and provided all information necessary for the updating of the independent non-executive Directors in relation to the business portfolios and the independent non-executive Directors confirmed that the non-competition undertakings have been complied with.

Emolument Policy

The emolument policy of the Group to reward its employees is based on their performance, qualifications, competence and market comparables. Remuneration package generally comprises salary, contribution to pension schemes and bonuses relating to the profit of the relevant company and individual's performance. The remuneration package of the executive Directors and the senior management are also linked to the performance of the Group and the return to its shareholders. The remuneration policy of the executive Directors is reviewed by the Remuneration Committee of the Company.

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme as an incentive to Directors and eligible employees, details of the schemes are set out under the section headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in this report and in note 44 to the consolidated financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or relevant laws of the Cayman Islands which would oblige the Company offer new Shares on a pro rata basis to the existing shareholders.

Major Customers and Suppliers

In 2012, the Group's largest supplier accounted for 20% of total purchases. The five largest suppliers accounted for 46% of the Group's total purchases, evidencing the purchasing department's commitment to ensuring that the Group is not dependent on any one supplier, and that our purchases are at fair market terms.

The Group's largest customer accounted for 15% of our revenue for the year 2012. In 2012, the Group's five largest customers accounted for 42% of our revenue. To the best knowledge of the Directors, there is no Directors or any of their associates or any shareholder who holds more than 5% of the ordinary shares of the Company has any interests in the suppliers or customers disclosed above.

Report of the Directors

Purchases, Sale or Redemption of the Company's Listed Securities

During the year, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

Related Party Transactions

Details of the related party transactions undertaken in normal course of business are set out in note 47 to the consolidated financial statements. All related party transactions were constituted connected transactions/continuing connected transactions under the Listing Rules and that they have complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares of the Company as required under the Listing Rules.

Auditor

The consolidated financial statements for the year ended 31 December 2012 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire on conclusion of the forthcoming annual general meeting. A resolution for re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

Post Balance Sheet Events

Details of the post balance events of the Group are set out in the note 45 to the consolidated financial statements.

On behalf of the Board
Zhu Gongshan
Chairman

Hong Kong, 14 March 2013

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF GCL-POLY ENERGY HOLDINGS LIMITED
保利協鑫能源控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 175, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	8	**22,348,026**	25,505,564
Cost of sales		**(20,598,931)**	(17,039,258)
Gross profit		**1,749,095**	8,466,306
Other income	9	**783,826**	613,221
Distribution and selling expenses		**(95,593)**	(56,712)
Administrative expenses			
— Share-based payment expenses	44	**(41,988)**	(82,287)
— Other administrative expenses		**(1,857,509)**	(1,617,240)
Finance costs	10	**(2,309,342)**	(1,166,322)
Other expenses	12	**(1,486,144)**	(321,038)
Share of profit of associates	21	**3,412**	15,173
Share of loss of jointly controlled entities	20	**(7,165)**	(11,969)
(Loss) profit before tax		**(3,261,408)**	5,839,132
Income tax expense	11	**(123,876)**	(1,269,174)
(Loss) profit for the year	12	**(3,385,284)**	4,569,958
Other comprehensive (expense) income			
Exchange differences arising from translation to presentation currency		**(27,371)**	948,951
Total comprehensive (expense) income for the year		**(3,412,655)**	5,518,909
(Loss) profit for the year attributable to:			
Owners of the Company		**(3,515,515)**	4,274,893
Non-controlling interests		**130,231**	295,065
		(3,385,284)	4,569,958
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(3,542,638)**	5,158,492
Non-controlling interests		**129,983**	360,417
		(3,412,655)	5,518,909
		HK cents	HK cents
(Loss) earnings per share	15		
Basic		**(22.71)**	27.62
Diluted		**(22.71)**	27.58

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**42,232,520**	41,181,267
Prepaid lease payments	17	**1,727,257**	1,127,999
Goodwill	18	**675,650**	995,210
Other intangible assets	19	**222,967**	66,467
Interests in jointly controlled entities	20	**215,606**	167,869
Interests in associates	21	**235,600**	220,577
Deferred tax assets	22	**—**	45,362
Deposits for acquisitions of property, plant and equipment and prepaid lease payments		**134,184**	1,361,994
Pledged bank deposits	29	**205,723**	306,202
		45,649,507	45,472,947
CURRENT ASSETS			
Inventories	23	**2,247,825**	2,472,876
Project assets	24	**1,177,410**	1,153,827
Trade and other receivables	25	**8,681,408**	7,064,744
Amounts due from related companies	26	**176,777**	70,550
Loan to a related company	27	**79,916**	46,206
Prepaid lease payments	17	**39,809**	26,781
Tax recoverable		**208,870**	225,946
Held for trading investment	28	**15,453**	21,964
Pledged and restricted bank deposits	29	**5,014,867**	4,049,733
Bank balances and cash	29	**4,495,575**	6,882,663
		22,137,910	22,015,290
Asset classified as held for sale	20	**31,009**	—
		22,168,919	22,015,290
CURRENT LIABILITIES			
Trade and other payables	30	**9,127,716**	8,207,049
Amounts due to related companies	31	**130,304**	51,050
Advances from customers	32	**810,571**	1,022,400
Bank borrowings — due within one year	34	**19,705,114**	11,582,443
Obligations under finance leases — due within one year	35	**464,479**	433,302
Deferred income		**113,604**	75,620
Tax payables		**87,621**	80,203
		30,439,409	21,452,067

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NET CURRENT (LIABILITIES) ASSETS		**(8,270,490)**	563,223
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,379,017**	46,036,170
NON-CURRENT LIABILITIES			
Advances from customers	32	**1,736,398**	2,091,594
Bank borrowings — due after one year	34	**12,817,239**	17,703,856
Obligations under finance leases — due after one year	35	**865,391**	1,264,617
Long-term notes	36	**3,058,808**	1,831,172
Deferred income		**616,354**	404,608
Deferred tax liabilities	22	**514,367**	606,191
		19,608,557	23,902,038
NET ASSETS		**17,770,460**	22,134,132
CAPITAL AND RESERVES			
Share capital	37	**1,547,607**	1,547,096
Reserves		**14,662,420**	19,020,014
Equity attributable to owners of the Company		**16,210,027**	20,567,110
Non-controlling interests		**1,560,433**	1,567,022
TOTAL EQUITY		**17,770,460**	22,134,132

The consolidated financial statements on pages 71 to 175 were approved and authorised for issue by the Board of Directors on 14 March 2013 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital HK$'000	Other reserve HK$'000 (Note i)	Share premium HK$'000	Capital reserve HK$'000 (Note ii)	Statutory reserve fund HK$'000 (Note iii)	Special reserves HK$'000 (Note iv)	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	1,547,396	2,432,614	8,585,510	62,470	898,536	(2,680,931)	18,878	455,299	4,832,430	16,152,202	1,227,084	17,379,286
Exchange differences arising from translation to presentation currency	–	–	–	–	–	–	–	883,599	–	883,599	65,352	948,951
Profit for the year	–	–	–	–	–	–	–	–	4,274,893	4,274,893	295,065	4,569,958
Total comprehensive income for the year	–	–	–	–	–	–	–	883,599	4,274,893	5,158,492	360,417	5,518,909
Recognition of share-based payment expenses in respect of share options (note 44)	–	–	–	–	–	–	82,287	–	–	82,287	–	82,287
Exercise of share options	1,200	(2,573)	8,742	–	–	–	–	–	–	7,369	–	7,369
Repurchase of ordinary shares	(1,500)	–	(42,096)	–	–	–	–	–	–	(43,596)	–	(43,596)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	83,113	83,113
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(103,592)	(103,592)
Dividends recognised as distribution (note 14)	–	–	(789,644)	–	–	–	–	–	–	(789,644)	–	(789,644)
Transfer to reserves	–	–	–	–	719,130	–	–	–	(719,130)	–	–	–
At 31 December 2011 and 1 January 2012	1,547,096	2,430,041	7,762,512	62,470	1,617,666	(2,680,931)	101,165	1,338,898	8,388,193	20,567,110	1,567,022	22,134,132
Exchange differences arising from translation to presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,123)**	**–**	**(27,123)**	**(248)**	**(27,371)**
(Loss) profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,515,515)**	**(3,515,515)**	**130,231**	**(3,385,284)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,123)**	**(3,515,515)**	**(3,542,638)**	**129,983**	**(3,412,655)**
Recognition of share-based payment expenses in respect of share options (note 44)	**–**	**–**	**–**	**–**	**–**	**–**	**41,988**	**–**	**–**	**41,988**	**–**	**41,988**
Exercise of share options	**511**	**(31)**	**3,883**	**–**	**–**	**–**	**(1,105)**	**–**	**–**	**3,258**	**–**	**3,258**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**404,725**	**404,725**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(549,902)**	**(549,902)**
Dividend recognised as distribution (note 14)	**–**	**–**	**(851,086)**	**–**	**–**	**–**	**–**	**–**	**–**	**(851,086)**	**–**	**(851,086)**
Dilution of equity interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,605)**	**(8,605)**	**8,605**	**–**
Transfer to reserves	**–**	**–**	**–**	**–**	**37,761**	**–**	**–**	**–**	**(37,761)**	**–**	**–**	**–**
At 31 December 2012	**1,547,607**	**2,430,010**	**6,915,309**	**62,470**	**1,655,427**	**(2,680,931)**	**142,048**	**1,311,775**	**4,826,312**	**16,210,027**	**1,560,433**	**17,770,460**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

Notes:

(i) Other reserve represents the equity (other than share capital) attributable to owners of the Company prior to the reverse acquisition, including share premium, capital reserve, contribution from a shareholder, other reserve, share options reserve, investment revaluation reserve and deficit. As the Company was accounted for as reverse acquisition by GCL Solar Energy Technology Holdings Inc. ("GCL Solar") in 2009, such reserves attributable to owners of the Company were reclassified to other reserve upon the completion of the reverse acquisition. For more details, please refer to 2009 annual report of the Group.

Movement during both years is arising from the exercise of share options which have been granted before the reverse acquisition by GCL Solar in 2009. When these share options are exercised, the amount previously recognised in share options reserve (currently included in other reserve) will be transferred to share premium.

(ii) Capital reserve represents the amount of contribution from immediately holding company of GCL Solar of US$15,009,000 (equivalent to HK$117,070,000) net of the 500,000 ordinary shares of GCL Solar repurchased for a consideration of US$7,000,000 (equivalent to HK$54,600,000) and cancelled prior to 2009.

(iii) Pursuant to the relevant laws in the PRC, each of the subsidiaries established in the PRC is required to transfer 5%–10% (2011: 5%–10%) of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholder.

(iv) Special reserves represent (1) the difference of RMB2,593,483,000 (equivalent to HK$2,894,969,000) between the consideration to acquire 36% of Jiangsu Zhongneng and 30% of Taixing Zhongneng and the carrying amounts of net assets acquired in prior years and (2) reserves arising from the reverse acquisition of the Company in 2009 amounting to RMB188,276,000 (equivalent to HK$214,038,000). For more details, please refer to 2009 annual report of the Group.

Unless otherwise defined, capitalised terms used herein shall have the same meanings when used in the notes to the consolidated financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(3,261,408)**	5,839,132
Adjustments for:		
Finance costs	**2,309,342**	1,166,322
Interest income	**(189,370)**	(95,896)
Depreciation of property, plant and equipment	**2,744,721**	1,856,370
Amortisation of prepaid lease payments	**37,204**	37,356
Amortisation of other intangible assets	**47,384**	64,347
Amortisation of deferred income	**(87,102)**	(61,679)
Amortisation of obligations under finance lease	**10,691**	—
Amortisation of issuing cost of long-term notes	**5,591**	—
Loss (gain) on disposal of property, plant and equipment	**20,128**	(5,563)
Share of profit of associates	**(3,412)**	(15,173)
Share of loss of jointly controlled entities	**7,165**	11,969
Share-based payment expenses	**41,988**	82,287
Allowance for trade and other receivables	**129,656**	4,809
Recovery of bad debts	**—**	(9,869)
Write-down of inventories	**284,443**	120,965
Waiver of other payables	**(8,943)**	(1,005)
Loss on fair value changes of held for trading investment	**6,483**	26,504
Impairment loss on property, plant and equipment	**865,354**	96,434
Impairment loss on interest in a jointly controlled entity	**23,396**	—
Impairment loss on other intangible assets	**14,244**	—
Impairment loss on deposits for acquisition of property, plant and equipment	**60,849**	—
Impairment loss on prepayments	**—**	97,790
Impairment loss on goodwill	**318,656**	90,407
Discount on acquisition of a subsidiary	**(151)**	—
Impairment loss on amount due from an associate	**—**	12,436
Operating cash flows before movements in working capital	**3,376,909**	9,317,943
Decrease (increase) in inventories	**253,307**	(654,907)
Increase in project assets	**(23,638)**	(1,153,827)
Increase in trade and other receivables	**(1,701,583)**	(4,508,378)
Increase in amounts due from related companies	**(99,789)**	(34,906)
Increase in trade and other payables	**1,317,672**	1,649,593
(Decrease) increase in amounts due to related companies	**(15,890)**	25,456
Decrease in advances from customers	**(564,553)**	(23,061)
(Decrease) increase in deferred income	**(25,463)**	3,798
Addition of held for trading investment	**—**	(47,968)
Cash generated from operations	**2,516,972**	4,573,743
Income taxes paid	**(190,589)**	(1,857,245)
NET CASH FROM OPERATING ACTIVITIES	**2,326,383**	2,716,498

Consolidated Statement of Cash Flow

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Addition of property, plant and equipment		**(3,828,091)**	(14,850,073)
Addition of prepaid lease payments		**(611,369)**	(137,060)
Addition of other intangible assets		**(79,946)**	(16,264)
Acquisition of subsidiaries	38	**(451,066)**	—
Investments in jointly controlled entities		**(105,388)**	(59,457)
Investment in an associate		**(48,000)**	—
Interest received		**189,012**	108,413
Withdrawal of pledged and restricted bank deposits		**3,948,323**	2,011,261
Placement of pledged and restricted bank deposits		**(4,810,327)**	(4,164,267)
Repayment from related companies		**165,744**	38,991
Advances to related companies		**(183,392)**	—
Repayment of entrusted loan receivables		**62,423**	33,752
Addition of entrusted loan receivables		**(61,440)**	(97,399)
Deposits paid for acquisitions of property, plant and equipment and prepaid lease payments		**(22,307)**	(1,185,394)
Dividend received from associates		**34,807**	28,324
Proceeds from disposal of property, plant and equipment		**128,205**	31,453
Receipt of government grants related to depreciable assets		**362,102**	59,694
NET CASH USED IN INVESTING ACTIVITIES		**(5,310,710)**	(18,198,026)
FINANCING ACTIVITIES			
Interest paid		**(2,222,437)**	(1,075,279)
New bank loans raised		**23,570,923**	24,415,919
Repayment of bank borrowings		**(20,459,936)**	(9,941,217)
Net proceeds from sale and finance lease back arrangements		**69,295**	1,451,807
Repayment of obligation under finance leases		**(445,230)**	(270,602)
Net proceeds from issuance of long-term notes		**1,217,744**	1,789,158
Payment for repurchase of ordinary shares		**—**	(43,596)
Exercise of share options		**3,258**	7,369
Dividend paid to non-controlling interests		**(575,584)**	(93,025)
Dividends paid to the owners of the Company		**(851,086)**	(789,644)
Contribution from non-controlling interests		**404,725**	83,113
Repayment to related companies		**(94,896)**	—
NET CASH FROM FINANCING ACTIVITIES		**616,776**	15,534,003
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,367,551)**	52,475
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**6,882,663**	6,505,089
Effect of foreign exchange rate change		**(19,537)**	325,099
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**4,495,575**	6,882,663

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. General Information

GCL-Poly Energy Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 12 July 2006 under the Companies Law, Cap 22 of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2007. The address of the registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at Unit 1703–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "Group"), associates and jointly controlled entities are principally engaged in manufacturing of polysilicon and wafers for the solar industry development, management and operation of environmental friendly power plants and trading of coal.

The functional currency of the Company is Renminbi ("RMB") as the principal operations of the Group are carried out in the PRC in which those transactions are predominantly denominated in RMB. The directors of the Company considered it is more appropriate to use Hong Kong dollars ("HK$") as the presentation currency of the consolidated financial statements because the Company is listed on the Stock Exchange in Hong Kong.

2. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The realisation of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate positive cash flows from operations, and to pursue financing arrangements to support its working capital requirements.

The Group suffered losses of HK$3,385 million from operations for the year ended 31 December 2012 and as of 31 December 2012, the Group's current liabilities exceeded its current assets by HK$8,270 million. As of the same date, the Group had cash and cash equivalents of HK$4,496 million with bank borrowings due within one year of HK$19,705 million.

As at 31 December 2012, the Group has undrawn banking facilities of HK$4,477 million and renewable bank borrowings, which are originally due within one year, of HK$16,009 million. To improve liquidity, the Group has successfully negotiated with certain banks, who have confirmed that they do not foresee any reasons to withdraw in the foreseeable future the existing facilities, and will continue to negotiate with other banks to obtain revolving banking facilities to ensure the Group's bank borrowings can be renewed on an on-going basis. Subsequent to the end of the reporting period, the Group has renewed bank borrowings of approximately HK$294 million with banks and with corresponding maturity dates extended to 2014. In addition, the Group has obtained additional banking facilities of approximately HK$3,926 million from banks for operating use subsequent to the end of the reporting period. The Group's management believe that the Group will be able to successfully renew the remaining banking facilities based on past experience and strong relationships with the banks.

