金保利
GOLDPOLY

GOLDPOLY NEW ENERGY HOLDINGS LIMITED

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

Green Energy
for a better world

Annual Report 2012

Contents

Corporate Information

Head Office and Principal Place of Business

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Honorary Chairman

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

Directors

Executive

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

Non-executive

Academician Yao Jiannian
Mr. Chiang Chao-Juei

Independent non-executive

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

Company Secretary

Mr. Leung Yuk Lun, Eric

Auditors

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Solicitors

Bermuda

Conyers, Dill & Pearman

Principal Share Registrar and Transfer Office in Bermuda

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Principal Bankers

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

Website

www.goldpoly.hk

non director of the company

Chairman's Statement

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

Results and Dividend

For the year ended 31 December 2012, the Group's turnover which was mainly contributed by solar energy business decreased by 73.4% to approximately HK$223.3 million (2011: HK$840.5 million).

Gross loss was approximately HK$66.5 million (2011: gross profit HK$150.5 million). The Group has been suffering from the continued weak demand from end market reflecting the declining average selling price of photovoltaic cells (the "ASP"). Aggressive price cut by competitors caused the Group to slow down its production, resulting in a gross loss margin of 29.8% (2011: gross profit margin of 17.9%). As a result of the decrease in ASP, we recorded an inventory impairment of HK$11.5 million (2011: reversal of inventories obsolescence HK$1.0 million).

At the end of year 2012, the Group further postponed the expansion plan on its solar cell production capacity due to the continued deterioration of business climate. Following the decision, the Group's results was negatively impacted by the impairment provision against goodwill of its solar energy segment, and an impairment charge of HK$612.8 million was made in the year under review (2011: HK$1,132.0 million).

As a result, net loss of the Group amounting to approximately HK$814.8 million (2011: HK$1,148.9 million).

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012 (2011: Nil).

Business Review and Prospect

Business Review

In the year ended 31 December 2012, the Group anticipated increasing competitiveness and volatility in the fashioning market, therefore assigned the intellectual property rights attaching to its fashioning trademarks in Hong Kong and PRC region to a third party, and focused on its solar energy business.

During the past few years, the price of photovoltaic products recorded a decrease caused by the slowdown of demand due to the economic downturn in the United States of America, the European debt crisis and the oversupply of raw materials in the market worldwide. However, the implementation of supporting policies within the solar energy industry from state and local government in China; plus the declining cost and price for photovoltaic products have led to lower installation costs and a better return for solar power plant operators in the PRC. The Group is concerned about the impact of the continued deterioration of the business climatic for making photovoltaic cell products and has been looking for opportunities to expand its business downstream which is growing and capable of providing a stable source of income.

In May 2012, the Group has made an investment to acquire a company principally engaged in development and operation of solar power plants systems. The investment has been included as available-for-sale financial assets, and accordingly, the Group recognised a fair value gain of approximately HK$198.4 million due to increase in fair value of the investment. On 22 November 2012, the Group entered into a conditional sales and purchase agreement (the "S&P") to acquire the remaining equity interest in the said company engaging in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems (92.17% of the entire issued share capital of the company), at a total consideration of HK$2,119,910,000 which will be satisfied by the issue of 959,462,250 consideration shares at an issue price of HK$1.00 per share by the Company; and the issuance of convertible bonds of HK$1,160,447,750 at a conversion price of HK$1.00 per conversion share by the Company upon completion of the proposed acquisition. The completion of the proposed acquisition is subject to the fulfillment of the conditions set out in the S&P, including approval by the Company's shareholders in a special general meeting. The proposed acquisition is under progress and not yet completed.

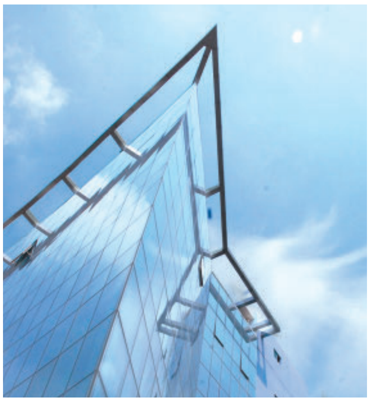
Future Prospect

The Group will focus on the solar energy business. The management will focus on taking advantage on PRC's Golden Sun Program which is a national solar subsidy program established by the Ministry of Finance, Ministry of Science and Technology and the National Energy Administration of the NDRC. The Golden Sun Program will provide upfront subsidy to the qualified applicants and thus will assist the Group's cashflow and revenue if the Group shall apply successfully. Facing a deterioration of the business climate of solar cell industry, the Group will deploy prudent control on its manufacturing and distribution of solar cell business. Through the continuous improvement of gross margin of existing solar cell manufacturing operation, and by achieving vertical integrations, for instance by acquisition of downstream solar energy business, the Group aims at achieving a sustainable growth as well as maximizing the returns to Company's shareholders.

Lam Ho Fai
Executive Director

26 March 2013

Management Discussion and Analysis



Liquidity and financial resources

As at 31 December 2012, the Group had net current liabilities of approximately HK$249.6 million (2011: net current assets HK$27.1 million). The current assets mainly comprised of inventories amount to approximately HK$28.8 million (2011: HK$22.3 million), deposits and prepayments of approximately HK$152.2 million (2011: HK$95.1 million), net trade receivables of approximately HK$43.1 million (2011: HK$186.4 million) and bank balances and cash of approximately HK$113.7 million (2011: HK217.9 million). The Group had total assets of approximately HK$1,605.4 million (2011: HK$2,034.9 million), current liabilities of approximately HK$587.5 million (2011: HK$494.6 million), non-current liabilities of approximately HK$794.0 million (2011: HK$709.8 million) and shareholders' equity of approximately HK$224.0 million (2011: HK$830.5 million).

The overall gearing ratio for the reporting year was at 48.4% (2011: 36.2%) with total bank borrowings of approximately HK$98.8 million (2011: HK$136.5 million), shareholders' loan of approximately HK$26.0 million (2011: HK$5.8 million), convertible notes of approximately HK$652.7 million (2011: HK$594.1 million) and total assets of approximately HK$1,605.4 million (2011: HK$2,034.9 million) as at 31 December 2012. Overall gearing ratio is defined as bank borrowings and shareholders' loan and convertible notes over total assets. The Group recorded net cash generated from operating activities of approximately HK$107.5 million (2011: HK$156.9 million), net cash used in investing activities of approximately HK$195.0 million (2011: HK$321.1 million) and net cash used in financing activities of approximately HK$43.6 million (2011: net cash generated HK$202.3 million) for the year. With regard to financing activities, the Group repaid an aggregate of secured bank borrowings of approximately HK$136.5 million (2011: HK$97.5 million), obtained new secured bank borrowings of an aggregate of HK$98.8 million (2011: HK$141.1 million) and obtained new shareholders loans of approximately HK$20.2 million (2011: 5.5 million).

Treasury policies

The Group generally finances its operations with internally generated cash flows and loan facilities provided by banks and financial institutions in the PRC. The Group's borrowings mainly included bank loans and loans from substantial shareholder of the Company. During the year, the Group obtained financial support from a controlled company of a substantial shareholder of the Company, whereby the funds can be used for the Group's general working capital. The Group had no interest rate hedging arrangement during the year under review.

Capital structure

As at 1 January 2012, the Company's total number of issued shares was 858,777,577. On 23 May 2012, 22,905,621 ordinary shares of the Company were issued as a result of consideration shares of acquisition at a consideration price of HK$0.943 per share.

On 6 July 2012, 225,191 ordinary shares of the company were issued pursuant to the exercise of the share options granted under share option scheme of the Company.

As at 31 December 2012, the Company's total number of issued shares was increased to 881,908,389.

Capital expenditure and commitments

Capital expenditure and prepayment for purchase of property, plant and equipment amounted to approximately HK$220.2 million (2011: HK$324.8 million) for the year ended 31 December 2012. These expenditures were mainly incurred for its 10.8 megawatt user on-grid photovoltaic power generation project. The capital commitment of the Group as at 31 December 2012 was approximately HK$207.4 million (2011: HK$227.3 million).

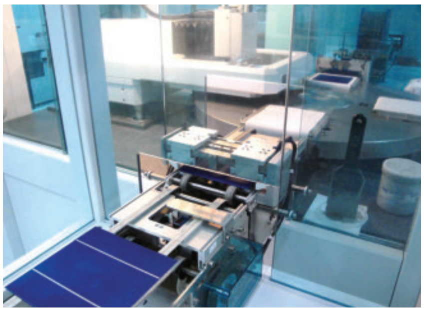
Investment properties

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

Pledge of assets and contingent liabilities

As at 31 December 2012, the Group pledged its land use rights of HK$139.9 million (2011: HK$143.1 million), buildings of HK$64.6 million (2011: nil), investment property of HK$5.9 million (2011: nil) and the Group also pledged bank deposit of approximately HK$81.4 million (2011: HK$55.2 million). As at 31 December 2012, the Group had no significant contingent liability (2011: nil).





Segment information

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

There are two operating segments, namely fashion and corporate function and solar energy. The Company is domiciled in Hong Kong. For the year ended 31 December 2012, the revenue derived from Hong Kong and other countries is HK$10,000,000 (2011: HK$71,530,000) and HK$213,269,000 (2011: HK$768,961,000) respectively.

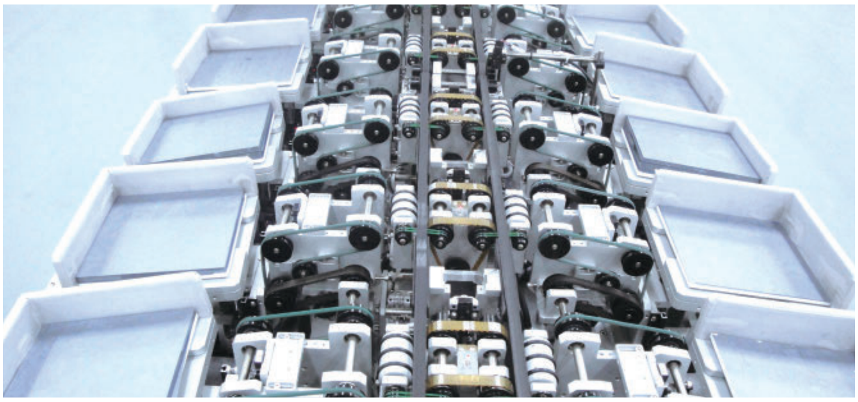
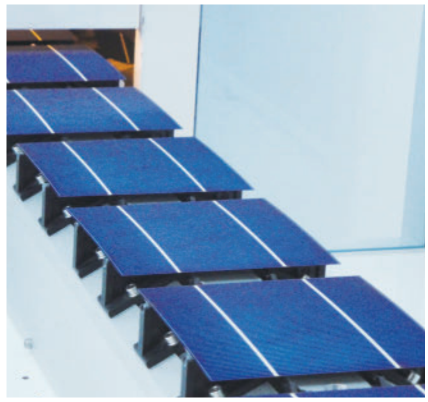
As at 31 December 2012 and 2011, all of the Group's land use rights, property, plant and equipment and investment property are located in Mainland China.

Employees and Remuneration Policies

As at 31 December 2012, the Group had 14 (2011: 17) full-time employees in Hong Kong and 261 (2011: 462) full-time employees in the PRC. The total number of full-time employees of the Group was 275 (2011: 479). Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance. The Group offers competitive remuneration packages to different levels of staff, including subsidised training programme as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total staff cost (including directors' emoluments) for the year ended 31 December 2012 amounted to approximately HK$34.3 million (2011: HK$72.8 million).

Foreign exchange exposure

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

Material acquisitions and disposals of subsidiaries and associated companies

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

Future plan for material investments

On 22 November 2012, the Group signed the S&P to acquire a downstream solar energy business at an aggregate consideration of HK$2,119,910,000. The acquisition is subject to the fulfillment of certain conditions set out in the S&P, including approval by the Company's shareholders in a special general meeting.

The Group will incur capital expenditure for a 10.0 megawatt user on-grid photovoltaic power generation project. The construction cost of the PV project is estimated to be approximately RMB95.0 million, of which RMB55.0 million will be subsidised by the PRC Government.

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

Biographical Details of Directors and Senior Management

Mr. Lam Ho Fai, aged 57, is the Executive Director, acting Chairman of the Company and a Director of certain subsidiaries of the Group. He is also the Chairman of the Nomination Committee of the Company. Mr. Lam has over 20 years experience in treasury management in the banking industry and 7 years of corporate finance experience. Mr. Lam is the General Manager of the fashioning business and oversees the entire fashioning operation of the Group. Prior to joining the Company in July 2008, he had served as the Chief Financial Officer of a U.S. listed company. Mr. Lam holds an honored degree in Bachelor of Commerce with a major in Business Administration from the University of Windsor, Canada and is the member of the Hong Kong Securities and Investment Institute.

Ms. Lin Xia Yang, aged 53, is the Executive Director of the Company and a Director of certain subsidiaries of the Group. Ms. Lin has joined the Group in October 2008 and is responsible for the Group's strategic planning. Ms. Lin had studied in South China Normal University, Sun Yat-sen University and Hong Kong Baptist University since 1978 and obtained a Bachelor of Philosophy and a Master of Business Administration. Ms. Lin had served one city of China as the Deputy Director of policy research and administrative committee office, the Deputy Director of economic committee and the Chairman of a state-owned assets management company. Since 2004, Ms. Lin has served as the Chairman and General Manager of Guangdong Kaili Tianren Investment Co., Ltd. Ms. Lin has over 20 years of extensive experience in corporate management, merger and acquisition, assets management and restructuring.

Mr. Yiu Ka So, aged 39, was appointed Executive Director of the Company in October 2010, he is also a member of the Remuneration Committee of the Company. Mr. Yiu obtained his bachelor degree in Civil Engineering and master degree in Civil Engineering from the University of Hong Kong in 1997 and 2002 respectively. Mr. Yiu had over 10 years of experience in project and general management. Mr. Yiu oversees the entire solar energy operations of the Group and is involved in high level management discussions and strategic planning of the solar energy business.

Academician Yao Jiannian, aged 59, graduated from the Chemistry Department of Fujian Normal University in 1982 and was conferred a master's degree by the Graduate School of Engineering of Tokyo University, Japan in 1990 and a doctoral degree by the same university in 1993. During the period from August 1995 to September 1999, he has been an associate researcher, researcher, instructor for students of doctoral degrees, director of laboratory, and assistant to center head of the Institute of Photographic Chemistry, CAS. During the period from March 2000 to March 2008, he was deputy head of the Institute of Chemistry, CAS. Academician Yao is currently a researcher with the Institute of Chemistry, CAS, and was elected as an academician of the Chinese Academy of Sciences in 2005. Academician Yao is also a member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference, member of the standing committee of the 11th National People's Congress, and member of the 7th National Committee of China Association for Science and Technology.

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

Mr. Chiang Chao-Juei, aged 59, was appointed Non-Executive Director of the Company on 19 May 2011. Mr. Chiang received his bachelor degree of Business Administration from Fu Jen Catholic University (Taiwan) in 1974. Mr. Chiang has more than 30 years of experience in high tech manufacturing. He is the founder and Chairman of TPK Holding Co. Ltd. ("TPK"). TPK, newly listed on Taiwan Stock Exchange in October 2010, is a prominent promoter of transparent projected-capacitive ("P-Cap") touch technology and engaged in the business of designing, manufacturing and marketing P-Cap touch panels/modules. Strategically situated in Xiamen, China, TPK has achieved an average annual grow rate in excess of 100% since its inception in 2007.

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

Mr. Kwan Kai Cheong, aged 63, an Independent Non-Executive Director of the Company since April 2011, he is the Chairman of both Audit Committee and Remuneration Committee of the Company. He is also a member of the Nomination Committee of the Company.

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

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

Mr. Ching Kwok Ho, Samuel, aged 56, was appointed an Independent Non-Executive Director of the Company in May 2006 and is a member of the Audit Committee of the Company.