The Group's management is of the opinion that, taking into account the above undrawn banking facilities and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its liabilities as they fall due in the next twelve months from the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following amendments issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to IFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

Except as described below, the application of the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 7 Disclosures — Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Disclosures — Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks and creditors to transfer to the banks or creditors its contractual rights to receive cash flows from certain bills receivables. The arrangements are made through discounting or endorsing those bills receivables to banks or creditors, respectively, on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the banks or creditors have the right to request the Group to pay the unsettled balances. As the Group has not transferred the significant risks and rewards relating to certain of these bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash or the goods and services received on the transfer as a secured borrowing or trade and other payables and amount due to related companies, respectively. In addition, the Group has also entered into other arrangements with various banks and creditors which are not on a full recourse basis. The Group has derecognised these bills receivables which have been discounted or endorsed and the associated liabilities, if any, as the Group has transferred the significant risks and rewards relating to these bills receivables. The relevant disclosures have been made in Note 39 regarding the transfer of these trade receivables on application of the amendments to IFRS 7.

In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

(Continued)

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle[1]
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Annual Improvements to IFRSs 2009–2011 Cycle issued in June 2012

The *Annual Improvements to IFRSs 2009–2011 Cycle* include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 *Property, Plant and Equipment* and the amendments to IAS 32 *Financial Instruments: Presentation*.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors are still in the process of assessing the impact of the amendment to the Group.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

(Continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may have no effect on the Group's consolidated financial statements as the Group do not have offsetting arrangement.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of IFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors are currently assessing the impact of the application of these five standards.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

(Continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

(Continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to IAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". In addition, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

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

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

Goodwill

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are presented using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

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

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies *(Continued)*

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from sale of project assets is recognised when the project assets are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the project assets;
- the Group retains neither continuing material movement to the degree usually associated with ownership nor effective control over the project assets sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Revenue recognition *(Continued)*

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Property, plant and equipment *(Continued)*

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Prepaid lease payments

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

Leasehold land and building

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

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

Sale and leaseback resulting in a finance lease

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

Foreign currencies

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

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

Translation of functional currency to presentation currency

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies *(Continued)*

Borrowing costs

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

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

Retirement benefit costs

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Taxation

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

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

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

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group’s financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss (“FVTPL”) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income/other expenses line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 28.

Loans and receivables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

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

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

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

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related companies, bank borrowings and long-term notes are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Transaction costs of equity transaction

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. Significant Accounting Policies *(Continued)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

5. Key Sources of Estimation Uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill is HK$675,650,000 (2011: HK$995,210,000), net of accumulated impairment loss of HK$530,666,000 (2011: HK$210,857,000). Details of the recoverable amount calculation are disclosed in note 18.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. Key Sources of Estimation Uncertainty *(Continued)*

Useful lives and impairment of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

In determining whether certain property, plant and equipment is impaired requires an estimation of the value in use of those property, plant and equipment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from those property, plant and equipment and a suitable discount rate in order to calculate the present value. During the year, impairment losses of HK$865,354,000 (2011: HK$96,434,000) are recognised in profit or loss. Where the actual future cash flows are less than expected due to unfavourable changes in the major assumption adopted in the Group's estimation, such as market demand, utilisation rate of the Group's production plants and unit production cost, a greater impairment loss may arise.

As at 31 December 2012, the carrying amount of property, plant and equipment is HK$42,232,520,000 (2011: HK$41,181,267,000), net of accumulated depreciation and impairment of HK$7,929,351,000 (2011: HK$4,022,727,000).

Estimated impairment of trade and other receivables and amounts due from related companies

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of trade and other receivables is HK$8,681,408,000 (2011: HK$7,064,744,000), net of allowance for doubtful debts of HK$136,439,000 (2011: HK$6,330,000) and impairment loss on prepayments of HK$ Nil (2011: HK$97,790,000). Additionally, as at 31 December, 2012, the carrying amounts due from related companies is HK$176,777,000 (2011: HK$70,550,000), net of impairment loss on amount due from an associate of HK$ Nil (2011: HK$12,436,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes amount due to related companies, bank borrowings, obligations under finance leases and long-term notes disclosed in notes 31, 34, 35 and 36, respectively, and equity attributable to owners of the company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a periodical basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debt.

7. Financial Instruments

7a. Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
FVTPL — Held for trading	**15,453**	21,964
Loans and receivables (including cash and cash equivalents)	**17,176,943**	15,820,050
Financial liabilities		
Amortised cost	**44,453,512**	38,606,076

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, loan to a related company, pledged and restricted bank deposits, bank balances and cash, held for trading investment, trade and other payables, amounts due to related companies, bank borrowings, obligations under finance leases and long-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group's exposure to foreign currency risk arose from certain bank balances, trade and other receivables, trade and other payables, bank borrowings and obligation under finance leases of the Group that are denominated in foreign currencies. The Group currently does not have a currency risk hedging policy. However, the management monitors foreign currency risk exposure by closely monitoring the movement of foreign currency rate and considers hedging against it should the need arises.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Euro ("EUR")	**53,870**	1,518	**82,359**	68,485
HK$	**98,710**	147,797	**35,368**	18,927
United States dollar ("US$")	**1,976,282**	2,674,021	**8,597,343**	8,256,686
Japanese Yen ("JPY")	**9,802**	2,044	**1,673**	1,781
Swiss Franc ("CHF")	**185,827**	181,268	**49,645**	321,624
Australian Dollar ("AUD")	**185,078**	—	**—**	—
South Africa, Rand ("ZAR")	**101,030**	—	**—**	—

The foreign currency assets in 2012 and 2011 mainly relate to the US$ trade and other receivables, pledged and restricted bank deposits and bank balances as set out in notes 25 and 29.

The foreign currency liabilities in 2012 and 2011 mainly relate to the US$ bank borrowings as set out in note 34.

Sensitivity analysis

The following sensitivity analysis details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in functional currency of respective entities against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2011: an increase in post-tax profit), where functional currency of respective foreign entities had strengthened 5% (2011: 5%) against the foreign relevant currency. For a 5% (2011: 5%) weakening of functional currency of respective entities against the foreign relevant currency, there would be an equal and opposite impact on the loss for the year (2011: profit for the year).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk *(Continued)*

Sensitivity analysis (Continued)

	EUR	HK$	US$	JPY	CHF	AUD	ZAR
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012							
Decrease (increase) in loss for the year	**1,068**	**(2,375)**	**248,290**	**(305)**	**(5,107)**	**(6,940)**	**(3,789)**
2011							
Increase (decrease) in profit for the year	2,511	(4,833)	209,350	(10)	5,263	—	—

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate and interest-bearing loans to related companies, entrusted loan receivables, pledged and restricted bank deposits, bank borrowings, obligations under finance leases and long-term notes (see notes 27, 29, 34, 35 and 36 for details of loans to related companies, pledged and restricted bank deposits, bank borrowings, obligations under finance leases and long-term notes, respectively). The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of the loans to related companies, pledged and restricted bank deposits, bank borrowings, obligations under finance leases and long term notes.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see notes 34). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest rate risk.

The management have considered the Group's exposure to cash flow interest rate risk in relation to variable-rate pledged and restricted bank deposits, entrusted loan receivables and bank balances (see note 29) to be limited because the current market interest rates on general deposits are relatively low and stable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Interest rate risk *(Continued)*

It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Variable-rate borrowings

If interest rates had been 50 basis points higher/lower on London Interbank Offered Rate ("LIBOR"), Shanghai Interbank Offered Rate ("SHIBOR") and lending benchmark interest rate stipulated by the People's Bank of China ("Benchmark Rate") and all other variables were held constant, the Group's loss for the year ended 31 December 2012 would increase/decrease by approximately HK$83,202,000 and the Group's post-tax profit for the year ended 31 December 2011 would decrease/increase by approximately HK$85,942,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate borrowings.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in securities and financing industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the equity prices had been 15% higher/lower (2011: 15%), post-tax loss (2011: post-tax profit) for the year ended 31 December 2012 would decrease/increase (2011: increase/decrease) by HK$1,935,000 (2011: HK$2,751,000). This is mainly due to the changes in fair value of the held for trading investments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 42.

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

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

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

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

Credit risk on sales of polysilicon and wafer products is not significant as the Group generally requires deposits received from customers or letter of credit before delivery of goods and the major customers are mainly entities in the solar industry which are listed in the stock exchanges in the USA with good repayment history.

The Group currently sells a significant portion of polysilicon and wafer products to the top five customers of the solar segment, which are entities listed in USA with good repayment history. As a percentage of account receivables, the top five customers of the solar segment accounted for an aggregate of 21.7% (2011: 15.5%) as at 31 December 2012. The loss of sales from any of these customers would have a significant negative impact on the Group's business. Due to the Group's dependence on a limited number of customers, any negative events with respect to the Group's customers may cause material fluctuations or declines in the Group's revenue and have a material adverse effect on the Group's financial condition and results of operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

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

The Group has concentration of credit risk on loan to a related company amounting to HK$79,916,000 (2011: HK$46,206,000). Credit risk is considered as limited because the associates are with positive cash flow from operating activities.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings to ensure unutilised banking facilities are adequate and ensures compliance with loan covenants.

The Group finances its capital intensive operations by short-term and long-term bank borrowings and shareholders' equity. It had net current liabilities of approximately HK$8,270,490,000 as at 31 December 2012 with short-term bank borrowings of approximately HK$19,705,114,000 which will be matured in 2013. The directors of the Company believe those short-term bank borrowings could be renewed on an annual basis at the discretion of the Company within the limit approved by banks.

As at 31 December 2012, the Group has undrawn banking facilities of HK$4,477,137,000 and renewable bank borrowings, which are originally due within one year, of HK$16,009,096,000. To improve liquidity, the Group has successfully negotiated with certain banks, who have confirmed that they do not foresee any reasons to withdraw in the foreseeable future the existing facilities, and will continue to negotiate with other banks to obtain revolving banking facilities to ensure the Group's bank borrowings can be renewed on an on-going basis. Subsequent to the end of the reporting period, the Group has renewed bank borrowings of approximately HK$293,537,000 with banks and with corresponding maturity dates extended to 2014. In addition, the Group has obtained additional banking facilities of approximately HK$3,925,735,000 from banks for operating use subsequent to the end of the reporting period. The Group's management believe that the Group will be able to successfully renew the remaining banking facilities based on past experience and strong relationships with the banks.

The Group's management is of the opinion that, taking into account the above undrawn banking facilities and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its liabilities as they fall due in the next twelve months from the end of the reporting period.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2012								
Trade and other payables	–	7,173,576	1,568,471	–	–	–	8,742,047	8,742,047
Amounts due to related companies	–	130,304	–	–	–	–	130,304	130,304
Borrowings								
– fixed-rate	5.33	3,832,301	4,738,143	1,979,087	108,362	–	10,657,893	10,335,208
– variable-rate	5.69	1,739,025	10,676,269	7,309,375	3,623,496	834,416	24,182,581	22,187,145
Long-term notes	6.72	50,442	151,327	200,691	1,632,852	1,958,822	3,994,134	3,058,808
Financial guarantee contracts	–	135,668	–	–	–	–	135,668	–
Obligations under finance leases	7.09	118,972	417,512	408,678	336,848	325,705	1,607,715	1,329,870
		13,180,288	17,551,722	9,897,831	5,701,558	3,118,943	49,450,342	45,783,382

	Weighted average interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2011								
Trade and other payables	–	6,183,267	1,254,288	–	–	–	7,437,555	7,437,555
Amounts due to related companies	–	11,982	39,068	–	–	–	51,050	51,050
Borrowings								
– fixed-rate	5.37	1,299,253	2,808,450	727,766	1,909,461	–	6,744,930	6,368,459
– variable-rate	5.73	2,436,914	6,355,954	7,532,261	8,546,803	500,217	25,372,149	22,917,840
Long-term notes	7.05	31,917	95,751	127,667	383,002	2,089,495	2,727,832	1,831,172
Financial guarantee contracts	–	344,180	–	–	–	–	344,180	–
Obligations under finance leases	7.36	111,470	415,995	524,324	686,520	326,222	2,064,531	1,697,919
		10,418,983	10,969,506	8,912,018	11,525,786	2,915,934	44,742,227	40,303,995

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$419,364,000 (2011: HK$271,370,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in three months to one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$431,096,000 (2011: HK$282,270,000).

Notes to the Consolidated Financial Statements

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable-rate borrowings is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. Financial Instruments *(Continued)*

7c. Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position (Continued)

	Level 1	
	2012	2011
	HK$'000	HK$'000
Financial assets at FVTPL		
Non-derivative financial asset held for trading	**15,453**	21,964

8. Segment Information

The Group is organised on the basis of the type of goods or services delivered or provided. Information reported to the Executive Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

In prior years, segment information reported to the CODM was analysed on the basis of the major types of goods or services delivered or provided by the Group's operating divisions: (1) solar business; and (2) power business. With the growth of the business in development, construction, management, operation and sales of overseas solar power plants, financial information of overseas solar power plants business was separately reported to the CODM in current year. Accordingly, the comparative information has been restated. Therefore, the Group's operating segments under IFRS 8 are as follows:

(a) Solar business — mainly manufacture and sale of polysilicon and wafer to companies operating in the solar industry. It is also engaged in system integration business.

(b) Power business — development, construction, management and operation of power plants and sales of coals in the PRC. Power plants include coal fuelled cogeneration plants, resources comprehensive utilisation cogeneration plants, gas fuelled cogeneration plants, biomass fuelled cogeneration plants, incineration plants, a wind power plant and solar farms.

(c) Overseas solar power plants business — development, construction, management, operation and sales of overseas solar plants. Certain of these overseas solar plants identified from inception of the project as developed for the purpose of sale are recognised as project assets. Remaining overseas solar plants will be funded through sales and leaseback arrangement and are recognised as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. Segment Information *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Year ended 31 December 2012

	Solar business HK$'000	Power business HK$'000	Overseas solar power plants business HK$'000	Total HK$'000
Revenue from external customers	14,023,477	5,812,988	2,652,168	22,488,633
Inter-segment sale (Note a)	(134,696)	(5,911)	—	(140,607)
Revenue from external customers	13,888,781	5,807,077	2,652,168	22,348,026
Segment (loss) profit	(3,355,921)	364,122	27,551	(2,964,248)
Unallocated income				18,753
Unallocated expense				(19,136)
Fair value adjustments (Note b)				(53,676)
Share-based payment expenses				(41,988)
Impairment loss on goodwill				(318,656)
Discount on acquisition of a subsidiary				151
Loss on fair value changes for held for trading investment				(6,484)
Loss for the year				(3,385,284)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. Segment Information *(Continued)*

Segment revenue and results *(Continued)*

Year ended 31 December 2011 (restated)

	Solar business HK$'000	Power business HK$'000	Overseas solar power plants business HK$'000	Total HK$'000
Revenue from external customers	20,825,653	4,988,555	39,523	25,853,731
Inter-segment sale (Note a)	(348,167)	—	—	(348,167)
Revenue from external customers	20,477,486	4,988,555	39,523	25,505,564
Segment profit (loss)	4,798,435	167,896	(76,777)	4,889,554
Unallocated income				4,925
Unallocated expense				(61,144)
Fair value adjustments (Note b)				(64,179)
Share-based payment expenses				(82,287)
Impairment loss on goodwill				(90,407)
Loss on fair value changes for held for trading investment				(26,504)
Profit for the year				4,569,958

Notes:

(a) Inter-segment sales made are based on prevailing market price.