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

Mr. Yen Yuen Ho, Tony, aged 65, was appointed Independent Non-Executive Director of the Company on 6 April 2011. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

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

Mr. Yen is an Independent Non-Executive Director of Jinchuan Group International Resources Company Limited, a company listed on the main board of the Stock Exchange, with effect from 5 August 2010.

Senior Management

Mr. Leung Yuk Lun Eric, aged 46, has over 20 years experience in auditing, accounting and finance fields. He joined the Group in December 2008 and is the chief financial officer and company secretary of the Group. Mr. Leung graduated from the City University of Hong Kong with a Professional Diploma in Accounting and a Bachelor of Arts. He also obtained a Master of Science in Information and Technology Management from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of the Chartered Certified Accountants.

Summary of Financial Information

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

Results	**For the year ended 31 December 2012 HK$'000**	For the year ended 31 December 2011 HK$'000	For the year ended 31 December 2010 HK$'000	For the year ended 31 December 2009 HK$'000	For the nine months ended 31 December 2008 HK$'000
Revenue	**223,269**	840,491	249,078	97,452	80,732
Loss before income tax	**(813,359)**	(1,138,833)	(13,832)	(24,432)	(33,273)
Income tax expense	**(1,442)**	(10,035)	(1,257)	—	—
Loss for the year/period	**(814,801)**	(1,148,868)	(15,089)	(24,432)	(33,273)

Assets and liabilities	**At 31 December 2012 HK$'000**	At 31 December 2011 HK$'000	At 31 December 2010 HK$'000	At 31 December 2009 HK$'000	At 31 December 2008 HK$'000
Total assets	**1,605,427**	2,034,910	2,664,008	78,084	76,762
Total liabilities	**(1,381,455)**	(1,204,372)	(915,505)	(41,228)	(16,792)
	223,972	830,538	1,748,503	36,856	59,970

Key Financial Statistics

			Unit/Place	**For the year ended 31 December 2012**	For the year ended 31 December 2011	For the year ended 31 December 2010	For the year ended 31 December 2009	For the nine months ended 31 December 2008
Turnover	Fashioning		HK$'000	**10,000**	71,530	124,333	97,452	80,732
	Solar Energy		HK$'000	**213,269**	768,961	124,745	—	—
			HK$'000	**223,269**	840,491	249,078	97,452	80,732
Loss before interest and tax			HK$'000	**(747,736)**	(1,078,344)	(4,375)	(24,257)	(33,069)
Loss before income tax expense			HK$'000	**(813,359)**	(1,138,833)	(13,832)	(24,432)	(33,273)
Loss for the year/period			HK$'000	**(814,801)**	(1,148,868)	(15,089)	(24,432)	(33,273)
Total equity			HK$'000	**223,972**	830,538	1,748,503	36,856	59,970
Total assets			HK$'000	**1,605,427**	2,034,910	2,664,008	78,084	76,762
Working capital			HK$'000	**(249,640)**	27,062	(15,917)	20,321	16,883
Total borrowings		(note 1)	HK$'000	**98,765**	142,272	100,057	23,061	2,294
Loss per share								
— Basic			HK cents	**(93.35)**	(135.82)	(4.07)	(9.82)	(14.25)
— Diluted			HK cents	**(30.82)**	(45.15)	(0.80)	N/A	N/A
Number of shops				**—**	—	13	15	15
Total controlled retail floor area			Square feet	**N/A**	N/A	22,640	22,526	24,947
Production capacity of solar cells			Mega watt per annum	**200**	200	200	—	—
Capital expenditure			HK$'000	**220,242**	314,206	17,744	1,897	564
Number of employees			Hong Kong, SAR	**14**	17	180	179	169
			PRC	**261**	462	770	218	225
Gross (loss)/profit margin		(note 2)		**(29.80)%**	17.91%	43.87%	63.50%	56.49%
Operating loss margin		(note 3)		**(334.90)%**	(128.30)%	(1.76)%	(24.89)%	(40.96)%
Net loss margin		(note 4)		**(364.94)%**	(136.69)%	(6.06)%	(25.07)%	(41.21)%
Return on equity		(note 5)		**(363.80)%**	(138.33)%	(0.86)%	(66.29)%	(55.48)%
Current ratio		(note 6)		**0.58**	1.05	0.95	1.52	2.22
Stock turnover days		(note 7)		**47**	10	144	90	79
Creditors' turnover days		(note 8)		**88**	24	32	53	12
Debt equity ratio		(note 9)		**44.10%**	17.13%	5.72%	62.57%	3.83%

Notes:

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

* 275 days for 9 months ended 31 December 2008

Directors' Report

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2012.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 33 to 40.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012. (Year ended 31 December 2011: Nil).

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 12 to this annual report. This summary does not form part of the financial statements.

Share Capital

Details of the share capital of the Company are set out in note 24 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Distributable Reserves of the Company

At 31 December 2012, the Company had no reserve (31 December 2011: nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of HK$528,682,000 (31 December 2011: HK$510,002,000) may be distributed in the form of fully paid bonus shares.

Reserves

Details of the movements in reserves of the Company during the year are set out in note 25 to the financial statements.

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

At 31 December 2012, the Group's investment property is valued at a total of approximately HK$5.9 million (2011: HK$6.4 million).

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

Intangible Assets

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

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for less than 21% and 57% (for the year ended 31 December 2011: less than 17% and 47% respectively) of the Group's total revenue for the year under review.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for less than 19% and 56% (for the year ended 31 December 2011: less than 63% and 79%) respectively, of the Group's total purchases for the year under review.

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

Directors

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

Executive Directors

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

Non-executive Directors

Academician Yao Jiannian
Mr. Chiang Chao-Juei

Independent Non-executive Directors

Mr. Kwan Kai Cheong
Mr. Ching Kwok Ho, Samuel
Mr. Yen Yuen Ho, Tony
Mr. Ip Shu Kwan, Stephen (resigned on 15 March 2013)

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

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

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

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

Directors' Interests in Contracts

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

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

At 31 December 2012, the interests of the directors, the chief executive and their associates in the shares, underlying shares and notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

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

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

(b) Share options

Name of director	Number of share options held	Exercisable period	Exercise price per shares HK$
Ms. Lin Xia Yang	1,225,191	24.11.2009 to 23.11.2019	0.6624
Mr. Yiu Ka So	500,000	1.6.2011 to 31.5.2014	1.434
	500,000	1.6.2012 to 31.5.2014	1.434
Academician Yao Jiannian	500,000	1.6.2011 to 31.5.2014	1.434
	500,000	1.6.2012 to 31.5.2014	1.434
Mr. Ip Shu Kwan, Stephen	400,000	1.6.2011 to 31.5.2014	1.434
	400,000	1.6.2012 to 31.5.2014	1.434
	4,025,191		

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

Share Options

The adoption of a new share option scheme (the "New Share Option Scheme") and the termination of the old share option scheme which was adopted on 10 September 2002, was approved by the shareholders on 19 June 2012. Particulars of the Company's New Share Option Scheme are set out in note 24(d) to the financial statements.

Arrangements to Purchase Shares or Notes

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

Substantial Shareholders' Interests in Shares, Underlying Shares and Notes

As at 31 December 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that (other than the interests disclosed above in respect of certain directors or chief executive), the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Hung Chao Hong (note 1)	Beneficial Owner	64,376,000		210.60%
	Interest in controlled corporation		1,792,922,454	
Hong Zhonghai	Beneficial Owner	1,800,000		189.89%
	Interest in controlled corporation		1,672,862,454	
Jet Mile Limited	Beneficial Owner	92,936,803	1,579,925,651	189.69%
China Green Holdings Limited	Beneficial Owner	22,905,621	199,870,000	161.35%
	Interest in controlled corporation		1,200,140,000	
Renewable Energy Trade Board Corporation	Interest in controlled corporation		1,422,915,621	161.35%
China Merchants New Energy Group Limited	Beneficial Owner		1,100,090,000	161.35%
	Interest in controlled corporation		322,825,621	
Snow Hill Developments Limited	Interest in controlled corporation		1,422,915,621	161.35%
China Merchants Group Limited	Interest in controlled corporation		1,422,915,621	161.35%

Name of Shareholder	Capacity	Number of ordinary Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Magicgrand Group Limited	Interest in controlled corporation		1,422,915,621	161.35%
Pairing Venture Limited	Interest in controlled corporation		1,422,915,621	161.35%
Li Alan	Interest in controlled corporation		1,422,915,621	161.35%
Sino Arena Investments Limited	Beneficial Owner Interest in controlled corporation		100,050,000 1,322,865,621	161.35%
Zeng Xiangyi	Interest in controlled corporation		1,422,915,621	161.35%
Ease Soar Limited	Beneficial Owner		399,970,000	45.35%
GCL-Poly Energy Holdings Limited	Interest in controlled corporation		399,970,000	45.35%
Talesun Solar Hong Kong Limited	Beneficial Owner		199,870,000	22.66%
Zhongli Talesun Solar Co., Ltd.	Interest in controlled corporation		199,870,000	22.66%
Zhongli Science And Technology Group Co., Ltd.	Interest in controlled corporation		199,870,000	22.66%
Wang Baixing	Interest in controlled corporation		199,870,000	22.66%
Hyatt Servicing Limited	Beneficial Owner		120,060,000	13.61%

Note:

(1) The long position in the 1,792,922,454 shares held by Mr. Hung Chao Hong was held by (i) Jet Mile Limited as to 1,672,862,454 shares and (ii) Hyatt Servicing Limited as to 120,060,000 shares.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2012.

Connected Transactions

On 22 November 2012, the Group entered into a sales and purchase agreement (the "Sales and Purchase Agreement"), pursuant to which the Group has conditionally agreed to acquire 92.17% of the entire issued share capital of the Target Company at a consideration of HK$2,119,910,000, which will be satisfied by the issue of consideration shares and convertible bonds upon completion (the "Transaction"). One of the vendors of the Transaction, Hyatt Serving Limited, was a company owned to approximately 99.99% by Mr. Hung. Mr. Hung and Jet Mile Limited were in total interested in 157,312,803 shares, representing approximately 17.84% of the issued share capital of the company. The Transaction constitutes a connected transaction under the Listing Rules, and is subject to approval of independent shareholders at a shareholders meeting.

Other than disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

Directors' Business in Competing Business

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

Corporate Governance

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

Emolument Policy

The Group remunerates its employees, including the directors, based on their performance, experience and prevailing market rate. The Company has adopted a share option scheme as an incentive to directors, consultants and eligible employees, details of the scheme is set out in note 24(d) to the financial statements.

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2012.

Management Contracts

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

Acquisition

On 23 May 2012, the Group acquired 9% interest in a private company principally engaged in, among other things, developing, constructing and operating rooftop solar plants in the PRC (the "Target Company"), at a consideration which was satisfied by issue of 22,905,621 consideration shares credited as fully paid at the price of HK$0.943 per Share.

On 22 November 2012, the Group entered the Sales and Purchase Agreement, pursuant to which the Group has conditionally agreed to acquire 92.17% of the entire issued share capital of the Target Company at a consideration of HK$2,119,910,000, which will be satisfied by the issue of consideration shares and convertible bonds upon completion. As the Group already held approximately 7.83% of the issued share capital of the Target Company, the Group will own the entire issued share capital of the Target Company upon completion. After the completion, the Target Company will be accounted for as a subsidiary of the Company.

As at the date of this annual report, certain conditions precedent as stated in the Sales and Purchase Agreement is not yet satisfied. Further announcement (or Circulars) will be made by the Company upon completion.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lam Ho Fai
Executive Director

Hong Kong, 26 March 2013

Report of Corporate Governance

Corporate Governance Practices

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has revised and renamed the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to Corporate Governance Code (the "New Code") effective 1 April 2012. Throughout the year ended 31 December 2012, the Company has complied with respective code provisions ("Code Provisions") of the Former Code and the New Code for the relevant periods in which they are in force, save for the following deviation.

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

Directors' Securities Transactions

The Company has adopted a model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company (the "Directors"), the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

Board of Directors

Composition of the Board of Directors

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

During the year ended 31 December 2012, there was no change in the composition of the Board.

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

Chairman and Chief Executive Officer

Mr. Lam Ho Fai, Executive Director of the Company is also the acting Chairman. The Company does not have a Chief Executive Officer ("CEO") and the three Executive Directors currently perform the role of CEO. The Executive Directors of the Company are Mr. Lam Ho Fai, Ms. Lin Xia Yang and Mr. Yiu Ka So. The acting Chairman is responsible for the leadership and effective running of the Board, while the Executive Directors are delegated with the authorities to manage the business of the Group in all aspects effectively.

The Company has put in place appropriate insurance cover in respect of Directors' liability.

Functions of the Board of Directors

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

Corporate Governance Functions

The Board is collectively responsible for performing the corporate governance duties. During the year, the Board formalized the inclusion of the following corporate governance duties into the terms of reference of the Board:

— to develop and review the Company's policies and practices on corporate governance and make any changes it considers necessary to ensure their effectiveness;

— to review and monitor the training and continuous professional development of Directors and senior management;

— to review and monitor the Company's policies and practices and compliance with legal and regulatory requirement to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

— to review the Company's compliance with the New Code and disclosure in the Corporate Governance Report.

During the year, the Board also established the Nomination Committee, and revised the terms of reference of the Audit Committee and Remuneration Committee in accordance with the requirements of the New Code. The Board also devised a shareholders communication policy as more particularly described in the section headed "Shareholder and Investor Relations" of this Corporate Governance Report.

Directors' Training and Professional Development

Every Director keeps abreast of responsibilities as a director of the Company and of its conduct, business activities and development of the Company. Directors are continually updated with regulatory and governance developments. With effect from 1 April 2012, the Company provides with all members of the Board with monthly updates on the Company's performance, position and prospects.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year, all Directors are provided with reading materials on amendments to Listing Rules. Messrs. Lam Ho Fai, Yiu Ka So, Kwan Kai Cheong, Ching Kwok Ho Samuel, Ip Shu Kwan Stephen and Yen Yuen Ho Tony received briefings on updates of accounting standards from auditors of the Company at Audit Committee meetings.

Independent Non-executive Directors

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

On 15 March 2013, Mr. Ip Shu Kwan, Stephen resigned as Independent Non-executive Directors of the Company.

The Company has received from each of its Independent Non-executive Directors the written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the guidelines for assessing independence set out in rule 13.13 of the Listing Rules and are independent.

Directors' appointment, re-election and removal

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

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

Board meetings and board practices

The Board has scheduled at least four meetings a year and meets when required. During the year, the Board held 12 meetings. 10 of the meetings are full board meetings and 2 are executive board meeting. The Company Secretary assists the Chairman in preparing the agenda of meeting. For all such meetings, at least 14 days' notice is given to all Directors while reasonable notice is generally given for other board meetings. The Company Secretary is responsible for distributing detailed documents to Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. All Board and committee minutes are recorded in appropriate details and all minutes are kept by the Company Secretary and are open for inspection by the Directors. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended 31 December 2012, the Company held 12 Board meetings, and the Directors' attendance records for those meetings held is set out below.

Directors' attendance at board meetings

	Attendance
Executive Directors	
Mr. Lam Ho Fai	12/12
Ms. Lin Xia Yang	11/12
Mr. Yiu Ka So	12/12
Non-executive Directors	
Academician Yao Jiannian	6/10
Mr. Chiang Chao-Juei	7/10
Independent Non-executive Directors	
Mr. Kwan Kai Cheong	10/10
Mr. Ching Kwok Ho, Samuel	9/10
Mr. Yen Yuen Ho, Tony	10/10
Mr. Ip Shu Kwan, Stephen (resigned on 15 March 2013)	10/10

Board Committees

Audit Committee

The Company has established an audit committee on 14 March 2000 with written terms of reference in accordance with the requirements of the Code Provisions, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements. During the year, the audit committee has three members, including the Company's three Independent Non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel and Mr. Ip Shu Kwan, Stephen. Mr. Kwan Kai Cheong is the Chairman of the audit committee. On 15 March 2013, Mr. Ip Shu Kwan, Stephen resigned as audit committee member and director of the Company. Mr. Yen Yuen Ho, Tony, Independent Non-executive Director of the Company, was appointed to fill the position. The most up-to-date version of the written terms of reference of the Audit Committee are available on the Company's website.