(b) The effect arising from fair value adjustments is related to the assets of the group entities carrying out the power business in the PRC (the "Power Group") deemed acquired in 2009, Konca Solar Cell Co. Ltd ("Konca Solar") acquired in 2010 and acquisition of subsidiaries (see note 38) during the year which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

Segment (loss) profit represents the (loss) profit earned by each segment excluding unallocated income, unallocated expense, the effect arising from the fair value adjustments (see Note b above), fair value changes on held for trading investment, impairment of goodwill, discount on acquisition of subsidiaries and share-based payment expenses incurred by the Group. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. Segment Information *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2012 HK$'000	2011 HK$'000 (Restated)
Segment assets		
Solar business	**51,843,272**	52,191,980
Power business	**10,817,481**	8,894,334
Overseas solar power plant business	**2,574,079**	2,916,298
Total segment assets	**65,234,832**	64,002,612
Fair value adjustments (Note)	**600,207**	428,867
Goodwill	**675,650**	995,210
Unallocated bank balances and cash	**845,891**	1,762,022
Unallocated corporate assets	**461,846**	299,526
Consolidated total assets	**67,818,426**	67,488,237

	2012 HK$'000	2011 HK$'000 (Restated)
Segment liabilities		
Solar business	**41,088,630**	36,465,530
Power business	**6,472,154**	4,635,967
Overseas solar power plant business	**1,429,938**	2,064,056
Total segment liabilities	**48,990,722**	43,165,553
Fair value adjustments (Note)	**148,174**	129,918
Unallocated bank borrowings	**833,034**	2,005,504
Unallocated corporate liabilities	**76,036**	53,130
Consolidated total liabilities	**50,047,966**	45,354,105

Note: The effect arising from fair value adjustments is related to the assets of the Power Group deemed acquired in 2009, Konca Solar acquired in 2010 and acquisition of subsidiaries (see note 38) during the year, which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than goodwill and corporate assets of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments other than corporate liabilities of the management companies and investment holdings companies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. Segment Information *(Continued)*

Other segment information

2012

	Solar business HK$'000	Power business HK$'000	Overseas solar power plants business HK$'000	Unallocated HK$'000	Adjustment HK$'000 (Note)	Total HK$'000
Amount included in the measure of segment profit or loss or segment assets:						
Addition to property, plant and equipment, prepaid lease payments and other intangible assets						
— arising from acquisitions of subsidiaries	273,497	404,164	–	–	139,752	817,413
— other additions	3,580,343	1,105,761	23,972	453,886	–	5,163,962
Depreciation of property, plant and equipment	(2,614,392)	(381,257)	(26,052)	(12,627)	(15,832)	(3,050,160)
Amortisation of prepaid lease payments	(23,275)	(7,141)	–	–	(6,788)	(37,204)
Amortisation of other intangible assets	(20,050)	(912)	–	–	(26,422)	(47,384)
Loss on disposal of property, plant and equipment	(18,203)	(1,925)	–	–	–	(20,128)
Allowance for trade and other receivables	(128,799)	(857)	–	–	–	(129,656)
Finance costs	(1,983,638)	(296,178)	(27,494)	(2,032)	–	(2,309,342)
Impairment loss on property, plant and equipment	(850,306)	(246)	–	–	(14,802)	(865,354)
Impairment loss on other intangible assets	(6,030)	(8,214)	–	–	–	(14,244)
Impairment loss on deposits for acquisition of property, plant and equipment	(60,849)	–	–	–	–	(60,849)
Write-down of inventories	(284,443)	–	–	–	–	(284,443)
Research and development expenses	(195,331)	–	–	–	–	(195,331)
Income tax credit (expense)	43,189	(152,500)	(30,763)	–	16,198	(123,876)
Sales of project assets (included in segment revenue)	–	–	2,580,569	–	–	2,580,569

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. Segment Information *(Continued)*

Other segment information *(Continued)*

2011 (restated)

	Solar business HK$'000	Power business HK$'000	Overseas solar power plants business HK$'000	Unallocated HK$'000	Adjustment HK$'000 (Note)	Total HK$'000
Amount included in the measure of segment profit or loss or segment assets:						
Addition to property, plant and equipment, prepaid lease payments and other intangible assets	17,352,856	442,746	476,357	—	—	18,271,959
Depreciation of property, plant and equipment	(1,636,168)	(349,606)	(13,751)	—	(24,127)	(2,023,652)
Amortisation of prepaid lease payments	(14,041)	(5,606)	—	—	(17,709)	(37,356)
Amortisation of other intangible assets	(15,487)	(3,306)	—	—	(45,554)	(64,347)
Gain (loss) on disposal of property, plant and equipment	7,707	(2,144)	—	—	—	5,563
Allowance for trade and other receivables	—	(4,809)	—	—	—	(4,809)
Finance costs	(913,825)	(238,106)	(14,391)	—	—	(1,166,322)
Impairment loss on prepayments	(97,790)	—	—	—	—	(97,790)
Impairment loss on property, plant and equipment	(96,434)	—	—	—	—	(96,434)
Write-down of inventories	(120,965)	—	—	—	—	(120,965)
Research and development expenses	(112,799)	—	—	—	—	(112,799)
Income tax (expense) credit	(1,210,077)	(77,865)	—	—	18,768	(1,269,174)

Note: The effect arising from fair value adjustments is related to the assets of the Power Group deemed acquired in 2009, Konca Solar acquired in 2010 and acquisition of subsidiaries (see note 38) during the year, which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. Segment Information *(Continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products and services:

	2012 HK$'000	2011 HK$'000
Sales of wafer	**10,918,717**	18,702,567
Sales of project assets	**2,580,569**	—
Sales of polysilicon	**2,025,100**	1,049,267
Sales of electricity	**3,501,462**	3,003,847
Sales of steam	**1,887,558**	1,690,072
Sales of coal	**489,657**	334,158
Others (mainly comprise the sales of module, ingot and processing fees)	**944,963**	725,653
	22,348,026	25,505,564

Geographical information

The Group's operations are located in the PRC and the United States of America (the "USA").

The Group's revenue from external customers by location of delivery and information about its non-current assets by geographical location of the assets is detailed below:

	Revenue from external customers		Non-current assets	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
The PRC	**16,210,156**	22,369,409	**44,074,356**	44,431,439
Taiwan	**2,145,730**	1,728,339	**—**	—
Germany	**741,692**	900,521	**—**	—
The USA	**3,216,108**	207,317	**924,697**	687,427
Hong Kong	**16,644**	8,913	**444,731**	2,517
Others	**17,696**	291,065	**—**	—
	22,348,026	25,505,564	**45,443,784**	45,121,383

Note: Non-current assets excluded deferred tax assets and financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. Segment Information *(Continued)*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group is as follows:

	2012 HK$'000	2011 HK$'000
Customer A[1]	**3,425,135**	2,964,324
Customer B[2]	**2,580,569**	N/A[3]

1 Revenue from power business.
2 Revenue from overseas solar power plant business.
3 The corresponding revenue does not contribute over 10% of the total sales of the Group.

9. Other Income

	2012 HK$'000	2011 HK$'000
Government grants (note 33)	**285,940**	195,461
Bank interest income	**182,926**	91,695
Sales of scrap materials	**137,343**	140,503
Waste processing management fee	**59,311**	31,362
Consultancy fee income	**16,919**	29,160
Management fee income	**16,784**	17,004
Amortisation of deferred income in relation to sales and finance leaseback of solar farms (note 35)	**12,475**	12,821
Waiver of other payables	**8,943**	1,005
Insurance compensation income	**4,225**	31,920
Interest income from related companies	**6,444**	4,201
Amortisation of connection fee income	**2,247**	4,399
Bad debts recovered	**—**	9,869
Others	**50,269**	43,821
	783,826	613,221

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

10. Finance Costs

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank borrowings		
— wholly repayable within five years	**1,878,451**	1,225,723
— not wholly repayable within five years	**19,605**	36,932
Discounted bills	**242,281**	89,646
Obligations under finance leases	**108,580**	74,466
Long-term notes	**196,491**	16,210
Loans from related companies	**3,261**	—
Loans from an associate	**164**	—
Total borrowing costs	**2,448,833**	1,442,977
Less: Interest capitalised	**(139,491)**	(276,655)
	2,309,342	1,166,322

11. Income Tax Expense

	2012 HK$'000	2011 HK$'000
PRC Enterprise Income Tax ("EIT")		
Current tax	**195,139**	1,118,662
Overprovision in prior years	**(72,816)**	(57,159)
	122,323	1,061,503
Hong Kong Profits Tax	**8,051**	—
USA Federal and State Income Tax	**30,762**	—
PRC dividend withholding tax	**54,296**	82,811
Deferred tax (note 22)	**(91,556)**	124,860
	123,876	1,269,174

The income tax expense for the year represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

11. Income Tax Expense *(Continued)*

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from PRC EIT for two years starting from their first profit making year, followed by a 50% reduction on income tax for the next three years. The 50% exemption period is ended on 31 December 2012.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39) (the "New Law"), certain Group entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period commencing on 1 January 2008. The tax exemption and deduction from EIT for these entities are still applicable until the end of the five-year transitional period under the New EIT Law based on the revised income tax rate expires in 2012.

Certain subsidiaries operating in the PRC has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Jiangsu Province and relevant authorities for a term of three years, and have been registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate for the year ended 31 December 2012. Accordingly, the subsidiaries are subject to 15% enterprise income tax rate for the year ended 31 December 2012. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant government authorities in the PRC.

In addition, certain PRC subsidiaries were granted income tax deduction in current year for procuring domestic plant and machinery manufactured in the PRC.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current year. No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for prior year.

Federal and State tax rates in the USA are calculated at 35% and 8%, respectively, for the current year. No provision for Federal Income Tax and State Income Tax had been made during the year ended 31 December 2011 as the Group did not have any assessable profit arising in the USA during that year.

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC resident immediate holding company registered in Hong Kong and the British Virgin Islands, respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008. Accordingly, a reversal of provision for deferred taxation of HK$118,266,000 (note 22) in respect of withholding tax on undistributed profits has been recognised during the year ended 31 December 2012 (2011: a provision for deferred taxation of HK$147,874,000).

11. Income Tax Expense *(Continued)*

The income tax expense for the year can be reconciled to the (loss) profit before tax as follows:

	2012 **HK$'000**	2011 HK$'000
(Loss) profit before tax	**(3,261,408)**	5,839,132
Tax at PRC EIT rate of 25%	**(815,352)**	1,459,783
Tax effect of non-deductible share-based payment expenses	**10,497**	20,572
Tax effect of other expenses not deductible for tax purpose	**195,006**	148,702
Tax effect of income not taxable for tax purpose	**(63,612)**	(7,409)
Tax effect of impairment loss on goodwill	**79,664**	22,602
Tax effect of temporary difference not recognised	**312,071**	78,797
Tax effect of share of profit of associates	**(853)**	(3,793)
Tax effect of share of loss of jointly controlled entities	**1,791**	2,992
Effect of additional tax deduction for procuring domestic plant and machinery in the PRC	**(21,784)**	(24,217)
Effect of tax exemption and tax concessions granted to certain subsidiaries in the PRC	**(704)**	(650,307)
Effect of different tax rates of group companies	**9,701**	(4,193)
Utilisation of tax losses previously not recognised	**(7,670)**	(1,755)
Tax effect of tax losses not recognised	**561,908**	53,874
Withholding tax	**(63,970)**	230,685
Overprovision in prior years	**(72,817)**	(57,159)
Income tax expense for the year	**123,876**	1,269,174

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

12. (Loss) Profit for the Year

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**1,700,549**	1,573,764
Retirement benefit scheme contributions	**56,892**	42,417
Share-based payment expenses	**41,988**	82,287
Total staff costs	**1,799,429**	1,698,468
Depreciation of property, plant and equipment	**3,050,160**	2,023,652
Amortisation of prepaid lease payments	**37,204**	37,356
Amortisation of other intangible assets (included in administrative expenses)	**47,384**	64,347
Total depreciation and amortisation	**3,134,748**	2,125,355
Less: Amounts included in inventories	**(305,439)**	(167,282)
Total of depreciation and amortisation charged to profit or loss	**2,829,309**	1,958,073
Auditor's remuneration	**18,891**	13,863
Cost of inventories recognised as expenses	**17,146,119**	16,342,892
Cost of project assets recognised as expenses	**2,363,681**	—
Write-down of inventories (included in cost of sales)	**284,443**	120,965
Allowance for trade and other receivables (included in administrative expenses)	**129,656**	4,809
Loss (gain) on disposal of property, plant and equipment	**20,128**	(5,563)
Impairment loss on amount due from an associate (included in administrative expenses)	**—**	12,436
Amounts included in other expenses:		
Exchange loss (gain), net	**1,982**	(102,896)
Research and development cost recognised as expenses	**195,331**	112,799
Impairment loss on property, plant and equipment	**865,354**	96,434
Impairment loss on other intangible assets	**14,244**	—
Impairment loss on interest in a jointly controlled entity (Note 20)	**23,396**	—
Impairment loss on goodwill	**318,656**	90,407
Impairment loss on deposits for acquisition of property, plant and equipment (Note)	**60,849**	—
Impairment loss on prepayments	**—**	97,790
Discount on acquisition of a subsidiary	**(151)**	—
Loss on fair value changes of held for trading investment	**6,483**	26,504

Note: Due to the cessation of the construction of certain wafer production plants during the year ended 31 December 2012, impairment losses of HK$60,849,000 (2011: Nil) in relation to deposits for acquisition of property, plant and equipment for these wafer production plants are recognised during the year ended 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. Directors', Chief Executive's and Employees' Emoluments

Particulars of the emoluments of directors, the chief executive and the five highest paid employees are as follows:

(a) Directors' and chief executive's emoluments

The emoluments of each of the directors and the chief executive of the Company are set out below:

Year ended 31 December 2012

Name of director	Directors' fee HK$'000	Bonuses HK$'000	Salaries and other benefit HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Mr. ZHU Gongshan	—	3,000	5,000	—	—	8,000
Mr. SHA Hongqiu (Note 1)	—	1,000	2,567	118	237	3,922
Mr. JI Jun	—	100	1,498	69	247	1,914
Mr. SHU Hua	—	1,500	3,000	138	247	4,885
Mr. YU Baodong	—	800	2,200	102	247	3,349
Ms. SUN Wei	—	1,000	3,000	138	247	4,385
Mr. ZHU Yufeng	—	800	1,200	55	13	2,068
Mr. QIAN Zhixin	176	—	—	—	255	431
Ir. Dr. HO Raymond Chung Tai	368	—	—	—	255	623
Mr. XUE Zhongsu	176	—	—	—	255	431
Mr. YIP Tai Him	284	—	—	—	255	539
Mr. CHAU Kwok Man (Note 2)	—	—	—	—	—	—
Ms. BAI Xiaoqing (Note 3)	—	—	—	—	—	—
Mr. ZHANG Qing (Note 4)	—	—	—	—	—	—
Mr. ZHOU Yuan (Note 5)	—	—	—	—	—	—
	1,004	8,200	18,465	620	2,258	30,547

Notes:

(1) Mr. Sha Hongqiu resigned as an executive director on 9 November 2012.

(2) Mr. Chau Kwok Man resigned as a non-executive director on 9 November 2012.

(3) Ms. Bai Xiaoquing resigned as a non-executive director on 12 March 2012.

(4) Mr. Zhang Qing was appointed as a non-executive director on 12 March 2012.

(5) Mr. Zhou Yuan was appointed as a non-executive director on 9 November 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. Directors', Chief Executive's and Employees' Emoluments *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Year ended 31 December 2011

Name of director	Directors' fee HK$'000	Bonuses HK$'000	Salaries and other benefit HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Mr. ZHU Gongshan	—	3,450	5,000	—	—	8,450
Mr. SHA Hongqiu	—	12,415	3,000	138	536	16,089
Mr. JI Jun	—	1,099	1,495	69	479	3,142
Mr. SHU Hua	—	18,676	3,000	138	479	22,293
Mr. YU Baodong	—	7,560	2,200	102	479	10,341
Ms. SUN Wei	—	5,660	3,000	138	479	9,277
Mr. TONG Yee Ming (Note 2)	—	7,380	2,340	108	42	9,870
Mr. ZHU Yufeng	—	5,159	1,802	55	28	7,044
Mr. QIAN Zhixin	160	—	—	—	269	429
Ir. Dr. HO Raymond Chung Tai	320	—	—	—	269	589
Mr. XUE Zhongsu	160	—	—	—	269	429
Mr. YIP Tai Him	220	—	—	—	269	489
Mr. CHAU Kwok Man	—	—	—	—	—	—
Ms. BAI Xiaoqing (Note 1)	—	—	—	—	—	—
	860	61,399	21,837	748	3,598	88,442

Notes:

(1) Ms. Bai Xiaoqing resigned as non-executive director on 12 March 2012.

(2) Mr. Tong Yee Ming resigned as executive director on 30 December 2011.

Mr. Zhu Gongshan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Bonuses are discretionary and are based on the Group's performance for the year.

No directors waived any emoluments and no incentive paid on joining and no compensation for the loss of office for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. Directors', Chief Executive's and Employees' Emoluments *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: five) were directors, in which Mr. Sha Hong Qiu retired as an executive director on 9 November 2012, and the chief executive of the Company whose emoluments are included in (a) above.

During the year ended 31 December 2012, the emoluments of the remaining one individual, and Mr. Sha Hong Qiu after his retirement on 9 November 2012 were as follows:

	2012 HK$'000
Salaries and other allowances	5,213
Retirement benefits scheme contributions	20
Share-based payment expenses	40
	5,273

Their emoluments were within the following bands:

	2012 No. of employees
HK$ nil to HK$500,000	1
HK$4,500,001 to HK$5,000,000	1
	2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. Directors', Chief Executive's and Employees' Emoluments *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel, including directors' and chief executive's remuneration during the year is as follows:

	2012 **HK$'000**	2011 HK$'000
Short-term benefits	**30,252**	85,786
Post-employment benefits	**724**	815
Share-based payments	**2,298**	3,598
	33,274	90,199

The remuneration of directors and other key management members is determined by the remuneration committee having regard to the performance of individuals and market trends.

The remunerations of each key management who are not the director of the company, including the remuneration of Mr. Sha Hong Qiu after his resignation as an executive director on 9 November 2012, are with following bands:

	2012 **No. of** **employees**	2011 No. of employee
HK$ nil to HK$500,000	**1**	—
HK$1,500,001–HK$2,000,000	**—**	1
HK$2,000,001–HK$2,500,000	**1**	—
	2	1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. Dividends

	2012 **HK$'000**	2011 HK$'000
Dividends recognised as distribution during the year:		
2011 Final — HK5.5 cents (2011: 2010 final dividend HK5.1 cents) per share	**851,086**	789,644

On 28 May 2012, a final dividend of HK5.5 cents per share amounting to approximately HK$851,086,000 payable to shareholders of the year ended 31 December 2011 was approved at the annual general meeting of the Company and was paid on 20 July 2012.