The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group's audit. The Committee is responsible for making recommendation to the Board on the appointment and re-appointment of external auditor, and to approve the remuneration and terms of engagement of the external auditor. It is empowered to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards. It reviews, makes recommendations and report to the Board on findings relating to the financial statements, reports and accounts, financial reporting system and internal control procedures and compliance issues.

During the year, the audit committee has reviewed the annual financial statements with the auditors and reviewed the unaudited interim financial statements, with recommendations to the Board for approval. Audit committee meeting has been held to discuss with external auditor the nature and scope and the audit and reporting obligations before the audit commences. The audit committee is provided with sufficient resources enabling it to discharge its duties. During the year ended 31 December 2012, the Committee held 3 audit committee meetings, and the attendance records for those meetings held is set out below.

	Attendance
Members of the audit committee	
Mr. Kwan Kai Cheong	3/3
Mr. Ching Kwok Ho, Samuel	3/3
Mr. Yen Yuen Ho, Tony (appointed on 15 March 2013)	—
Mr. Ip Shu Kwan, Stephen (resigned on 15 March 2013)	3/3

Remuneration Committee

The Company established a remuneration committee on 28 September 2005 with terms of reference in compliance with the provisions set out in the Code Provisions. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. During the year, the Remuneration Committee has three members, including the Company's two Independent Non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Ip Shu Kwan, Stephen and an Executive Director, Mr. Yiu Ka So. Mr. Kwan Kai Cheong is the Chairman of the remuneration committee. On 15 March 2013, Mr. Ip Shu Kwan Stephen resigned as remuneration committee member and director of the Company. Mr. Yen Yuen Ho, Tony, Independent Non-executive Director of the Company, was appointed to fill the position. The most up-to-date version of the written terms of reference of the Remuneration Committee are available on the Company's website.

The remuneration committee meets at least once a year. During the year ended 31 December 2012, the remuneration committee has held one meeting to review the existing remuneration packages of each Director and senior management of the Company, and to recommend to the Board the salaries and bonuses of the Directors and senior management and discuss the remuneration package of the newly appointed directors and senior management. The attendance record of individual committee members is set out below:

	Attendance
Members of the remuneration committee	
Mr. Yiu Ka So	1/1
Mr. Kwan Kai Cheong	1/1
Mr. Yen Yuen Ho, Tony (appointed on 15 March 2013)	—
Mr. Ip Shu Kwan, Stephen (resigned on 15 March 2013)	1/1

Nomination Committee

The Nomination Committee was established on 23 March 2012 and has three members, including the Company's Executive Director, Mr. Lam Ho Fai, and the Company's two Independent Non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony. Mr. Lam Ho Fai is the Chairman of the nomination committee. The written terms of reference of the Nomination Committee are available on the Company's website.

The main responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and select, or make recommendations to the Board on the selection of individuals nominated for directorships, the appointment or re-appointment of Directors and succession planning for Directors. The Committee is also responsible for assessing the independence of Independent Non-Executive Directors. The Nomination Committee is provided with sufficient resources to perform its duties.

During the year under review, no meeting of the Nomination Committee was held. The first Nomination Committee meeting was held on 25 March 2013.

Remuneration of Directors and Senior Management

The emoluments of the members of the senior management by band for the year ended 31 December 2012 is set out below:

	Number of members	
	2012	2011
Emolument bands		
HK$500,000 to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	2

Further particulars regarding Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9(b) and 9(c) to the financial statements.

Auditors' Remuneration

PricewaterhouseCoopers has been re-appointed as the independent auditor of the Company by shareholders at the last AGM.

The remuneration paid or payable to the Group's independent auditor, PricewaterhouseCoopers, and its affiliated firms, for services rendered is broken down below:

	2012 **HK$'000**
Statutory audit	**1,450,000**
Non-audit services	**2,032,000**
Total	**3,482,000**

The non-audit services mainly comprises tax compliance, and services in connection with a proposed acquisition.

The responsibilities of the independent auditor with respect to the 2012 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 31 to 32.

Directors' Responsibility for the Financial Statements

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

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The management has provided such explanation and information to the Board as necessary to enable the Board to assess the financial information and position of the Group.

As sets out in note 2 to the consolidated financial statements in this annual report ("Note 2"), as at 31 December 2012, the Group's current liabilities exceeded its current assets by HK$249,640,000 and had incurred a net loss of HK$814,801,000 for the year then ended. In addition, on 22 November 2012, the Group had entered into a conditional sale and purchase agreement to acquire a 92.17% equity interest in China Merchants New Energy Holdings Limited (the "Target") for a total consideration of HK$2.1 billion to be settled by issuance of the Company's shares and convertible notes. The convertible notes shall mature on the fifth anniversary date from its date of issuance. Should this acquisition be completed, the Group might need to secure additional financing to fulfill the financial obligations of the Target and for the projects undertaken by the Target. The completion of the acquisition is dependent on the fulfillment of a number of conditions, amongst others, the approval from shareholders of the Company and The Stock Exchange of Hong Kong Limited. The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the conditions described above and in the Independent Auditor's Report, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Board, the Group, as detailed in Note 2, can meet its financial obligations as and when they fall due in the coming year, after taking into consideration those measures and arrangements made subsequent to the reporting date as detailed in Note 2.

In light of the measures implemented to date, the Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account the Group's projected cash flows, current financial resources and capital expenditure requirements. Accordingly, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Internal Control

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

Shareholder and Investor Relations

The Company endeavours to provide it shareholders timely and understandable information, and allowing shareholders to engage actively with the Company. Information would be communicated to shareholders mainly through the Company's corporate communications including interim and annual reports, announcements and circulars. These publications are sent to the shareholders in a timely manner and are also available on the website of the Company.

The Board is dedicated to maintain an on-going dialogue with shareholders of the Company. Shareholders are encouraged to participate in general meetings or appoint proxies to attend and vote at general meetings for and on behalf if they are unable to attend in person. The Acting Chairman of the Board, members of the Board and external auditors attended the 2012 annual general meeting of the Company ("AGM") held on 19 June 2012 to answer the questions raised by the shareholders. The attendance record of the Directors at the AGM is set out below:

	AGM attended/Held
Executive Directors:	
Mr. Lam Ho Fai	1/1
Ms. Lin Xia Yang	1/1
Mr. Yiu Ka So	1/1
Non-executive Directors:	
Academician Yao Jiannian	0/1
Mr. Chiang Chao-Juei	0/1
Independent Non-executive Directors	
Mr. Kwan Kai Cheong	1/1
Mr. Ching Kwok Ho, Samuel	1/1
Mr. Yen Yuen Ho, Tony	1/1
Mr. Ip Shu Kwan, Stephen (resigned on 15 March 2013)	0/1

Shareholders may direct enquires about their shareholdings to the Company's share registrar. To the extent the requisite information of the Company is publicly available, shareholders and the investment community may at any time make enquiry in respect of the Company in writing at our head office in Hong Kong by post, facsimile or email via the numbers and email address provided on the Company's website.

Shareholders' rights

Pursuant to the bye-laws of the Company, members 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 of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. The requisition must state the purposes of the meeting, and must be signed by the requisitionist and deposited at the registered office of the Company in Hong Kong. If directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting in the same manner, as nearly as possible, as that in which meetings are to be convened by directors. Provided that any meeting so convened shall not be held after the expiration of three months from the said date.

We have posted on our Company's website the procedures for shareholders to convene and put forward proposals at general meetings including proposing a person for election as a Director, and to vote by poll at general meetings.

Independent Auditor's Report

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of Goldpoly New Energy Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Emphasis of matter

We draw attention to the Note 2 of the consolidated financial statements (the "Basis of Preparation"), which states that the Group incurred a net loss of HK$814,801,000 during the year ended 31 December 2012 and, as of that date, the Group's current liabilities exceed its current assets by HK$249,640,000. In addition, the Group had entered into a conditional sale and purchase agreement on 22 November 2012 to acquire a company. These conditions, along with other matters as described in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	**223,269**	840,491
Cost of sales	8	**(289,806)**	(689,994)
Gross (loss)/profit		**(66,537)**	150,497
Other income	7	**6,279**	40,879
Other losses	7	**(613,485)**	(1,133,567)
Distribution costs	8	**(7,041)**	(36,435)
Administrative expenses	8	**(66,952)**	(99,718)
Operating loss		**(747,736)**	(1,078,344)
Finance income	10	**1,629**	996
Finance costs	10	**(66,585)**	(61,485)
Finance costs — net	10	**(64,956)**	(60,489)
Share of loss of an associate	18	**(667)**	—
Loss before income tax		**(813,359)**	(1,138,833)
Income tax expense	11	**(1,442)**	(10,035)
Loss for the year attributable to shareholders of the Company		**(814,801)**	(1,148,868)
Loss per share for loss attributable to shareholders of the Company			
— basic (HK cents)	13	**(93.35)**	(135.82)
— diluted (HK cents)	13	**(30.82)**	(45.15)

The notes on pages 41 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Loss for the year	**(814,801)**	(1,148,868)
Other comprehensive income:		
Change in value of available-for-sale financial assets	**198,396**	—
Exchange differences arising on translation of financial statements of subsidiaries	**(11,416)**	49,105
Total other comprehensive income for the year, net of tax	**186,980**	49,105
Total comprehensive loss for the year attributable to shareholders of the Company	**(627,821)**	(1,099,763)

The notes on pages 41 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Land use rights	14	139,909	143,082
Property, plant and equipment	15	857,165	675,570
Investment property	16	5,901	6,370
Intangible assets	17	—	612,788
Investment in an associate	18	4,456	5,123
Available-for-sale financial assets	20	219,240	—
Rental deposits	21	—	2,323
Prepayments for the purchase of plant and equipment	21	40,945	67,972
		1,267,616	1,513,228
Current assets			
Inventories	22	28,813	22,272
Trade and other receivables, deposits and prepayments	21	195,282	281,479
Pledged bank deposits	23	81,419	55,180
Cash and bank balances	23	32,297	162,751
		337,811	521,682
Total assets		1,605,427	2,034,910
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	24	88,191	85,878
Reserves		135,781	744,660
Total equity		223,972	830,538

Consolidated Statement of Financial Position (continued)

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible notes	26	**652,665**	594,059
Deferred tax liabilities	27	**31,339**	31,693
Deferred government grant	28	**84,000**	84,000
Amounts due to shareholders	29	**26,000**	—
		794,004	709,752
Current liabilities			
Trade and bills payable, other payables and accruals	28	**488,686**	342,522
Amounts due to shareholders	29	**—**	5,800
Bank borrowings	30	**98,765**	136,472
Tax payable		**—**	9,826
		587,451	494,620
Total liabilities		**1,381,455**	1,204,372
Total equity and liabilities		**1,605,427**	2,034,910
Net current (liabilities)/assets		**(249,640)**	27,062
Total assets less current liabilities		**1,017,976**	1,540,290

Lam Ho Fai
Director

Yiu Ka So
Director

The notes on pages 41 to 96 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	**847,024**	1,324,154
Current assets			
Other deposits and prepayments	21	**192**	931
Cash and bank balances	23	**12,976**	5,178
		13,168	6,109
Total assets		**860,192**	1,330,263
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	24	**88,191**	85,878
Reserves	25	**94,646**	643,313
Total equity		**182,837**	729,191
Liabilities			
Non-current liabilities			
Convertible notes	26	**652,665**	594,059
Amounts due to shareholders	29	**21,000**	—
Current liabilities			
Other payables and accruals	28	**3,690**	1,713
Amounts due to shareholders	29	**—**	5,300
		3,690	7,013
Total liabilities		**677,355**	601,072
Total equity and liabilities		**860,192**	1,330,263
Net current assets/(liabilities)		**9,478**	(904)
Total assets less current liabilities		**856,502**	1,323,250

Lam Ho Fai
Director

Yiu Ka So
Director

The notes on pages 41 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible note equity reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2011	73,241	342,008	789	1,406,847	192	1,238	(75,812)	1,748,503
Comprehensive income								
Loss for the year	—	—	—	—	—	—	(1,148,868)	(1,148,868)
Other comprehensive income								
Exchange differences arising on translation of financial statements of subsidiaries	—	—	—	—	49,105	—	—	49,105
Total comprehensive income	—	—	—	—	49,105	—	(1,148,868)	(1,099,763)
Transactions with owners								
Issue of shares through placement (Note 24 (a))	12,537	167,432	—	—	—	—	—	179,969
Issue of shares upon exercise of share options (Note 24 (b))	100	562	—	—	—	—	—	662
Share based payment	—	—	1,167	—	—	—	—	1,167
Share option lapsed	—	—	(378)	—	—	—	378	—
Release of property revaluation reserve upon disposals	—	—	—	—	—	(1,238)	1,238	—
Total transactions with owners	12,637	167,994	789	—	—	(1,238)	1,616	181,798

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2012

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible note equity reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 December 2011 and 1 January 2012	85,878	510,002	1,578	1,406,847	49,297	—	—	(1,223,064)	830,538
Comprehensive income									
Loss for the year	—	—	—	—	—	—	—	(814,801)	(814,801)
Other comprehensive income									
Change in value of available-for-sale financial assets	—	—	—	—	—	—	198,396	—	198,396
Exchange differences arising on translation of financial statements of subsidiaries	—	—	—	—	(11,416)	—	—	—	(11,416)
Total comprehensive income	—	—	—	—	(11,416)	—	198,396	(814,801)	(627,821)
Transactions with owners									
Issue of shares upon exercise of share options (Note 24 (b))	23	126	—	—	—	—	—	—	149
Issue of shares (Note 24 (c))	2,290	18,554	—	—	—	—	—	—	20,844
Share-based payment	—	—	262	—	—	—	—	—	262
Total transactions with owners	2,313	18,680	262	—	—	—	—	—	21,255
Balance at 31 December 2012	88,191	528,682	1,840	1,406,847	37,881	—	198,396	(2,037,865)	223,972

The notes on pages 41 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**127,102**	171,465
Income tax paid		**(11,622)**	(6,415)
Interest paid		**(7,979)**	(8,194)
Net cash generated from operating activities		**107,501**	156,856
Cash flow from investing activities			
Purchase of property, plant and equipment		**(196,639)**	(314,206)
Acquisition of an associate		**—**	(5,123)
Prepayment for the purchase of plant and equipment		**—**	(10,601)
Proceeds from disposal of property, plant and equipment	31(a)	**—**	852
Proceeds from disposal of investment property		**—**	7,000
Interest received		**1,629**	950
Net cash used in investing activities		**(195,010)**	(321,128)
Cash flow from financing activities			
Net proceeds from placing of new shares	24(a)	**—**	179,969
Net proceeds from issuance of new shares	24(b)	**149**	662
Repayment of loan to shareholders		**—**	(14,000)
Proceeds from shareholders loans		**20,200**	5,500
Proceeds from new bank borrowings		**98,765**	141,055
Repayment of bank borrowings		**(136,472)**	(97,527)
Increase in pledged bank deposits		**(26,239)**	(13,399)
Net cash (used in)/generated from financing activities		**(43,597)**	202,260
Net (decrease)/increase in cash and cash equivalents		**(131,106)**	37,988
Cash and cash equivalents at beginning of year		**162,751**	117,208
Effect of foreign exchange rate changes		**652**	7,555
Cash and cash equivalents at end of year	23	**32,297**	162,751

The notes on pages 41 to 96 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 General information

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

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2013.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

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

2.1.1 Going concern

As at 31 December 2012, the Group's current liabilities exceeded its current assets by HK$249,640,000 and had incurred a net loss of HK$814,801,000 for the year then ended. In addition, on 22 November 2012, the Group had entered into a conditional sale and purchase agreement to acquire a 92.17% equity interest in China Merchants New Energy Holdings Limited (the "Target") for a total consideration of HK$2.1 billion to be settled by issuance of the Company's shares and convertible notes. The convertible notes shall mature on the fifth anniversary date from its date of issuance. Should this acquisition be completed, the Group might need to secure additional financing to fulfill the financial obligations of the Target and for the projects undertaken by the Target. The completion of the acquisition is dependent on the fulfillment of a number of conditions, amongst others, the approval from shareholders of the Company and The Stock Exchange of Hong Kong Limited. The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern (continued)

Management of the Company is in the process of securing additional financing. The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from the latest balance sheet date. They are of the opinion that, taking into account the following measures, the Group will have sufficient working capital to meet its financial obligations within the next twelve months from the date of the balance sheet:

- Subsequent to the balance sheet date, the Group had obtained an interest free loan of RMB100 million (HK$124 million) from a company, which is beneficially controlled by a shareholder of the Company, to be repayable in September 2014 (Note 29).