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2012.

15. (Loss) Earnings Per Share

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company are based on the following data:

	2012 **HK$'000**	2011 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of calculation of basic and diluted earnings per share — (Loss) profit for the year attributable to owners of the Company	**(3,515,515)**	4,274,893

	2012 **'000**	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**15,475,299**	15,476,804
Effect of dilutive potential ordinary shares on share options	**—**	24,934
Weighted average number of ordinary shares for the purpose of dilutive (loss) earnings per share	**15,475,299**	15,501,738

Diluted loss per share for the year ended 31 December 2012 does not assume the exercise of the share options since the exercise would decrease the loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

16. Property, Plant and Equipment

	Buildings HK$'000	Plant and machinery HK$'000	Aircraft HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2011	3,347,408	20,960,633	–	153,066	85,830	900,273	25,447,210
Additions	538,624	782,941	–	166,722	51,771	16,578,577	18,118,635
Transfer	2,076,818	9,823,596	–	120,392	–	(12,020,806)	–
Disposals	(13,891)	(20,589)	–	(7,273)	(3,068)	(711)	(45,532)
Exchange realignment	226,697	1,286,676	–	14,112	5,393	150,803	1,683,681
At 31 December 2011 and 1 January 2012	6,175,656	32,833,257	–	447,019	139,926	5,608,136	45,203,994
Additions	488,928	480,878	453,004	27,708	14,018	3,008,111	4,472,647
Transfer	1,049,748	5,296,688	–	979	1,302	(6,348,717)	–
Acquired on acquisition of subsidiaries	128,341	250,998	–	2,087	970	261,422	643,818
Disposals	(17,039)	(147,517)	–	(3,318)	(3,255)	–	(171,129)
Exchange realignment	5,360	17,583	1,676	46	31	(12,155)	12,541
At 31 December 2012	7,830,994	38,731,887	454,680	474,521	152,992	2,516,797	50,161,871
DEPRECIATION/AND IMPAIRMENT							
At 1 January 2011	297,637	1,431,438	–	36,933	18,791	–	1,784,799
Provided for the year	188,584	1,763,660	–	51,999	19,409	–	2,023,652
Eliminated on disposals	(2,672)	(12,161)	–	(2,214)	(2,595)	–	(19,642)
Impairment losses recognised in profit or loss	22,622	70,555	–	527	412	2,318	96,434
Exchange realignment	19,626	113,466	–	3,004	1,334	54	137,484
At 31 December 2011 and 1 January 2012	525,797	3,366,958	–	90,249	37,351	2,372	4,022,727
Provided for the year	367,927	2,586,468	12,583	57,050	26,132	–	3,050,160
Eliminated on disposals	(1,439)	(16,696)	–	(2,329)	(2,332)	–	(22,796)
Impairment losses recognised in profit or loss	–	606,320	–	1,019	–	258,015	865,354
Exchange realignment	1,291	11,336	47	195	83	954	13,906
At 31 December 2012	893,576	6,554,386	12,630	146,184	61,234	261,341	7,929,351
CARRYING VALUES							
At 31 December 2012	6,937,418	32,177,501	442,050	328,337	91,758	2,255,456	42,232,520
At 31 December 2011	5,649,859	29,466,299	–	356,770	102,575	5,605,764	41,181,267

16. Property, Plant and Equipment *(Continued)*

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of lease terms or 3%–5%
Aircraft	$6\frac{2}{3}$%
Plant and machinery	5%–$6\frac{2}{3}$%
Office equipment	20%–33%
Motor vehicles	20%

The carrying value of plant and machinery as at 31 December 2012 includes plant and machinery located in the PRC held under sale and finance leaseback transactions of approximately HK$1,581,268,000 (2011: HK$1,643,809,000).

The carrying value of the plant and machinery as at 31 December 2012 includes solar farms in the USA held under sale and finance leaseback transaction of approximately HK$416,279,000 (2011: HK$473,345,000).

During the year ended 31 December 2012, impairment losses of HK$865,108,000 are recognised in respect of property, plant and equipment in the solar business. Due to oversupply in solar market and anti-dumping investigations imposed by the USA, European Union and India against China-produced solar cells and modules, the average selling price of polysilicon and wafers decreased significantly and the solar business recognised a segment loss of HK$3,355,921,000 during the year. With the impairment indicators identified, the directors conducted a review of the recoverable amounts of the property, plant and equipment in the solar business as at 31 December 2012 and recognised the following impairment losses:

(i) The recoverable amounts of the plant and machinery belonging to the production plant of polysilicon in the solar business are determined based on a value in use calculation by the directors of the Company with reference to the valuation report of Jones Lang LaSalle Sallmanns Limited ("Sallmanns"), an independent and recognised international business valuer, on the production plant in relation to the production of polysilicon of the solar business as at 31 December 2012. The calculation uses cash flow projections covering the useful lives of those property, plant and equipment in relation to the production of polysilicon based on financial budgets approved by management at a discount rate of 13.43%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market. In the opinion of the directors, the fair value less costs to sell of the plant and machinery in relation to the production of polysilicon is lower than the value in use. As a result, an impairment loss of HK$552,961,000 (2011: Nil) is recognised on property, plant and equipment in relation to the production of polysilicon accordingly.

(ii) Due to deteriorating profitability and downturn of the market for monocrystalline wafer, primarily as a result of lower demand in the market, and cessation of the construction of certain wafer production plants during the year, the management determined to write-off the relevant assets. As a result, an impairment losses of HK$312,147,000 (2011: Nil) are recognised on those property, plant and equipment, which included plant and equipment of HK$53,359,000, office equipment of HK$1,019,000 and construction in progress of HK$257,769,000.

(iii) The recoverable amounts of the production plants of other wafer business are determined based on a value in use calculation by the directors of the Company on the production plants in relation to the production of the other wafer business as at 31 December 2012. The calculation uses cash flow projections covering the useful lives of those property, plant and equipment in relation to the production of other wafer business based on financial budgets approved by management at a discount rate of 14.75%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market. As the value in use exceeds the carrying amounts of the related assets, as a result, no impairment loss is provided accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

16. Property, Plant and Equipment *(Continued)*

During the year ended 31 December 2011, Taixing Zhongneng Far East Polysilicon Technology Development Co., Ltd. ("Taixing Zhongneng") is a subsidiary of solar business that mainly produces Trichlorosilane ("TCS"), a raw material for polysilicon production. Due to the technology obsolescence and the significant drop in market price of TCS as a result of the downturn of polysilicon market. There is an indication that Taixing Zhongneng's property, plant and equipment may be impaired. During the year ended 31 December 2011, the directors conducted a review of the recoverable amounts of the property, plant and equipment at Taixing Zhongneng using the value in use calculation and determined that the impairment losses of HK$96,434,000 (2012: Nil) is recognised in respect of property, plant and machinery and other assets.

17. Prepaid Lease Payments

The prepaid lease payments comprise leasehold land in the PRC under medium term lease.

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current asset	39,809	26,781
Non-current asset	1,727,257	1,127,999
	1,767,066	1,154,780

18. Goodwill

	2012 HK$'000	2011 HK$'000
COST		
At 1 January	1,206,067	1,149,047
Arising from acquisition of subsidiaries (note 38)	397	—
Exchange realignment	(148)	57,020
At 31 December	1,206,316	1,206,067
IMPAIRMENT		
At 1 January	210,857	112,750
Impairment loss recognised in the year	318,656	90,407
Exchange realignment	1,153	7,700
At 31 December	530,666	210,857
CARRYING VALUES		
At 31 December	675,650	995,210

Notes to the Consolidated Financial Statements

18. Goodwill *(Continued)*

For the purpose of impairment testing, goodwill has been allocated to individual subsidiaries each of which constitute a cash generating unit ("CGU"). The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these CGUs are as follows:

	2012	2011
	HK$'000	HK$'000
CGUs in Power Group	**457,929**	499,925
Konca Solar	**217,721**	495,285
	675,650	995,210

As at 31 December 2012, the Group carried out an annual goodwill impairment testing in relation to goodwill for each of these CGUs in the Power Group and Konca Solar, which is principally engaged in the development, management and manufacturing of wafers in the solar industry.

During the year ended 31 December 2012, biomass prices continued to rise and selling price of wafer continued to decrease, operating profits and cash flows were lower than expected for certain CGUs in the Power Group and Konca Solar, respectively. The management of the Group recognised an impairment loss of HK$42,176,000 (2011: HK$90,407,000) and HK$276,480,000 (2011: Nil) in relation to goodwill allocated to the Power Group and Konca Solar, respectively.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of each of the CGUs in the Power Group and Konca Solar are determined based on a value in use calculation by the management of the Company by reference to the business valuation reports prepared by Jones Sallmanns on each of the CGUs in the Power Group and Konca Solar as at 31 December 2012. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 12.35% (2011: 12.23%) and 14.75% (2011: 16.19%) for each of the CGUs in the Power Group and Konca Solar, respectively. Cash flows beyond the five-year period are extrapolated using 3% (2011: zero) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance of each of the CGUs in the Power Group and Konca Solar and management's expectations for the market development. Impairment loss of RMB34,000,000 (equivalent to HK$42,176,000) (2011: RMB75,000,000 (equivalent to HK$90,407,000)) and RMB225,000,000 (equivalent to HK$276,480,000) (2011: Nil), in relation to goodwill allocated to each of the CGUs in the Power Group and Konca Solar is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

19. Other Intangible Assets

	Licences HK$'000	Restricted licence HK$'000	Customer lists HK$'000	Total HK$'000
COST				
At 1 January 2011	35,805	—	142,429	178,234
Additions	16,264	—	—	16,264
Exchange realignment	2,155	—	7,067	9,222
At 31 December 2011 and 1 January 2012	54,224	—	149,496	203,720
Additions	79,946	—	—	79,946
Acquired on acquisition of subsidiaries (note 38)	—	137,591	—	137,591
Exchange realignment	289	531	(18)	802
At 31 December 2012	134,459	138,122	149,478	422,059
AMORTISATION AND IMPAIRMENT				
1 January 2011	1,401	—	66,631	68,032
Charged for the year	15,487	—	48,860	64,347
Exchange realignment	430	—	4,444	4,874
At 31 December 2011 and at 1 January 2012	17,318	—	119,935	137,253
Charged for the year	20,051	12,128	15,205	47,384
Impairment loss recognised in the year	—	—	14,244	14,244
Exchange realignment	72	45	94	211
At 31 December 2012	37,441	12,173	149,478	199,092
CARRYING VALUES				
At 31 December 2012	97,018	125,949	—	222,967
At 31 December 2011	36,906	—	29,561	66,467

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

19. Other Intangible Assets *(Continued)*

As at 31 December 2011, licences are acquired by solar business from third parties in relation to licenced technical know-how of hydrochlorination production techniques and hydrochlorination recycling system. The additions for the year represent the purchase of licenced technical know-how on production for polysilicon and wafer products.

The restricted licence acquired from acquisition of a subsidiary during the year ended 31 December 2012 represents a restricted business licence for the operation of waste management power plant issued by the local government for a remaining period of 23 years.

Customer lists are acquired through the reverse acquisition of the Power Group in 2009 and acquisition of Konca Solar in 2010. During the year ended 31 December 2012, actual revenue generated from the customers included in the customer lists is less than the projected revenue by the management. Therefore, the management of the Group recognised an impairment loss of HK$14,244,000 in relation to customer lists acquired from Power Group and Konca Solar.

The intangible assets have definite useful lives and are amortised using the following basis:

Licences	straight-line basis over 10 years
Restricted licence	straight-line basis over 23 years
Customer lists	straight-line basis over 4 to 20 years

20. Interests in Jointly Controlled Entities

	2012 HK$'000	2011 HK$'000
Cost of unlisted investments in jointly controlled entities	**235,047**	180,101
Share of post-acquisition loss	**(19,134)**	(11,969)
Exchange realignment	**(307)**	(263)
	215,606	167,869

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

20. Interests in Jointly Controlled Entities *(Continued)*

As at 31 December 2012, the Group has interests in the jointly controlled entities incorporated and operated in the USA as follows:

Name of company	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
	2012	2011	2012	2011	
GCL-SR Solar Energy, LLC	50%	50%	50%	50%	Development of photovoltaic power generation projects in the USA
Sunora Energy Solutions I LLC ("Sunora") (Note a)	50%	50%	50%	50%	Design, engineering, procurement of equipment and materials for construction of photovoltaic power generation projects in the USA
Solar Reserve GCL Soutdrift PV1 Proprietary Limited ("GCL Soutdrift") (Note b)	50%	—	50%	—	Investment holding
Solar Reserve GCL Humansrus PV1 Proprietary Limited ("GCL Humansrus") (Note b)	50%	—	50%	—	Investment holding

Note:

(a) On 12 December 2012, the directors resolved to dispose the Group's 50% equity interest in Sunora and on 9 January 2013, a sale and purchase agreement was subsequently entered into by the Group with an independent third party. The net carrying amount of interest in Sunora of US$4,000,000 (equivalent to approximately HK$31,009,000) after impairment loss of US$3,000,000 (equivalent to approximately HK$23,396,000), which is expected to be sold within twelve months, has been classified as an asset held for sale and is presented separately in the consolidated statement of financial position as at 31 December 2012. The impairment loss recognised is mainly due to the excess of the carrying amount of the relevant interest over net proceed of disposal.

(b) During the year ended 31 December 2012, the Group acquired 50% equity interests in GCL Soutdrift and GCL Humansrus at considerations of US$2,349,000 (equivalent to HK$18,218,000) and US$2,760,000 (equivalent to HK$21,409,000), respectively, which are investment holding companies. Through these investments, the Group indirectly holds less than 20% equity interest in each of Firefly Investments 253 Proprietary Limited and Oakleaf Investment Holdings 79 Proprietary Limited, being associates of GCL Soutdrift and GCL Humansrus, which are engaged in development, design, financing, construction and operation of a 75MW photovoltaic power plant in South Africa (the "Project"), respectively. The total consideration of US$5,109,000 (equivalent to HK$39,627,000) represented the fair value of intangible assets in relation to the restricted business licence to develop the Project, identified on acquisitions of GCL Soutdrift and GCL Humansrus.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

20. Interests in Jointly Controlled Entities *(Continued)*

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using equity method and are not classified as held for sale is set out below:

	2012	2011
	HK$'000	HK$'000
Current assets	**2,077**	83,697
Non-current assets	**174,037**	87,357
Current liabilities	**135**	3,185
Non-current liabilities	**—**	—

	2012	2011
	HK$'000	HK$'000
Income recognised in profit or loss	**—**	—
Expenses recognised in profit or loss	**7,165**	11,969

21. Interests in Associates

	2012	2011
	HK$'000	HK$'000
Cost of unlisted investments in associates	**252,977**	204,977
Share of post-acquisition profit (loss) net of dividends received	**(35,877)**	(3,142)
Exchange realignment	**18,500**	18,742
	235,600	220,577

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. Interests in Associates *(Continued)*

As at 31 December 2012 and 2011, the Group had interests in associates operated in the PRC as follows:

Name of company	Form of entity	Country of incorporation/ registration	Equity interests		Proportion of board composition held		Principal activity
			2012	2011	**2012**	2011	
阜寧協鑫環保熱電有限公司 Funing Golden Concord Environmental Protection Co-generation Co., Ltd ("Funing Cogeneration Plant") (Note a)	Established	The PRC	**60%**	60%	**6/11**	6/11	Operation of a power station and trading of coal
華潤協鑫(北京)熱電有限公司 China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd ("Beijing Cogeneration Plant")	Established	The PRC	**49%**	49%	**3/7**	3/7	Operation of a power station
China Merchant New Energy Holdings Limited ("CMNE") (Note b)	Incorporated	BVI	**17.39%**	—	**1/5**	—	Investment holding

Notes:

(a) The Group holds 60% of the registered capital of Funing Cogeneration Plant. Under the articles of association of Funing Cogeneration Plant, the Group can appoint six out of eleven directors to the board of directors of Funing Cogeneration Plant, which is less than two-thirds majority which is required to pass resolutions on financing and operating policies of Funing Cogeneration Plant. The directors of the Company consider that the Group does exercise significant influence over Funing Cogeneration Plant and it is therefore classified as an associate of the Group.

(b) During the year ended 31 December 2012, the Group subscribed 20% equity interests in CMNE at a consideration of HK$48,000,000 and is classified as an associate of the Group (the "Subscription"). CMNE is incorporated in the BVI and engaged in the business of solar farm projects in the PRC.