- In February 2013, the Group has successfully renewed a banking facility of RMB120 million (approximately HK$149 million) to be repayable in February 2014.

- The Group is currently in the process of negotiating the renewal of the other banking facility of RMB257 million (approximately HK$318 million), which will expire in June 2013. Based on the good track record of renewal in the past, the Directors are of the opinion that this banking facility could be renewed before its maturity.

- The Group would plan to obtain additional financing to fulfill the financial obligations of the Target and for the projects undertaken by the Target should the acquisition be completed.

Accordingly, the consolidated financial statements have been prepared on a going concern basis. Notwithstanding the above, whether the Group will be able to continue as a going concern would depend on the outcome of the above measures. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures

(a) Amendments, revisions existing to standards and interpretations effective in 2012 and adopted by the Group:

HKAS 12 (Amendment)	Income taxes — Disclosure of deferred taxes

(b) New standard and interpretations, amendments and revision to existing standards have been issued but not effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of items of Other Comprehensive Income	1 July 2012
HKFRS 1 Amendment	Government Loans	1 January 2013
HKFRS 7 Amendment	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(b) New standard and interpretations, amendments and revision to existing standards have been issued but not effective and have not been early adopted by the Group (continued) :

		Effective for accounting periods beginning on or after
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
HKFRSs (Amendment)	Annual Improvements 2009–2011 Cycle	1 January 2013
HKAS 32 Amendment	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 January 2014
HKFRS 7, HKFRS 9 Amendment	Disclosure of Financial Instrument , Financial Instruments: Disclosures — Mandatory Effective Date and Transitional Disclosure	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015

The Group has already commenced an assessment of the related impact of adopting the above new standard and interpretations, amendments and revision to existing standards and interpretation to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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

2.3 Associates

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

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

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

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

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

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

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group companies*

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

2.7 Land use rights

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

2 Summary of significant accounting policies (continued)

2.8 Investment property

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

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment property. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other losses".

2.9 Intangible assets

(a) Goodwill

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

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

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

(b) Unfinished sales contracts

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

2 Summary of significant accounting policies (continued)

2.10 Impairment of investments in subsidiaries and non-financial assets

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

2.11 Financial assets

2.11.1 *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) **Loans and receivables**

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

(b) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

2.13 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) *Available-for-sale financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.14 Inventories

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

2.15 Trade and other receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

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

2.18 Trade payables

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

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

2.19 Borrowings

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

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

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

2 Summary of significant accounting policies (continued)

2.20 Compound financial instruments

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

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

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

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

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

(c) *Offsetting*

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

2.22 Employee benefits

(a) *Pension obligations*

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,250 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

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

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

(b) *Employee leave entitlements*

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

2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

(c) Termination benefits

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

2.23 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

(b) Share-based payment transactions among group entities

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

2 Summary of significant accounting policies (continued)

2.24 Provisions

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

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

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

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

(b) *Trademark licensing income*

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

(c) *Rental income*

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

(d) *Interest income*

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

2.26 Leases

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

2.27 Government grants

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

2 Summary of significant accounting policies (continued)

2.27 Government grants (continued)

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

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2012, if RMB had strengthened/weakened by 5% (2011: 5%) with all other variables held constant, loss for the year would have been approximately be HK$362,000 higher/lower (2011: HK$431,000 higher/lower) mainly as a result of net foreign exchange losses/gains on translation of deposits in banks, trade and other receivables, trade and bills payable and bank borrowings.

At 31 December 2012, if US$ had strengthened/weakened by 5% (2011: 5%) with all other variables held constant, loss for the year would have been approximately be HK$349,000 higher/lower (2011: HK$51,000 higher/lower) mainly as a result of net foreign exchange losses/gains on translation of deposits in banks, trade and other receivables, trade and bills payable and bank borrowings.

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(ii) Price risk

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

(iii) Cash flow and interest rate risk

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

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

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

At 31 December 2012, if interest rates on borrowings had been 50 basis points (2011: 50 basis points) higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$412,000 (2011: HK$570,000) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) *Credit risk*

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

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities (Note 30 (d)) and cash and bank balances (Note 23) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year HK$'000	Between 1 year to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
At 31 December 2012				
Trade, bills and other payables	**488,686**	**—**	**—**	**488,686**
Amounts due to shareholders	**—**	**26,000**	**—**	**26,000**
Bank borrowings and interest payable	**101,322**	**—**	**—**	**101,322**
Convertible notes	**—**	**—**	**850,000**	**850,000**
	590,008	**26,000**	**850,000**	**1,466,008**
At 31 December 2011				
Trade, bills and other payables	259,964	—	—	259,964
Amounts due to shareholders	5,800	—	—	5,800
Bank borrowings and interest payable	140,004	—	—	140,004
Convertible notes	—	—	850,000	850,000
	405,768	—	850,000	1,255,768

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Company

	Less than 1 year HK$'000	Between 1 year to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
At 31 December 2012				
Other payables	**50**	**—**	**—**	**50**
Amounts due to shareholders	**—**	**21,000**	**—**	**21,000**
Convertible notes	**—**	**—**	**850,000**	**850,000**
	50	**21,000**	**850,000**	**871,050**
At 31 December 2011				
Other payables	50	—	—	50
Amounts due to shareholders	5,300	—	—	5,300
Convertible notes	—	—	850,000	850,000
	5,350	—	850,000	855,350

3.2 Capital risk management

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

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

3 Financial risk management (continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2012.

	Level 3 HK$'000
Assets	
Available-for-sale financial assets	219,240

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Level 3 HK$'000
Opening balance	—
Transfers into level 3	20,844
Gains recognised in other comprehensive income	198,396
Closing balance	219,240
Total gains for the period including in other comprehensive income for assets held at the end of the reporting period	198,396

4 Critical accounting estimates and assumptions

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

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

(a) Impairment of goodwill

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

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

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

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

An impairment charge of HK$612,788,000 arose in the solar energy segment, which is a CGU, during the year, resulting in the carrying amount of the CGU being written down to its recoverable amount.

(b) Fair value of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Groups' available-for-sale financial assets is stated at fair value based on the valuation carried out by independent qualified professional valuer. In determining the fair value, the valuer is based on the pre-tax cash flow projections of Concession Rights of certain solar power plant projects and net assets owned by the financial instruments as at 31 December 2012. Management has reviewed the valuation and is satisfied that the valuation of the Group's available-for-sale financial assets is reasonable.

4 Critical accounting estimates and assumptions (continued)

(c) Impairment of property, plant and equipment

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

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimation at each balance sheet date. As at 31 December 2012, the directors of the Company estimates the net realisable value for goods for resale based primarily on the latest selling prices and current market conditions and has made a provision of HK$11,490,000.

(e) Fair value of investment property

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

(f) Deferred tax assets

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

5 Revenue

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

	2012	2011
	HK$'000	HK$'000
Sales of solar energy related products	**213,269**	765,941
Trademark licensing income	**10,000**	2,000
Sales of retail fashion	**—**	69,530
Subcontracting services income	**—**	3,020
	223,269	840,491

6 Segment information

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

There are two operating segments, namely fashion and corporate function and solar energy. The Company is domiciled in Hong Kong. For the year ended 31 December 2012, the revenue derived from Hong Kong and other countries is HK$10,000,000 (2011: HK$71,530,000) and HK$213,269,000 (2011: HK$768,961,000) respectively.