During the year, after the Subscription, CMNE issued new shares to Talesun Solar Hong Kong Limited, a third party, and employees of CMNE resulting in a dilution of the equity interest in CMNE held by the Group by 1.82% and 0.79%, respectively. As at 31 December 2012, the Group holds 17.39% equity interests in CMNE. The Group can appoint one out of five directors in CMNE and continue to have significant influence over CMNE.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. Interests in Associates *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2012 HK$'000	2011 HK$'000
Total assets	**2,999,157**	927,483
Total liabilities	**(2,338,467)**	(490,753)
Net assets	**660,690**	436,730
Group's share of net assets of associates	**241,195**	220,577
Revenue	**600,957**	516,964
(Loss) profit for the year	**(12,379)**	37,876
Group's share of profits of associates for the year	**3,412**	15,173

22. Deferred Taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**–**	45,362
Deferred tax liabilities	**(514,367)**	(606,191)
	(514,367)	(560,829)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

22. Deferred Taxation *(Continued)*

The following are the deferred tax assets (liabilities) recognised and movements thereon during the year:

	Property, plant and equipment	Prepaid lease payments	Other intangible assets	Withholding tax on undistributed profits	Unrealised profits on inventories	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	(37,524)	(68,643)	(17,250)	(329,005)	39,835	—	(412,587)
Credit (charge) to profit or loss	4,714	4,360	10,470	(147,874)	(491)	3,961	(124,860)
Exchange realignment	(1,752)	(3,305)	(612)	(19,770)	1,965	92	(23,382)
At 31 December 2011 and 1 January 2012	(34,562)	(67,588)	(7,392)	(496,649)	41,309	4,053	(560,829)
Acquisition of subsidiaries	—	—	(34,398)	(10,930)	—	—	(45,328)
Credit (charge) to profit or loss	6,388	1,697	10,394	118,266	(41,152)	(4,037)	91,556
Exchange realignment	28	15	(93)	457	(157)	(16)	234
At 31 December 2012	(28,146)	(65,876)	(31,489)	(388,856)	—	—	(514,367)

At the end of the reporting period, the Group has unused tax losses of HK$2,572,168,000 (2011: HK$355,325,000) available for offset against future profits. Unrecognised tax losses of approximately HK$112,000 carried forward from 31 December 2011 was expired during the year. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK$15,384,000, HK$26,739,000, HK$70,494,000, HK$190,051,000 and HK$2,269,500,000 will expire in 2013, 2014, 2015, 2016 and 2017, respectively.

At the end of reporting period, the Group has deductible temporary differences in respect of impairment of certain assets in aggregate of HK$1,563,475,000 (2011: HK$315,189,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

23. Inventories

	2012 HK$'000	2011 HK$'000
Raw materials	**628,068**	645,789
Work in progress	**348,767**	220,527
Semi-finished goods (Note)	**365,665**	908,380
Finished goods	**680,298**	439,596
Spare parts	**65,789**	66,853
Solar modules	**159,238**	191,731
	2,247,825	2,472,876

Note: Semi-finished goods mainly represented polysilicon.

For the year ended 31 December 2012, inventories of HK$284,443,000 (2011: HK$120,965,000) in relation to solar products were written down because the costs of certain inventories except for spare parts were higher than their net realisable value.

24. Project Assets

Project assets primarily consist of costs relating to photovoltaic power generation projects in various stages of development that are capitalised prior to the sale of the project assets. These costs include project acquisition cost, modules, installation and other development costs, such as legal, consulting and permitting. While the project assets are not constructed for a specific customer, the Company intends to sell the project assets during the construction period or upon their completion.

The following is the breakdown of projects assets:

	2012 HK$'000	2011 HK$'000
Module costs	**770,754**	444,769
Other development costs	**406,656**	709,058
Total project assets	**1,177,410**	1,153,827

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

24. Project Assets *(Continued)*

The Group reviews project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In determining whether or not the project assets are recoverable, the Company considers a number of factors, including changes in environmental, ecological, permitting, or regulatory conditions that affect the project. Such changes may cause the cost of the project to increase and the selling price of the project to decrease.

During the year ended 31 December 2012, the Group sold 100% equity interests in four solar farm project companies with a total of planned capacity of 140MW to a customer in the USA with principal business to develop, own and operate renewable and other energy assets. These four solar farms are under construction at the time of disposal with approximately 50% stage of completion. Upon the sale transactions, all the project assets, including modules and the power purchase agreements related to the four solar power plants, has been transferred to the customer accordingly. The Group has recognised a total sale proceeds of HK$2,580,569,000 as revenue and recognised a total costs of HK$2,363,681,000 to profit or loss.

25. Trade and Other Receivables

	2012 **HK$'000**	2011 HK$'000
Trade receivables (Note a)	**5,031,720**	2,763,687
Less: allowance for doubtful debts	**(135,203)**	(4,748)
	4,896,517	2,758,939
Other receivables	**466,365**	327,022
Less: allowance for doubtful debts	**(1,236)**	(1,582)
	465,129	325,440
Value-added tax receivables	**1,200,439**	1,513,638
Bills receivable (Note a)	**1,743,771**	1,280,650
Entrusted loan receivables (Note b)	**98,668**	99,667
Prepayments (Note c)	**276,884**	1,086,410
	8,681,408	7,064,744

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

25. Trade and Other Receivables *(Continued)*

Notes:

(a) The Group generally allows a credit period ranging from 0 to 90 days for trade receivables and 0 to 180 days for bills receivable. The following is an aged analysis of trade receivables, net of allowances for doubtful debts, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012	2011
	HK$'000	HK$'000
Trade receivables:		
0–90 days	**3,267,646**	2,533,761
91–180 days	**1,281,303**	204,886
Over 180 days	**347,568**	20,292
	4,896,517	2,758,939

The following is an aged analysis of bills receivable (trade-related) presented based on the bills issue date at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
Bills receivable — trade:		
0–90 days	**721,421**	910,231
91–180 days	**1,022,350**	370,419
	1,743,771	1,280,650

Management of the Group closely monitors the credit quality of trade, bills and other receivables. The customers with balances that are neither past due nor impaired have good repayment history and no impairment is considered necessary.

Included in bills receivable, an amount of HK$357,020,000 (2011: HK$658,666,000) has been endorsed for settlement of trade and other payables and amounts due to related companies with recourse to the Group. Please refer to note 39 to the consolidated financial statements for more detail on the transfer of financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

25. Trade and Other Receivables *(Continued)*

Notes: (Continued)

(a) (Continued)

Ageing of trade receivables which are past due but not impaired

	2012 HK$'000	2011 HK$'000
0–90 days	**1,185,365**	204,886
91–180 days	**341,647**	20,292
Over 181 days	**70,155**	—
	1,597,167	225,178

The Group has not provided allowance for doubtful debts as such amounts are either covered by advances from customers or substantially settled subsequent to the end of reporting period. In addition, there was no historical default of payments by the respective customers. The Group does not hold any collateral over these receivables. The average age of these receivables is 153 days (2011: 99 days).

Full allowance has been made for certain trade and other receivables which have been past due and considered as doubtful debts or irrecoverable by the management of the Group. Movement of the allowance for doubtful debts for trade and other receivables is set out as follows:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**6,330**	11,281
Impairment loss recognised on receivables	**129,656**	4,809
Amounts recovered during the year	**—**	(9,869)
Amounts written off as uncollectible	**(25)**	(325)
Exchange realignment	**478**	434
Balance at end of the year	**136,439**	6,330

Included in the allowance for trade and other receivables are individually impaired trade receivables with an aggregate balance of HK$129,656,000 (2011: HK$3,251,000) and other receivables with aggregate balance of Nil (2011: HK$1,558,000) which have been in financial difficulties and it is not likely that such amounts will be recovered in the future.

(b) The entrusted loan receivables were arranged by banks in the PRC are unsecured, interest bearing as at fixed rate of 6.44% and floating rate of 6.77% per annum and mature on 25 January 2013 and 26 August 2013, respectively (2011: 6.94%, 6.67%, 7.22% and 7.32% per annum and mature on 8 January 2012, 10 January 2012, 22 March 2012 and 31 December 2012, respectively). The credit risk on the entrusted loan receivables is limited because the underlying counterparties are companies with good historical repayment record.

(c) Given the financial difficulties of a supplier and under the process of liquidation, during the year ended 31 December 2011, the Group recognised an impairment loss in full on a prepayment for the purchase of polysilicon to such supplier amounting to approximately HK$97,790,000. No such impairment is recognised in 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

26. Amounts Due from Related Companies

	2012 **HK$'000**	2011 HK$'000	**Maximum amount outstanding during 2012** HK$'000
Non-trade related:			
Companies in which Mr. Zhu Gongshan and his family have control#:			
江蘇協鑫房地產有限公司 Jiangsu Golden Concord Property Co., Ltd.*	**7,023**	7,023	7,023
中環(中國)工程有限公司 GCL Engineering Limited*	**4**	4	4
太倉港協鑫發電有限公司 Taicang Harbour Golden Concord Electric-Power Generation Co. Ltd.*	**–**	9,058	9,058
上海津森工程管理有限責任公司 Shanghai Jinsen Construction Management Company Limited*	**212**	212	212
	7,239	16,297	16,297
Associate of the Group Beijing Cogeneration Plant	**16,659**	15,317	
Trade-related:			
Companies in which Mr. Zhu Gongshan and his family have control#	**152,879**	38,936	
	176,777	70,550	

Mr. Zhu Gongshan is a director and a substantial shareholder of the Company, holding 32.43% of the Company's share capital as at 31 December 2012, and exercises significant influence over the Company.

* English name for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

26. Amounts Due from Related Companies *(Continued)*

For non-trade related amounts due from related companies, the amounts are unsecured, non-interest bearing and repayable on demand.

For trade related amounts due from related companies, the amounts are unsecured, non-interest bearing and with a credit term ranging from 0 to 90 days.

The following is an aged analysis of amounts due from related companies (trade-related), presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012 **HK$'000**	2011 HK$'000
0–90 days	**149,057**	35,847
91–180 days	**377**	220
181–365 days	**3,445**	2,869
	152,879	38,936

Management of the Group closely monitors the credit quality of amounts due from related companies that are neither past due nor impaired to be of a good credit quality in view of the good historical repayment records of such parties.

27. Loan to a Related Company

Particulars of the loan to a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name of related company	**Terms of the loan**	**2012** **HK$'000**	2011 HK$'000	**Maximum amount outstanding during 2012** HK$'000
Associate of the Group:				
Funing Cogeneration Plant	Unsecured, interest-bearing at Benchmark Rate payable within one year	**79,916**	46,206	123,870

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

28. Held for Trading Investment

	2012	2011
	HK$'000	HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**15,453**	21,964

29. Pledged and Restricted Bank Deposits and Bank Balances

Bank balances

Bank balances carry interest at floating rates which range from 0.001% to 0.50% (2011: 0.001% to 0.50%) per annum or fixed rates which range from 0.001% to 2.35% (2011: 0.18% to 3.1%) per annum.

Pledged bank deposits

These bank deposits carry fixed interest rates ranging from 2.6% to 8.01% (2011: 0% to 5.49%) per annum or floating rates which ranging from 0.72% to 3.5% (2011: Nil).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$1,384,865,000 (2011: HK$1,245,091,000) have been pledged to short-term borrowings granted to the Group and obligations under financial leases in the PRC and the USA and are therefore classified as current assets. The remaining deposits amounting to HK$205,723,000 (2011: HK$306,202,000) have been pledged to secure long-term borrowings granted to the Group and obligations under financial leases in the PRC and USA and are therefore classified as non-current assets.

Restricted bank deposits

The deposits carry interest at floating rates which range from 0.2% to 0.3% (2011: 0.2% to 0.3%) per annum or fixed rates which range from 2.8% to 3.3% (2011: 2.25% to 3.3%) per annum and will be released upon the settlement or discharge of the relevant letters of credit and guarantee.

Restricted bank deposits amounting to HK$3,630,002,000 (2011: HK$2,804,642,000) have been restricted to secure bills payable, short-term letters of credit for trade and payables for purchase of property, plant and equipment and are therefore classified as current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

30. Trade and Other Payables

	2012 HK$'000	2011 HK$'000
Trade payables	**2,839,621**	2,444,768
Bills payable (trade)	**2,020,767**	724,978
Bills payable (non-trade)	**68,422**	27,896
Construction payables	**3,060,191**	3,604,207
Salaries, wages and other benefits payables	**205,156**	322,654
Other payables	**338,895**	166,771
Dividend payable to non-controlling shareholders of subsidiaries	**10,806**	36,588
Other tax payables	**103,964**	51,483
Interest payables	**198,189**	109,693
Accruals	**281,705**	173,959
Prepayment received from a joint venture partner of a jointly controlled entity (Note)	**–**	544,052
	9,127,716	8,207,049

Note: The amount represented prepayments received for the sale of solar modules.

The credit period for trade payables and bills payable (trade) are normally within 90 days and 180 days, respectively. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
Trade payables:		
0–90 days	**1,807,379**	2,101,725
91–180 days	**675,730**	228,711
Over 180 days	**356,512**	114,332
	2,839,621	2,444,768

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

30. Trade and Other Payables *(Continued)*

The following is an aged analysis of bills payable (trade), presented based on issue date of bills payable (trade) at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
Bills payable (trade):		
0 – 90 days	**1,439,444**	485,164
91 – 180 days	**581,323**	239,814
	2,020,767	724,978

31. Amounts Due to Related Companies

	2012	2011
	HK$'000	HK$'000
Non-trade related:		
Companies in which Mr. Zhu Gongshan and his family have control (Note a)	**30,209**	11,982
Trade-related:		
Companies in which Mr. Zhu Gongshan and his family have control (Note b)	**100,095**	39,068
	130,304	51,050

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand. Mr. Zhu Gongshan is a director and a substantial shareholder of the Company, holding 32.43% of the Company's share capital as at 31 December 2012, and exercises significant influence over the Company.

(b) The amounts are unsecured, non-interest bearing and the credit period are normally within 90 days. Mr. Zhu Gongshan is a director and a substantial shareholder of the Company, holding 32.43% of the Company's share capital as at 31 December 2012, and exercises significant influence over the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

31. Amounts Due to Related Companies *(Continued)*

The following is an aged analysis of amounts due to related companies (trade-related) at the end of the reporting period, presented based on the invoice date:

	2012 **HK$'000**	2011 HK$'000
0 – 90 days	**87,431**	24,287
91 – 180 days	**2,278**	13,815
181 – 365 days	**10,386**	966
	100,095	39,068

32. Advances from Customers

The Group entered into goods supply contracts with customers and received advance payments from customers which are interest-free. As of 31 December 2012, the advances of HK$810,571,000 (2011: HK$1,022,400,000) and HK$1,736,398,000 (2011: HK$2,091,594,000) are included in current liabilities and non-current liabilities based on the estimated amounts of purchase of goods within one year and after one year, respectively.

33. Government Grants

	2012 **HK$'000**	2011 HK$'000
Amounts credited to profit or loss during the year:		
Incentive subsidies (Note a)	**212,251**	147,314
Subsidies related to property, plant and equipment (Note b)	**64,355**	38,990
Value-added tax refund related to depreciable assets (Note c)	**9,334**	9,157
	285,940	195,461
Deferred income related to government grants:		
Subsidies related to property, plant and equipment (Note b)	**556,496**	257,678
Value-added tax refund related to depreciable assets (Note c)	**117,275**	126,659
Total	**673,771**	384,337
Less: current portion	**(102,853)**	(54,003)
Non-current portion	**570,918**	330,334

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

33. Government Grants *(Continued)*

Notes:

(a) Incentive subsidies were received from the relevant PRC Government for improvement of working capital and financial assistance to the operating activities to enhance the competitiveness in the industry. The amount also includes grants for compensation of expenses already incurred such as research and development activities and interest subsidies. The subsidies were granted on a discretionary basis to the Group during the year.

(b) The Group received government subsidies for the compensation of capital expenditure incurred for the plant and machinery and prepaid lease payments. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(c) The Group received value-added tax refunds on purchases of domestic manufactured plant and machinery. The amounts are deferred and amortised over the estimated useful lives of the respective plant and machinery.

34. Bank Borrowings

	2012 HK$'000	2011 HK$'000
Short-term bank borrowings	11,551,025	9,052,273
Long-term bank borrowings	20,971,328	20,234,026
	32,522,353	29,286,299
Less: current portion	(19,705,114)	(11,582,443)
Non-current portion	12,817,239	17,703,856

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

34. Bank Borrowings *(Continued)*

Details of the bank borrowings are as follows:

	2012 **HK$'000**	2011 HK$'000
Secured	**10,120,328**	4,133,816
Unsecured	**22,402,025**	25,152,483
	32,522,353	29,286,299
Carrying amount repayable*:		
Within one year	**19,285,750**	11,311,073
More than one year, but not exceeding two years	**8,726,385**	7,375,557
More than two years, but not exceeding three years	**2,283,213**	7,930,706
More than three years, but not exceeding four years	**738,327**	1,475,215
More than four years, but not exceeding five years	**331,771**	467,215
More than five years	**737,543**	455,163
	32,102,989	29,014,929
Carrying amount of bank loans that are repayable within one year from the end of the reporting period and contain a repayment on demand clause (shown under current liabilities)	**419,364**	271,370
Less: Amounts due within one year shown under current liabilities	**(19,705,114)**	(11,582,443)
	12,817,239	17,703,856
Analysed as:		
Fixed-rate borrowings	**10,335,208**	6,368,459
Variable-rate borrowings	**22,187,145**	22,917,840
	32,522,353	29,286,299

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

34. Bank Borrowings *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are analysed as follows:

	31.12.2012	31.12.2011
Fixed-rate borrowings	**1.81% to 7.22%**	2.5% to 7.22%
Variable-rate borrowings		
US$ borrowings	**LIBOR + 2% to 6%**	LIBOR + 1.9% to 6%
RMB borrowings	**90% to 120% of Benchmark Rate**	90% to 120% of Benchmark Rate
RMB borrowings	**SHIBOR + 2%**	SHIBOR + 2%

The Group's borrowings are denominated in the currencies other than the functional currency of the relevant group entities are set out below:

	2012 **HK$'000**	2011 HK$'000
US$	**7,609,293**	7,339,475
CHF	**–**	193,191

Certain borrowings are secured by property, plant and equipment, prepaid lease payments and bank deposits as set out in note 43.

Included in the bank borrowings are obligations arising from discounting of bills receivables issued by third parties and by Group entities to banks with recourse with an aggregate carrying amount of approximately HK$2,575,995,000 (2011: HK$743,585,000). The amount of bill receivable discounted to banks with recourse is discounted with fixed interest rates ranged from 4.98% to 6.55%. Please refer to note 39 to the consolidated financial statements for more detail on the transfer of financial assets.

During the year, in respect of a bank loan with a carrying amount of approximately HK$7,926,751,000 as at 31 December 2012 with certain covenant terms of the bank loan, the directors of the Company had reviewed the covenant terms of such loan and no sign of breach of covenants was noted at 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. Obligations Under Finance Leases

The Group entered into sale and leaseback agreements with lessors in respect of its manufacturing equipment in the PRC and solar farms in the USA.

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current liabilities	464,479	433,302
Non-current liabilities	865,391	1,264,617
	1,329,870	1,697,919

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Amounts payable under finance leases				
Within one year	536,484	527,465	464,480	433,302
In more than one year but not more than two years	408,678	524,324	364,736	455,646
In more than two years but not more than five years	336,848	686,520	284,169	597,071
In more than five years	325,705	326,222	216,485	211,900
	1,607,715	2,064,531	1,329,870	1,697,919
Less: future finance charges	(277,845)	(366,612)	N/A	N/A
Present value of lease obligations	1,329,870	1,697,919	1,329,870	1,697,919
Less: Amount due for settlement within 12 months (shown under current liabilities)			(464,479)	(433,302)
Amount due for settlement after 12 months			865,391	1,264,617

Notes to the Consolidated Financial Statements

35. Obligations Under Finance Leases *(Continued)*

Finance lease agreements in the USA

GCL Solar Energy Inc. ("GCL Solar"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries ("Project Companies"), entered into master lease agreements and various related agreements with Wells Fargo & Company and Bank of America Merrill Lynch ("Lease Agreements") to fund solar photovoltaic power projects ("Solar Projects"). Pursuant to the Lease Agreement, the Project Companies will design, construct and build the Solar Projects, and upon completion of which, sell the Solar Projects to Wells Fargo & Company ("Wells Fargo") and Bank of America Merrill Lynch ("Bank of America"), who in turn, lease back the Solar Projects to the Project Companies. Separately, Project Companies entered into power purchase agreements with end customers, who buy the electricity directly from the Project Companies.

During the year ended 31 December 2012, the Project Companies sold 1 MW Solar Projects to Bank of America (2011: 4.9 MW to Bank of America and 11 MW to Wells Fargo). Concurrent with the sale, the Project Companies entered into agreements to lease the Solar Projects back from Wells Fargo and Bank of America at a predetermined basis rent for terms of 17 to 25 years. At the end of the lease term, the Project Companies have the option to purchase the Solar Projects at market price, renew the lease, or remove the Solar Projects. The sale and leaseback of the thirteen (2011: twelve) Solar Projects resulted in finance leases. The average effective interest rate of finance lease is 6.51% (2011: 6.34%) per annum after adjusting the initial direct cost.

As at 31 December 2012, such finance leases have outstanding obligations of US$49,164,000 (equivalent to HK$381,130,000) (2011: US$56,304,000 (equivalent to HK$437,607,000)). The Group's obligations under finance leases are secured by a pledged and restricted bank deposit of approximately HK$86,743,000 (2011: HK$149,727,000) made to lessors at the inception of the lease.

Finance lease agreements in the PRC

The Group entered into several finance lease agreements with third party financial institutions at lease terms of 3 to 5 years, pursuant to which the Group agreed to sell certain plants and equipment to the financial institutions, and concurrently lease the assets back for terms of 3 to 5 years by quarterly rent payments. At the end of the lease term, the Group has the option to purchase the assets at nominal value. The sale and leaseback arrangement resulted in finance leases. As at 31 December 2012, such finance leases have an outstanding obligation of HK$948,740,000 (2011: HK$1,260,312,000). The average effective interest rate of the finance leases is 7.33% (2011: 7.71%) per annum after adjusting the effect of initial direct costs.

As at 31 December 2012, the Group's obligations under finance leases are secured by a pledged and restricted deposit of approximately HK$187,469,000 (2011: HK$187,492,000) made to lessors at the inception of the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

36. Long-Term Notes

The carrying amount of the Group's long-term notes is as follow:

	2012 HK$'000	2011 HK$'000
Nominal value of 7.05% fixed rate bonds maturing in November 2018 (Note a)	1,850,024	1,850,253
The First Tranche Notes — Nominal value of 6.9% fixed rate bonds maturing in February 2015 (Note b)	493,340	—
The Second Tranche Notes — Nominal value of 5.77% fixed rate bonds maturing in May 2015 (Note b)	740,010	—
Less: Unamortised issuance cost	(24,566)	(19,081)
Net carrying amount	3,058,808	1,831,172

Notes:

(a) Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng"), a wholly-owned subsidiary of the Group, has issued RMB1,500,000,000 (equivalent to HK$1,850,000,000) notes (the "Notes") in the PRC on 15 November 2011, which mature on 14 November 2018, unless there is earlier resale pursuant to the terms of the Notes. The Notes bear interest at a fixed rate of 7.05% per annum for the first five years, payable annually in arrears on 15 November each year, commencing from 15 November 2012.

Jiangsu Zhongneng has the absolute right (but not the obligation) to adjust upward the annual interest rate within the range from 0 to 100 basis point upon the end of five years from the date of issue. The interest rate for the last two years will be 7.05% per annum plus any of the upward adjustment.

Any investors of the Notes has the right to register within 5 business days from the date of announcement of any upward adjustment of the interest rate upon the end of five years from the date of issue in order to qualify for resale of the whole or part of the Notes held by them to Jiangsu Zhongneng at par.

(b) On 20 December 2011, 保利協鑫有限公司 GCL-Poly Limited* ("GCL"), a wholly-owned subsidiary of the Group, has completed the registration of a RMB1 billion notes with a tenor of three years with the National Association of Financial Market Institutional Investors. GCL has issued the First Tranche Notes of RMB400,000,000 and the Second Tranche Notes of RMB600,000,000 (equivalent to HK$493,000,000 and HK$740,000,000, respectively) in the PRC on 16 February 2012 and 10 May 2012, which mature on 16 February 2015 and 10 May 2015, respectively. The First Tranche Notes bear interest at a fixed rate of 6.9% per annum, payable annually in arrears on 16 February each year, commencing from 16 February 2013. The Second Tranche Notes bear interest at a fixed rate of 5.77% per annum, payable annually in arrears on 10 May each year, commencing from 10 May 2013.

* English name for identification only

37. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	20,000,000	2,000,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. Share Capital *(Continued)*

	Number of shares '000	**Amount** HK$'000
Issued and fully paid:		
At 1 January 2011	15,473,963	1,547,396
Exercise of share options (Note a)	11,999	1,200
Shares repurchased and cancelled (Note b)	(15,000)	(1,500)
At 31 December 2011 and 1 January 2012	15,470,962	1,547,096
Exercise of share options (Note c)	5,114	511
At 31 December 2012	15,476,076	1,547,607

Notes:

(a) During the year ended 31 December 2011, share option holders exercised their rights to subscribe for 11,375,000 and 624,000 ordinary shares in the Company at HK$0.59 and HK$1.054 per share, respectively, with the net proceeds of HK$7,369,000.

(b) During the year ended 31 December 2011, the Company had repurchased and cancelled 15,000,000 ordinary shares in the Company at an average price of HK$2.89 per share from open market with net cash outflow of HK$43,596,000, including transaction costs.

The Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	**No. of ordinary shares** '000	**Price per share** **Highest** HK$	**Lowest** HK$	**Aggregate consideration paid** HK$'000
10 June 2011	5,000	3.45	3.26	16,850
19 September 2011	5,000	2.79	2.79	13,950
20 September 2011	5,000	2.52	2.52	12,600

The above shares were cancelled upon repurchase.

(c) During the year ended 31 December 2012, share option holders exercised their rights to subscribe for 4,594,000 and 520,000 ordinary shares in the Company at HK$0.59 and HK$1.054 per share, respectively, with the net proceeds of HK$3,258,000.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

All shares rank pari passu in all respects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

38. Acquisition of Subsidiaries

(i) Acquisition of Xuzhou Energy Plant

On 12 January 2012, the Group entered into a share purchase agreement with Sinopro Enterprises Limited, a company controlled by Mr. Zhu Gongshan and his family, to acquire 100% equity interest in 保利協鑫(徐州)再生能源發電有限公司 Xuzhou GCL-Poly Renewable Energy Company Limited* ("Xuzhou Energy Plant") for a consideration of RMB290,000,000 (equivalent to approximately HK$356,296,000) through the acquisition of 100% equity interest in Charm Team Limited by the Group. As Charm Team Limited holds, through Team Profit International Holdings Limited, 100% of the equity interest in Xuzhou Energy Plant, the acquisition would result in Xuzhou Energy Plant becoming an indirectly wholly-owned subsidiary of the Group. The acquisition of Xuzhou Energy Plant was completed on 23 May 2012. Details of the acquisition of Xuzhou Energy Plant were set out in the announcements of the Company dated 12 January 2012 and 23 May 2012.

Xuzhou Energy Plant is principally engaged in the operation of an incineration power plant for generation and sale of electricity and steam in Xuzhou, the PRC. Xuzhou Energy Plant has been one of the long-standing steam suppliers of the Group. It was acquired with the objective of securing the Group's in-house steam supplies to meet the Group's increasing demand for steam resulting from its continuously increased production capacity of polysilicon and wafers.

The acquisition has been accounted for using the purchase method.

(ii) Acquisition of Sichuan Silicon

On 12 January 2012, the Group entered into an equity transfer agreement with 上海國能投資有限公司 Shanghai Guoneng Investment Company Limited* ("Shanghai Guoneng"), a company controlled by Mr. Zhu Gongshan and his family, to acquire 100% equity interest in 四川協鑫硅業科技有限公司 Sichuan Xie Xin Silicon Technology Company Limited* ("Sichuan Silicon") for a consideration of RMB91,000,000 (equivalent to approximately HK$111,853,000). The acquisition of Sichuan Silicon was completed on 2 March 2012. Details of the Acquisition of Sichuan Silicon were set out in the announcements of the Company dated 12 January 2012 and 5 March 2012.

Sichuan Silicon commenced its operation in December 2011 and is principally engaged in the manufacturing and sales of metallurgical-grade silicon in Sichuan Province, the PRC. Metallurgical-grade Silicon is a major raw material for polysilicon production. As the Group is the leading manufacturer of polysilicon in China, the Directors consider that the acquisition is in line with the Group's development strategy of securing stable supply of raw material and will achieve a cost effective production process of polysilicon.

The acquisition has been accounted for using the purchase method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

38. Acquisition of Subsidiaries *(Continued)*

(iii) Acquisition of Jiangsu Guoneng

On 12 January 2012, the Group entered into the equity transfer agreement with Shanghai Guoneng, to acquire 100% equity interest in 江蘇國能光伏科技有限公司 Jiangsu Guoneng Solar Technology Company Limited* ("Jiangsu Guoneng") for a consideration of RMB12,000,000 (equivalent to approximately HK$14,790,000). The Acquisition of Jiangsu Guoneng was completed on 29 February 2012.

Jiangsu Guoneng is principally engaged in the development and operation of rooftop photovoltaic power generation projects. The Directors consider that the acquisition is in line with the Group's future development in solar business.

The acquisition has been accounted for using the purchase method.

* English name for identification only

Assets and liabilities recognised at the respective dates of acquisitions

	Xuzhou Energy Plant HK$'000 (Fair value)	Sichuan Silicon HK$'000 (Fair value)	Jiangsu Guoneng HK$'000 (Fair value)	Total HK$'000 (Fair value)
Non-current assets				
Property, plant and equipment	323,246	269,191	51,381	643,818
Deposit for acquisition of prepaid lease payments	—	2,402	—	2,402
Prepaid lease payments	28,911	6,330	—	35,241
Other intangible assets	137,591	—	—	137,591
Current assets				
Inventories	148	8,247	—	8,395
Trade and other receivables	12,318	20,222	7,757	40,297
Amounts due from related companies	13,783	—	—	13,783
Prepaid lease payments	626	137	—	763
Tax recoverable	645	—	—	645
Cash and cash equivalents	23,661	2,569	5,643	31,873
Current liabilities				
Trade and other payables	(7,251)	(41,970)	(507)	(49,728)
Amounts due to related companies	(15,336)	(155,124)	(49,694)	(220,154)
Tax payables	—	—	(187)	(187)
Bank borrowings	(116,718)	—	—	(116,718)
Non-current liabilities				
Deferred tax liabilities	(45,328)	—	—	(45,328)
	356,296	112,004	14,393	482,693

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

38. Acquisition of Subsidiaries *(Continued)*

Assets and liabilities recognised at the respective dates of acquisitions *(Continued)*

The fair value of trade and other receivables and amounts due from related companies amounted to HK$40,297,000 and HK$13,783,000 respectively, representing the gross contractual amounts at the dates of acquisitions. The best estimate at acquisition dates of the contractual cash flows not expected to be collected is nil.

The fair value of other intangible assets separately acquired from the acquisition of Xuzhou Energy Plant of HK$137,591,000 was determined by the management of the Company with reference to the valuation report, based on the multi-period excess earnings method, prepared by Jones Sallmanns on waste processing license of Xuzhou Energy Plant as at 31 May 2012. That calculation uses cash flow projections based on financial budgets approved by management covering the useful lives of the waste processing license at a discount rate of 17.5%. Other key assumptions of the value in use calculations relate to the estimation of cash inflow/outflows include budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market development.

Acquisition related costs are insignificant which have been excluded from the considerations transferred and have been recognised as an expense in the condensed consolidated statement of comprehensive income.

Goodwill arising on acquisitions

	Xuzhou Energy Plant HK$'000 (Fair value)	**Sichuan Silicon** HK$'000 (Fair value)	**Jiangsu Guoneng** HK$'000 (Fair value)	**Total** HK$'000 (Fair value)
Consideration transferred	356,296	111,853	14,790	482,939
Less: fair value of identifiable net assets acquired	(356,296)	(112,004)	(14,393)	(482,693)
(Discount) goodwill arising on acquisition	—	(151)	397	246

The (discount) goodwill arising upon acquisitions of Sichuan Silicon and Jiangsu Guoneng has been included in other expenses for the current year as the management of the Group considered the amounts involved are insignificant.

Net cash outflow arising on acquisitions

	Xuzhou Energy Plant HK$'000 (Fair value)	**Sichuan Silicon** HK$'000 (Fair value)	**Jiangsu Guoneng** HK$'000 (Fair value)	**Total** HK$'000 (Fair value)
Consideration paid in cash	356,296	111,853	14,790	482,939
Less: cash and cash equivalents	(23,661)	(2,569)	(5,643)	(31,873)
	332,635	109,284	9,147	451,066

Notes to the Consolidated Financial Statements

38. Acquisition of Subsidiaries *(Continued)*

Impact of acquisition on the results of the Group

Included in the loss for the year is total profit of HK$19,874,000 attributable to Xuzhou Energy Plant, Sichuan Silicon and Jiangsu Guoneng. Revenue for the year includes HK$46,850,000 (after elimination of inter-company sales) attributable to Xuzhou Energy Plant, Sichuan Silicon and Jiangsu Guoneng.

Had the acquisition of Xuzhou Energy Plan, Sichuan Silicon and Jiangsu Guoneng been effected at the beginning of the year, the total amount of revenue of the Group for the year would have been HK$22,376,913,000 (after elimination of inter-company sales), and the amount of the loss for the year attributable to owners of the Company would have been HK$3,494,171,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Xuzhou Energy Plant, Sichuan Silicon and Jiangsu Guoneng been acquired at the beginning of the year, the directors calculated depreciation and amortization of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

39. Transfer of Financial Assets

During the year, the Group endorsed certain bills receivable for the settlement of trade and other payables; and discounted certain bills receivable to banks for raising of cash.

The following were the Group's bills receivables as at 31 December 2012 that were transferred to banks or creditors by discounting or endorsing those receivables, respectively, on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 34) or the amounts outstanding with the creditors remain to be recognized as trade and other payables and amount due to related companies. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

At 31 December 2012

	Bills receivable discounted to banks with recourse HK$'000	**Bills receivable endorsed to creditors with recourse** HK$'000	**Total** HK$'000
Bills receivables from third parties	2,409,965	357,020	2,766,985
Bills receivables from group entities	166,030	—	166,030
Carrying amount of bills receivables	2,575,995	357,020	2,933,015
Carrying amount of associated liabilities	(2,575,995)	(357,020)	(2,933,015)
Net position	—	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

39. Transfer of Financial Assets *(Continued)*

Further, in the opinion of the directors, the Group has transferred the significant risks and rewards relating to certain endorsed or discounted bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because those endorsed and discounted bills receivable are issued and guaranteed by reputable PRC banks. Accordingly, the relevant assets and liabilities were not recognised in the consolidated financial statements. As at 31 December 2012, the maximum exposure to the Group that may result from default of these endorsed or discounted bills receivable is HK$1,238,432,000 and HK$449,368,000, respectively, in aggregate of HK$1,687,800,000.

Maturity analysis of the derecognised endorsed or discounted bills receivables is as follows:

	2012 HK$'000
Within 3 months	**1,315,469**
Over 3 months but within 6 months	**372,331**
	1,687,800

The directors of the Company consider that the carrying amounts of the endorsed and discounted bills receivable approximate their fair value.

The undiscounted cash outflows that may be required to repurchase derecognised bills receivables discounted to banks and endorsed to creditors are approximately their carrying amounts.

The finance costs recognised for bills receivable discounted to banks are HK$242,281,000 (2011: HK$89,646,000) for the year ended 31 December 2012.

The transfer of bills receivable discounted to banks and endorsed to creditors are evenly distributed throughout the year.

40. Operating Leases

The Group as lessee

	2012 HK$'000	2011 HK$'000
Minimum lease payments paid under operating leases during the year:		
Buildings	**34,740**	34,910
Natural gas transmission network	**13,239**	11,799
Staff quarters	**10,605**	4,440
Motor vehicle	**5,761**	11,811
Others	**1,791**	3,943
	66,136	66,903

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. Operating Leases *(Continued)*

The Group as lessee *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Within one year	53,774	56,766
In the second to fifth year inclusive	65,282	85,408
After five years	292	310
	119,348	142,484

Operating lease payments represent rentals payable by the Group for certain properties, natural gas transmission network and other assets. Leases are negotiated and rentals are fixed for terms ranging from one to three years.

The Group as lessor

	2012 HK$'000	2011 HK$'000
Rental income credited to profit or loss during the year:		
Land use rights	1,599	1,411
Building	132	178
Staff quarters	105	27
Others	—	36
	1,836	1,652

At the end of the reporting period, the Group had contracted with tenants for the future minimum lease payments:

	2012 HK$'000	2011 HK$'000
Within one year	828	1,142
In the second to fifth years inclusive	1,225	1,543
After five years	1,930	2,130
	3,983	4,815

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

41. Capital Commitments

	2012 HK$'000	2011 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided	**2,693,390**	3,362,887
Authorised but not contracted for	**5,418,306**	6,633
	8,111,696	3,369,520
Construction cost in respect of project assets:		
Contracted for but not provided	**2,950,741**	448,895
	11,062,437	3,818,415

42. Contingent Liabilities

At 31 December 2012, the Group provided a total guarantees of HK$135,668,000 (2011: HK$111,015,000) to a bank in respect of banking facilities of an associate, which will be expired on 20 February 2013 and 20 November 2013. The associate had utilised a total of HK$101,135,000 (2011: HK$96,213,000) of such banking facilities at the end of the reporting period. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at year end date is insignificant.

At 31 December 2011, the Group also provided a guarantee of US$30,000,000 (equivalent to HK$233,165,000) to a bank in respect of a banking facility, which was expired on 9 March 2012, made by the bank to a third party long-term customer of the Group. In return for the guarantee, the third party customer provided a non-refundable and non-cancellable deposit to the Group with a carrying amount of HK$246,700,000), which is included in advances from customers on the consolidated statement of position at 31 December 2011 (see note 32). The director considers that the fair value of the financial guarantees at date of inception and at year end date is insignificant as the guarantee given by the Group is covered by the advances received. During the year, the guarantee was released upon settlement.

43. Pledge of Assets

At 31 December 2012, the Group has pledged buildings with carrying values of approximately HK$2,174,574,000 (2011: HK$2,206,369,000) and plant and machinery with carrying values of approximately HK$8,528,076,000 (2011: HK$8,147,025,000) to secure borrowings granted to the Group.

The Group has pledged prepaid lease payments with carrying values of approximately HK$476,601,000 (2011: HK$425,363,000) at 31 December 2012 to secure banking facilities granted to the Group.

The Group has pledged bank deposits with carrying value of approximately HK$1,590,588,000 (2011: HK$1,551,293,000) at 31 December 2012 to secure borrowings granted to the Group and obligations under finance leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

44. Share-Based Payment Transactions

Equity settled share option scheme

On 22 October 2007, a Pre-IPO Share Option Scheme ("Pre-IPO Share Option Scheme") and a Share Option Scheme ("Share Option Scheme") were approved by the resolution of the sole shareholder and were adopted by the Company. Pursuant to the schemes, the Company may grant option to directors, employees of the Company and its subsidiaries and qualifying grantees to subscribe for shares of the Company.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the schemes is 154,579,000 (2011: 184,393,000) shares, representing 1.00% of the issued share capital of the Company at that date.

Options granted are exercisable during the period after respective vesting date to the last day of the ten-year period after grant date.

The options granted on 12 January 2011 under the Share Option Scheme are subject to a vesting scale in tranches of one-fifth of the shares on 1 March 2011 and the first, second, third and fourth anniversary dates of the grant, respectively.

The options granted on 15 July 2011 under the share option scheme are subject to a vesting scale in tranches of one-fifth of the shares on 1 September 2011 and the first, second, third and fourth anniversary dates of the date of grants, respectively.

Movements of share options granted during the year are as follows:

			Number of share options				
			Outstanding at	During the year			Outstanding at
	Exercise price	Date of grant	1 January 2012	Exercised	Forfeited	Transferred	31 December 2012
Directors	HK$4.1	13.11.2007	7,680,000	–	–	(1,680,000)	6,000,000
	HK$0.59	16.02.2009	8,680,000	–	–	(1,680,000)	7,000,000
	HK$4.1	15.07.2011	2,000,000	–	–	–	2,000,000
Employees and others	HK$4.1	13.11.2007	18,660,000	–	–	1,680,000	20,340,000
	HK$0.59	16.02.2009	16,017,000	(4,594,000)	–	1,680,000	13,103,000
	HK$1.054	24.04.2009	2,056,000	(520,000)	–	–	1,536,000
	HK$3.32	12.01.2011	23,500,000	–	(6,500,000)	–	17,000,000
	HK$4.1	15.07.2011	105,800,000	–	(18,200,000)	–	87,600,000
			184,393,000	(5,114,000)	(24,700,000)	–	154,579,000
Exercisable at the end of the year			49,239,000				82,147,000
Weighted average exercise price			3.50	0.64	3.89	–	3.53

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

44. Share-Based Payment Transactions *(Continued)*

Equity settled share option scheme *(Continued)*

	Exercise price	Date of grant	Number of share options: Outstanding at 1 January 2011	During the year: Granted	Exercised	Forfeited	Transferred	Outstanding at 31 December 2011
Directors	HK$4.1	13.11.2007	7,680,000	–	–	–	–	7,680,000
	HK$0.59	16.02.2009	9,880,000	–	–	–	(1,200,000)	8,680,000
	HK$4.1	15.07.2011	–	2,000,000	–	–	–	2,000,000
Employees and others	HK$4.1	13.11.2007	18,880,000	–	–	(220,000)	–	18,660,000
	HK$0.59	16.02.2009	26,392,000	–	(11,375,000)	(200,000)	1,200,000	16,017,000
	HK$1.054	24.04.2009	2,680,000	–	(624,000)	–	–	2,056,000
	HK$3.32	12.01.2011	–	25,000,000	–	(1,500,000)	–	23,500,000
	HK$4.1	15.07.2011	–	106,100,000	–	(300,000)	–	105,800,000
			65,512,000	133,100,000	(11,999,000)	(2,220,000)	–	184,393,000
Exercisable at the end of the year			18,728,000					49,239,000
Weighted average exercise price			2.03	3.95	0.61	3.26	–	3.50

During the year ended 31 December 2012, no share option was granted. During the year ended 31 December 2011, the closing price of the Company's shares immediately before 12 January 2011 and 15 July 2011, the dates of the options were granted, were HK$3.32 per share and HK$4.10 per share, respectively.

The fair value of the options measured at the date of grant on 12 January 2011 is HK$1.264 per option, which is calculated based on the weighted average fair value of options for each tranche of options to be vested from the grant date. The fair value of option for each tranche of options to be vested in 0.13 year, 1 year, 2 years, 3 years and 4 years from the grant date on 12 January 2011 are HK$0.998, HK$1.143, HK$1.290, HK$1.402 and HK$1.487 per option, respectively.

The fair value of the options measured at the date of grant on 15 July 2011 is HK$1.535 per option, which is calculated based on the weighted average fair value of options for each tranche of options to be vested from the grant date. The fair value of option for each tranche of options to be vested in 0.13 year, 1 year, 2 years, 3 years and 4 years from the grant date on 15 July 2011 are HK$1.229, HK$1.389, HK$1.560, HK$1.696 and HK$1.802 per option, respectively.

44. Share-Based Payment Transactions *(Continued)*

Equity settled share option scheme *(Continued)*

The following inputs were used to derive the fair value of the share options, using the Binomial model:

	12 January 2011	15 July 2011
Spot price (closing price of grant date)	HK$3.32	HK$4.1
Exercise price	HK$3.32	HK$4.1
Expected volatility	50.5%	48.05%
Dividend yield	1.65%	1.24%
Risk-free interest rate	2.77%	2.23%
Suboptimal exercise factor	1.5	1.5

Expected volatility was determined by using the volatility of the stock return of the Company and comparable listed companies as at the valuation date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binominal model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the director's best estimate. Change in subjective input assumptions can materially affected the fair value.

During the year, an amount of relevant share-based payment expenses of HK$41,988,000 (2011: HK$82,287,000) has been recognised in profit or loss.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the year ended 31 December 2012 was HK$1.99 (2011: HK$4.26) per share.

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately rest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve.

45. Events After Reporting Period

On 22 November 2012, Ease Soar Limited ("Ease Soar"), a wholly-owned subsidiary of the Group, together with other vendors ("Vendors") have entered into a conditional sale and purchase agreement with Goldpoly New Energy Holdings Limited ("Goldpoly"), a company listed in the Stock Exchange and, together with its subsidiaries, is principally engaged in fashion apparel retail and trademark licensing business and manufacturing, sale and provision of subcontracting services of solar energy related products, and Profit Icon Investment Limited ("Profit Icon"), a wholly-owned subsidiary of Goldpoly, pursuant to which Profit Icon has conditionally agreed, among others, to purchase the entire 17.39% equity interests in CMNE legally and beneficially owned by Ease Soar for a total consideration of HK$399,970,000 (subject to profit guarantee adjustment), which will be satisfied by the issue of the new ordinary shares and convertible bonds by Goldpoly.

As at 31 December 2012, since the completion of this transaction is still subjected to the fulfilment of certain conditions, which included the approval from the shareholders of Goldpoly and the Stock Exchange, the 17.39% equity interest in CMNE amounting to HK$40,857,000 held by the Group is still recognised as an interest in associate as disclosed in note 21 and is not reclassified as asset held for sales accordingly. The financial impact of this transaction is being assessed by the management of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

46. Retirement Benefits Scheme

(a) The PRC

The Group's full-time employees in the PRC are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 14% to 22% (2011: 14% to 22%) of employees' salaries, which are charged to operations as an expense when the contributions are due.

During the year, the total amounts contributed by the Group to the scheme in PRC and charged to profit or loss represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2012	2011
	HK$'000	HK$'000
Amounts contributed and expensed	**47,835**	36,801

(b) Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

During the year, the total amounts contributed by the Group to the scheme in Hong Kong and charged to profit or loss represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2012	2011
	HK$'000	HK$'000
Amounts contributed and expensed	**2,574**	2,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

47. Related Party Disclosures

During the year, the Group has entered into the following transactions with related parties:

	2012 HK$'000	2011 HK$'000
Transactions with companies in which Mr. Zhu Gongshan and his family have control:		
Construction related services expense	**87,385**	47,572
Construction related service income	**334**	2,073
Sales of wafer	**—**	105,993
Proceeds on disposal of property, plant and equipment	**7,196**	22,750
Purchase of property, plant and equipment	**—**	41,375
Purchase of raw material	**28,494**	7,877
Purchase of gas	**—**	248,865
Purchase of steam	**831,728**	711,235
Purchase of electricity	**—**	88,641
Rental expense	**16,904**	4,010
Rental income	**28**	108
Sales of coal	**160,368**	175,420
Sales of steam	**—**	33,861
Consultancy service fee	**—**	1,686
Interest expense	**3,262**	—
Management fee income	**24,114**	15,028
Management fee expense	**1,485**	1,808
Deposit paid for acquisition of property, plant and equipment	**—**	92,818
Acquisition of subsidiaries	**482,939**	—
Assignment of outstanding receivables	**88,649**	—
Transactions with associates:		
Management fee income	**174**	180
Sales of coal	**21,583**	31,121
Interest income	**6,444**	4,201

Details of balances and other arrangements with related parties are disclosed in the consolidated statement of financial position on pages 4 and 5 and notes 26, 27, 31, 38 and 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

48. Particulars of Subsidiaries

Name of subsidiary	Place of operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2012 %	2011 %	Principal activity
Power Business					
Established in the PRC					
Huzhou Golden Concord Environmental Protection Cogen-Power Co., Ltd. 湖州協鑫環保熱電有限公司[1]	PRC	US$10,710,000	**94.77**	94.77	Operation of a power station
Tongxiang City Wu Town Xiexin Thermal Power Company Limited* 桐鄉市烏鎮協鑫熱力有限公司[1]	PRC	RMB3,000,000	**94.77**	94.77	Operation of boilers and trading of steam
Fengxian Xinyuan Biological Environmental Heat and Power Co., Ltd 豐縣鑫源生物質環保熱電有限公司[1]	PRC	RMB100,000,000	**51**	51	Operation of a power station
Haimen Xinyuan Environmental Protection Co-generation Co., Ltd. 海門鑫源環保熱電有限公司[1]	PRC	US$8,000,000	**51**	51	Operation of a power station
Kunshan Xinyuan Environmental Protection Cogen-Power Co., Ltd. 昆山鑫源環保熱電有限公司[1]	PRC	RMB116,200,000	**51**	51	Operation of a power station
Yangzhou Harbour Sludge Power Co., Ltd. 揚州港口污泥發電有限公司[1]	PRC	US$14,068,000	**51**	51	Operation of a power station
Suzhou Industrial Park Blue Sky Gas Cogen-Power Co., Ltd. 蘇州工業園區藍天燃氣熱電有限公司[1]	PRC	RMB530,000,000	**51**	51	Operation of a power station
Fengxian Xincheng Environmental Cogeneration Co. Ltd.* 豐縣鑫成環保熱電有限公司[1]	PRC	RMB46,000,000	**40.8 (Note)**	40.8	Operation of power station
Jiaxing Golden Concord Environmental Cogeneration Co., Ltd. 嘉興協鑫環保熱電有限公司[1]	PRC	RMB98,400,000	**95**	95	Operation of a power station

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

48. Particulars of Subsidiaries *(Continued)*

Name of subsidiary	Place of operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2012 %	2011 %	Principal activity
Power Business *(Continued)*					
Established in the PRC (Continued)					
Xuzhou Western Environmental Protection Co-generation Power Co., Ltd. 徐州西區環保熱電有限公司[1]	PRC	RMB99,200,000	**75**	75	Operation of a power station
Shanghai GCL-Poly Electricity Operating Management Co., Ltd 上海保利協鑫電力運行管理有限公司[1]	PRC	RMB4,000,000	**100**	100	Provision of management service
GCL-Poly (Sangri) Solar Power Co., Ltd.* 保利協鑫(桑日)光伏電力有限公司[1]	PRC	RMB42,000,000	**100**	100	Operation of a solar farm
Xuzhou GCL Solar Energy Co., Ltd.* 徐州協鑫光伏電力有限公司[1]	PRC	RMB84,000,000	**100**	100	Operation of a solar farm
Suzhou Industrial Park Northen Gas Turbine Cogeneration Co. Ltd.* 蘇州工業園區北部燃機熱電有限公司[1]	PRC	RMB325,000,000	**37.23 (Note)**	37.23	Operation a power station
Taicang Xiexin Refuse Incineration Power Co., Ltd.* 太倉協鑫垃圾焚燒發電有限公司[1]	PRC	RMB88,000,000	**100**	100	Operation of a power station
Lianyungang Xinneng Sludge Power Co., Ltd.* 連雲港鑫能污泥發電有限公司[1]	PRC	US$9,550,000	**100**	100	Operation of a power station
Dongtai Suzhong Environmental Protection Co-generation Co., Ltd. 東台蘇中環保熱電有限公司[1]	PRC	US$8,000,000	**100**	100	Operation of a power station
Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co., Ltd.* 桐鄉濮院協鑫環保熱電有限公司[1]	PRC	US$14,800,000	**100**	100	Operation of a power station
GCL-Poly Power Fuel Co., Ltd. 保利協鑫電力燃料有限公司[1]	PRC	US$7,000,000	**100**	100	Coal trading

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

48. Particulars of Subsidiaries *(Continued)*

Name of subsidiary	Place of operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2012	2011	
			%	%	
Power Business *(Continued)*					
Established in the PRC (Continued)					
Xilingol Guotai Wind Power Generation Co., Ltd* 錫林郭勒國泰風力發電有限公司[1]	PRC	RMB100,000,000	100	100	Operation of a wind power station
Peixian Mine-site Environmental Cogen-Power Co., Ltd. 沛縣坑口環保熱電有限公司[1]	PRC	US$8,000,000	100	100	Operation of a power station
Taicang Poly Xiexin Thermal Power Co., Ltd. 太倉保利協鑫熱電有限公司[1]	PRC	US$15,200,000	100	100	Operation of a power station
Baoying Xiexin Biomass Electric-Power Co., Ltd.* 寶應協鑫生物質發電有限公司[1]	PRC	US$17,700,000	100	100	Operation of a power station
Lianyungang Xiexin Biomass Electric-Power Generation Co., Ltd. 連雲港協鑫生物質發電有限公司[1]	PRC	RMB$105,500,000	100	100	Operation of a power station
Rudong Golden Concord Environmental Protection Cogen-Power Co., Ltd.* 如東協鑫環保熱電有限公司[1]	PRC	RMB81,960,000	100	100	Operation of a power station
GCL-Poly Limited 保利協鑫有限公司[2]	PRC	RMB1,083,000,000	100	100	Investment holding
Xuzhou GCL-Poly Renewable Energy Company Ltd. 保利協鑫(徐州)再生能源發電有限公司[1]	PRC	US$17,200,000	100	–	Operation of a power station
Jiangsu Guoneng Solar Technology Co. Ltd. 江蘇國能光伏科技有限公司[1]	PRC	RMB10,000,000	100	–	Operation of a power station
Suzhou GCL-Poly Solar Energy Investment Ltd. 蘇州保利協鑫光伏電力投資有限公司[1]	PRC	RMB10,000,000	100	100	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

48. Particulars of Subsidiaries *(Continued)*

Name of subsidiary	Place of operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2012 %	2011 %	Principal activity
Power Business *(Continued)*					
Incorporated in the British Virgin Islands					
Macro Pace Limited 鴻迅有限公司	Hong Kong	US$1	100	100	Investment holding
Hugesuccess Investments Limited 宏成投資有限公司	Hong Kong	US$1	100	100	Investment holding
Wise Able Investments Limited 智慧投資有限公司	Hong Kong	US$1	100	100	Investment holding
Solar Business					
Established in the PRC					
Taixing Zhongneng Far East Polysilicon Technology Development Co., Ltd* 泰興中能遠東硅業有限公司[1] ("Taixing Zhongneng")	PRC	US$11,600,000	100	100	Manufacture and sale of TCS
Konca Solar Cell Co., Ltd. 高佳太陽能股份有限公司[1]	PRC	RMB1,184,570,000	70.23	70.19	Manufacture and sale of ingot and wafer
Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* 江蘇中能硅業科技發展有限公司[2]	PRC	RMB3,486,960,000	100	100	Manufacture and sale of polysilicon
Jiangsu GCL Silicon Material Technology Development Co., Ltd. 江蘇協鑫硅材料科技發展有限公司[1]	PRC	RMB2,487,800,000	100	100	Manufacture and sale of ingot and wafer
Changzhou GCL Photovoltaic Technology Co., Ltd.* 常州協鑫光伏科技有限公司[1]	PRC	US$61,000,000	100	100	Manufacture and sale of wafer
Suzhou GCL Photovoltaic Technology Co., Ltd. 蘇州協鑫光伏科技有限公司[2]	PRC	US$60,500,000	100	100	Manufacture and sale of wafer
GCL-Poly (Suzhou) New Energy Limited* 保利協鑫(蘇州)新能源有限公司[1]	PRC	RMB2,600,000,000	100	100	Investment Holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

48. Particulars of Subsidiaries *(Continued)*

Name of subsidiary	Place of operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2012 %	2011 %	Principal activity
Solar Business *(Continued)*					
Established in the PRC (Continued)					
Henan GCL Photovoltaic Technology Co., Ltd.* 河南協鑫光伏科技有限公司[1]	PRC	RMB200,000,000	100	100	Manufacture and sale of ingot
GCL Photovoltaic Material (Xuzhou) Co., Ltd. 徐州協鑫太陽能材料有限公司[1]	PRC	RMB108,000,000	100	100	Manufacture of crucible
GCL Solar Power (Suzhou) Limited 協鑫太陽能電力(蘇州)有限公司[1]	PRC	US$4,400,000	100	100	Sales of wafer
GCL Solar System (Suzhou) Limited 協鑫太陽能系統集成(蘇州)有限公司[2]	PRC	US$2,200,000	100	100	Trading of solar cell and module
Taicang GCL Photovoltaic Technology Co., Ltd. 太倉協鑫光伏科技有限公司[1]	PRC	US$63,640,000	100	100	Manufacture and sale of wafer
Sichuan Xie Xin Silicon Technology Company Limited 四川協鑫硅業科技有限公司[1]	PRC	RMB78,000,000	100	—	Manufacture and sale of metallurgical-grade silicon
Yangzhou GCL Photovoltaic Technology Company Limited 揚州協鑫光伏科技有限公司[1]	PRC	US$30,800,000	100	100	Manufacture and sale of wafer
Incorporated in Hong Kong					
GCL Solar Energy Technology Holdings Limited 協鑫光伏電力科技控股有限公司	Hong Kong	HK$1	100	100	Investment holding
Konca Solar Cell (H.K.) Co., Ltd. 高佳太陽能(香港)有限公司	Hong Kong	HK$20,000,000	70.19	70.19	Sale of Wafer
GCL Solar Energy Trading Limited 協鑫光伏貿易有限公司	Hong Kong	HK$1	100	100	Trading of module

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

48. Particulars of Subsidiaries *(Continued)*

Name of subsidiary	Place of operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2012 %	2011 %	Principal activity
Solar Business *(Continued)*					
Incorporated in the Cayman Islands					
GCL Solar Energy Technology Holdings Inc. 協鑫光伏電力科技控股有限公司	Hong Kong	US$10,500	100	100	Investment holding
Overseas Solar Power Plants Business					
Incorporated in the United States					
GCL Solar Energy, Inc.	USA	US$2,000,000	100	100	Construction and sales of solar farm projects
GCL Technology Research Center, LLC	USA	US$350,000	100	100	Research and development centre
GCL Palmdale I, LLC	USA	–	100	100	Operation of a solar project
GCL Palmdale II, LLC	USA	–	100	100	Operation of a solar project
GCL Solar USD I, LLC	USA	US$26,530	100	100	Operation of a solar project
GCL Antelope Valley, LLC	USA	US$72,000	100	100	Operation of a solar project
GCL AV Adult, LLC	USA	–	100	100	Operation of a solar project
GCL Desert Winds, LLC	USA	US$13,000	100	100	Operation of a solar project
GCL Eastside, LLC	USA	–	100	100	Operation of a solar project
GCL Knight, LLC	USA	US$77,000	100	100	Operation of a solar project
GCL Highland, LLC	USA	–	100	100	Operation of a solar project

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

48. Particulars of Subsidiaries *(Continued)*

Name of subsidiary	Place of operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2012 %	2011 %	Principal activity
Overseas Solar Power Plants Business *(Continued)*					
Incorporated in the United States (Continued)					
GCL Little Rock, LLC	USA	US$65,000	**100**	100	Operation of a solar project
GCL Lancaster, LLC	USA	—	**100**	100	Operation of a solar project
GCL Palmdale, LLC	USA	US$75,000	**100**	100	Operation of a solar project
GCL-Quartz-Hill, LLC	USA	—	**100**	100	Operation of a solar project

* English name for identification only

\# Newly established in current year

1 Sino-foreign equity joint venture enterprise established in the PRC

2 Wholly foreign-owned enterprise established in the PRC

Note: The Group has the right to appoint a majority of the directors on the respective boards of directors and control the operating and financial activities of these subsidiaries.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

49. Summary Financial Information of the Company

	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS		
Investment in subsidiaries	**17,823,610**	25,716,133
Loans to subsidiaries	**6,087,811**	315,224
	23,911,421	26,031,357
CURRENT ASSETS		
Prepayments and deposits	**3,401**	3,401
Amounts due from subsidiaries	**6,864,006**	13,765,353
Bank balances and cash	**845,891**	1,762,022
	7,713,298	15,530,776
CURRENT LIABILITIES		
Other payables	**52,725**	50,638
Amount due to an associate	**23,311**	—
Bank borrowings — due within one year	**3,751,061**	—
	3,827,097	50,638
NET CURRENT ASSETS	**3,886,201**	15,480,138
TOTAL ASSETS LESS CURRENT LIABILITIES	**27,797,622**	41,511,495
NON-CURRENT LIABILITY		
Bank borrowings — due after one year	**4,175,691**	7,939,507
NET ASSETS	**23,621,932**	33,571,988
CAPITAL AND RESERVES		
Share capital (see note 37)	**1,547,607**	1,547,096
Reserves	**22,074,325**	32,024,892
TOTAL EQUITY	**23,621,932**	33,571,988

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

49. Summary Financial Information of the Company *(Continued)*

Movement in reserves

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	1,547,396	34,725,604	19,110	41,565	701,467	(472,006)	36,563,136
Exchange differences arising from translation to presentation currency	–	–	–	–	2,460,658	–	2,460,658
Loss for the year	–	–	–	–	–	(4,708,222)	(4,708,222)
Total comprehensive income (expense) for the year	–	–	–	–	2,460,658	(4,708,222)	(2,247,564)
Exercise of share options (note 44)	1,200	8,742	–	(2,573)	–	–	7,369
Recognition of share-based payment expenses in respect of share options (note 44)	–	–	–	82,287	–	–	82,287
Repurchase of shares	(1,500)	(42,096)	–	–	–	–	(43,596)
Dividend recognised as distribution (note 14)	–	(789,644)	–	–	–	–	(789,644)
At 31 December 2011 and 1 January 2012	1,547,096	33,902,606	19,110	121,279	3,162,125	(5,180,228)	33,571,988
Exchange differences arising from translation to presentation currency	**–**	**–**	**–**	**–**	**(41,369)**	**–**	**(41,369)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(9,102,847)**	**(9,102,847)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(41,369)**	**(9,102,847)**	**(9,144,216)**
Exercise of share options (note 44)	**511**	**3,883**	**–**	**(1,136)**	**–**	**–**	**3,258**
Recognition of share-based payment expenses in respect of share options (note 44)	**–**	**–**	**–**	**41,988**	**–**	**–**	**41,988**
Dividend recognised as distribution (note 14)	**–**	**(851,086)**	**–**	**–**	**–**	**–**	**(851,086)**
At 31 December 2012	**1,547,607**	**33,055,403**	**19,110**	**162,131**	**3,120,756**	**(14,283,075)**	**23,621,932**

Note: Differences between the reserves of the Company and of the Group, as disclosed in the consolidated statement of changes in equity, represented the consolidation adjustments arising from the reverse acquisition by GCL Solar in 2009. For more details, please refer to 2009 annual report of the Group.

Corporate Information

Chairman & Chief Executive Officer

Zhu Gongshan

Executive Directors

Zhu Gongshan
Shu Hua
Ji Jun
Yu Baodong
Sun Wei
Zhu Yufeng

Non-Executive Directors

Zhou Yuan
Zhang Qing

Independent Non-Executive Directors

Qian Zhixin
Raymond Ho Chung Tai
Xue Zhongsu
Yip Tai Him

Composition of Board Committees

Audit Committee

Yip Tai Him *(Chairman)*
Qian Zhixin
Raymond Ho Chung Tai

Remuneration Committee

Raymond Ho Chung Tai *(Chairman)*
Yip Tai Him
Qian Zhixin

Nomination Committee

Xue Zhongsu *(Chairman)*
Qian Zhixin
Sun Wei

Corporate Governance Committee

Raymond Ho Chung Tai *(Chairman)*
Yip Tai Him
Yu Baodong

Strategic Planning Committee

Raymond Ho Chung Tai *(Chairman)*
Zhu Gongshan
Ji Jun
Sun Wei
Qian Zhixin
Xue Zhongsu

Connected Transaction Committee

Yip Tai Him *(Chairman)*
Zhou Yuan
Yu Baodong

Company Secretary

Chan Yuk Chun

Authorized Representatives

Yu Baodong
Chan Yuk Chun

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Corporate Information

Principal Place of Business in Hong Kong

Unit 1703B–1706, Level 17
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Legal Advisers to the Company

As to Hong Kong law

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman
Boundary Hall, 2nd Floor
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

As to PRC law

Grandall Legal Group (Beijing)
9th Floor, Taikang Financial Tower
No. 38 North Road East Third Ring
Chaoyang District
Beijing, 100026
PRC

Company's Website

www.gcl-poly.com.hk

Information for Investors

Listing Information

Listing: Main Board of The Hong Kong Stock Exchange Limited
Stock Code: 3800

Share Information

Board Lot Size: 1,000 shares
Shares Outstanding as at 31 December 2012: 15,476,076,268 shares

Financial Calendar

14 March 2013:	Announcement of 2012 Annual Results
19 April 2013:	Publication of Annual Report
31 May 2013:	Annual General Meeting

Enquiries Contact

Investor Relations Department

Telephone:	(852) 2526 8368
Fax:	(852) 2536 9638
E-mail:	info@gcl-poly.com.hk
Address:	Unit 1703B–1706, Level 17 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong

Glossary of Terms

"Baoying Cogeneration Plant"	寶應協鑫生物質發電有限公司 (Baoying Xiexin Biomass Electric Power Co., Ltd.*)
"Board" or "Board of Directors"	our board of Directors
"China" or "PRC"	the People's Republic of China, but for the purposes of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC
"China Resources Beijing Cogeneration Plant"	華潤協鑫(北京)熱電有限公司 (China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd.*)
"Company, GCL"	GCL-Poly Energy Holdings Limited
"Director(s)"	director(s) of the Company or any one of them
"Dongtai Cogeneration Plant"	東台蘇中環保熱電有限公司 (Dongtai Suzhong Environmental Protection Cogeneration Co., Ltd.)
"Fengxian Cogeneration Plant"	豐縣鑫源生物質環保熱電有限公司 (Fengxian Xinyuan Biological Environmental Heat and Power Co., Ltd.)
"Funing Cogeneration Plant"	阜寧協鑫環保熱電有限公司 (Funing Golden Concord Environmental Protection Co-generation Co., Ltd.)
"Group"	the Company and its subsidiaries
"Guotai Wind Power Plant"	錫林郭勒國泰風力發電有限公司 (Xilingol Guotai Wind Power Generation Co., Ltd.*)
"GW"	gigawatts
"Haimen Cogeneration Plant"	海門鑫源環保熱電有限公司 (Haimen Xinyuan Environmental Protection Cogeneration Co., Ltd.)
"Huzhou Cogeneration Plant"	湖州協鑫環保熱電有限公司 (Huzhou Golden Concord Environmental Protection Cogen-Power Co., Ltd.)
"Jiangsu Guoneng"	江蘇國能新能源科技有限公司 (Jiangsu Guoneng New Energy Technology Co., Ltd.*)
"Jiangsu Zhongneng"	江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.)
"Jiaxing Cogeneration Plant"	嘉興協鑫環保熱電有限公司 (Jiaxing Golden Concord Environmental Cogeneration Co., Ltd.)

Glossary of Terms

"Kunshan Cogeneration Plant"	昆山鑫源環保熱電有限公司 (Kunshan Xinyuan Environmental Protection Cogen-Power Co., Ltd.)
"kWh"	Kilowatt hour
"Lianyungang Xiexin Cogeneration Plant"	連雲港協鑫生物質發電有限公司 (Lianyungang Xiexin Biomass Electric-Power Generation Co., Ltd.)
"Lianyungang Xinneng Cogeneration Plant"	連雲港鑫能污泥發電有限公司 (Lianyungang Xinneng Sludge Power Co., Ltd.*)
"MT"	metric tonnes
"MW"	megawatts
"Peixian Cogeneration Plant"	沛縣坑口環保熱電有限公司 (Peixian Mine-site Environmental Cogen-Power Co., Ltd.)
"Puyuan Cogeneration Plant"	桐鄉濮院協鑫環保熱電有限公司 (Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co., Ltd.*)
"PV"	photovoltaic
"Rudong Cogeneration Plant"	如東協鑫環保熱電有限公司 (Rudong Golden Concord Environmental Protection Cogen-Power Co. Ltd.*)
"Suzhou Cogeneration Plant"	蘇州工業園區藍天燃氣熱電有限公司 (Suzhou Industrial Park Blue Sky Gas Cogen-Power Co., Ltd.)
"Taicang Incineration Plant"	太倉協鑫垃圾焚燒發電有限公司 (Taicang Xiexin Refuse Incineration Power Co. Ltd.*)
"Taicang Poly Cogeneration Plant"	太倉保利協鑫熱電有限公司 (Taicang Poly Xiexin Thermal Power Co., Ltd.)
"W"	watts
"Xuzhou Cogeneration Plant"	徐州西區環保熱電有限公司 (Xuzhou Western Environmental Protection Cogeneration Power Co., Ltd.)
"Xuzhou Incineration Plant"	保利協鑫(徐州)再生能源有限公司 (Xuzhou GCL-Poly Renewable Energy Company Limited*)
"Xuzhou Solar Farm"	徐州協鑫光伏電力有限公司 (Xuzhou GCL Solar Energy Co., Ltd.*)
"Yangzhou Cogeneration Plant"	揚州港口污泥發電有限公司 (Yangzhou Harbour Sludge Power Co., Ltd.)

* *for identification only*

GCL

www.gcl-poly.com.hk