As at 31 December 2012 and 2011, all of the Group's land use rights, property, plant and equipment and investment property are located in Mainland China.

For the year ended 31 December 2012, there were two customers (2011: two customers) in the "solar energy" segment who individually contributed over 10% of the total revenue. The total revenue contributed by these customers amounted to HK$68,879,000 (2011: HK$243,152,000).

6 Segment information (continued)

	For the year ended 31 December 2012		
	Fashion and Corporate function HK$'000	Solar Energy HK$'000	Total HK$'000
Revenue	10,000	213,269	223,269
Gross profit/(loss)	10,000	(76,537)	(66,537)
Operating loss	(19,340)	(728,396)	(747,736)
Finance costs — net	(58,606)	(6,350)	(64,956)
Income tax expense	—	(1,442)	(1,442)
Share of loss of an associate	—	(667)	(667)
Loss attributable to shareholders	(77,946)	(736,855)	(814,801)
Other information:			
Depreciation and amortisation	(46)	(41,770)	(41,816)
Impairment charge on goodwill	—	(612,788)	(612,788)
Capital expenditure	—	(220,242)	(220,242)

6 Segment information (continued)

	For the year ended 31 December 2011		
	Fashion and Corporate function HK$'000	Solar Energy HK$'000	Total HK$'000
Revenue	71,530	768,961	840,491
Gross profit	23,738	126,759	150,497
Operating loss	(54,276)	(1,024,068)	(1,078,344)
Finance costs — net	(53,326)	(7,163)	(60,489)
Income tax expense	(53)	(9,982)	(10,035)
Share of loss of an associate	—	—	—
Loss attributable to shareholders	(107,655)	(1,041,213)	(1,148,868)
Other information:			
Depreciation and amortisation	(3,563)	(49,509)	(53,072)
Impairment charge on goodwill	—	(1,132,000)	(1,132,000)
Capital expenditure	(45)	(314,161)	(314,206)

6 Segment information (continued)

	As at 31 December 2012		
	Fashion and Corporate function HK$'000	**Solar energy HK$'000**	**Total HK$'000**
Total assets	**235,441**	**1,369,986**	**1,605,427**
Total liabilities	**(454,401)**	**(927,054)**	**(1,381,455)**

	As at 31 December 2011		
	Fashion and Corporate function HK$'000	Solar energy HK$'000	Total HK$'000
Total assets	19,033	2,015,877	2,034,910
Total liabilities	(610,613)	(593,759)	(1,204,372)

7 Other income and other losses

	2012 HK$'000	2011 HK$'000
Other income		
Sales of scrap materials	**33**	1,069
Rental income	**558**	453
Government subsidies	**4,155**	5,571
Others	**1,533**	785
Income from forfeiture of customers' deposits	**—**	33,001
	6,279	40,879
Other losses		
Fair value loss on investment property	**(469)**	—
Exchange losses	**(228)**	(1,567)
Impairment charge on goodwill	**(612,788)**	(1,132,000)
	(613,485)	(1,133,567)

8 Expenses by nature

	2012 HK$'000	2011 HK$'000
Raw materials used and changes in inventories of finished goods and work in progress	**188,297**	563,661
Provision for/(reversal of) inventories obsolescence	**11,490**	(1,045)
Provision for doubtful debt (Note 21)	**9,028**	—
Inventories written off	**—**	225
Amortisation of land use rights (Note 14)	**3,173**	3,173
Amortisation of intangible assets (Note 17)	**—**	9,524
Depreciation of property, plant and equipment (Note 15)	**38,643**	40,375
Staff costs (including Directors' emoluments) (Note 9 (a))	**34,303**	72,755
Auditor's remuneration	**1,562**	1,542
Loss on disposals of property, plant and equipment	**—**	845
Loss on disposals of investment property	**—**	500
Operating leases rentals in respect of land and buildings		
— Minimum lease payments under operating leases	**3,935**	15,479
— Contingent rental payments	**—**	78
Legal and professional fees	**12,115**	4,637
Rental and building management fee	**4,777**	3,950
Utilities	**25,569**	40,738
Insurance	**877**	3,565
Transportation	**2,260**	3,445
Other expenses	**27,770**	62,700
Total cost of sales, distribution costs and administrative expenses	**363,799**	826,147

9 Staff costs (including Directors' emoluments)

(a) Employee benefit expenses

	2012 HK$'000	2011 HK$'000
Salaries, wages and bonuses	**30,748**	49,152
Contributions to retirement contribution plan	**101**	10,631
Severance payments	**57**	6,029
Reversal of long service payments	**—**	(1,913)
Equity-settled share-based payment expenses	**262**	1,167
Social security costs	**3,135**	7,689
	34,303	72,755

9 Staff costs (including Directors' emoluments) (continued)

(b) Directors' emoluments

The emoluments paid or payable to each of the nine (2011: eleven) directors were as follows:

	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2012					
Executive director:					
Lin Xia Yang	—	200	—	—	200
Lam Ho Fai	—	1,040	14	—	1,054
Yiu Ka So	250	628	14	94	986
	250	1,868	28	94	2,240
Non-executive director:					
Yao Jiannian	200	—	—	94	294
Chiang Chao-Juei	200	—	—	—	200
	400	—	—	94	494
Independent non-executive director:					
Ching Kwok Ho, Samuel	120	—	—	—	120
Ip Shu Kwan, Stephen (vi)	200	—	—	74	274
Kwan Kai Cheong	200	—	—	—	200
Yen Yuen Ho, Tony	200	—	—	—	200
	720	—	—	74	794
Total	1,370	1,868	28	262	3,528

9 Staff costs (including Directors' emoluments) (continued)

(b) Directors' emoluments (continued)

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

Notes:

(i) Resigned on 16 February 2011
(ii) Appointed on 1 April 2011
(iii) Resigned on 1 April 2011
(iv) Appointed on 6 April 2011
(v) Appointed on 19 May 2011
(vi) Resigned on 15 March 2013

9 Staff costs (including Directors' emoluments) (continued)

(c) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2011: three) are directors of the Company, whose emoluments are included in the disclosure set out in Note 9(b) above. The emolument of the remaining three (2011: two) highest paid individual is as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**3,203**	1,647
Retirement benefit scheme contributions	**14**	7
	3,217	1,654

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands (in HK dollar)		
HK$500,000–HK$1,000,000	**2**	2
HK$1,000,001–HK$1,500,000	**—**	—
HK$1,500,001–HK$2,000,000	**1**	—

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year (2011: Nil).

10 Finance costs, net

	2012 HK$'000	2011 HK$'000
Finance income:		
Interest income on bank balances and deposits	**1,629**	950
Exchange gains on bank borrowings	**—**	46
	1,629	996
Finance costs:		
Interest expense on bank borrowings — wholly repayable within five years	**(7,979)**	(8,136)
Interest on other loan	**—**	(58)
Imputed interest expense on convertible notes	**(58,606)**	(53,291)
	(66,585)	(61,485)
Finance cost, net	**(64,956)**	(60,489)

11 Income tax expense

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for the year (2011: Nil).

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

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

	2012 HK$'000	2011 HK$'000
Current income tax		
— Corporate income tax in Mainland China	**—**	9,638
— Under-provision in prior year	**1,796**	1,941
Deferred income tax	**(354)**	(1,544)
	1,442	10,035

11 Income tax expense (continued)

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

	2012 HK$'000	2011 HK$'000
Loss before income tax	**(813,359)**	(1,138,833)
Calculated at a tax rate of 16.5%	**(134,204)**	(187,906)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	**(10,198)**	7,648
PRC tax concession	**1,234**	(13,015)
Tax effect of expenses not deductible for tax purposes	**108,114**	205,987
Tax effect of non-taxable items	**(20,006)**	(8,573)
Tax effect of temporary differences not recognised	**(5,001)**	(3,161)
Tax effect on unused tax losses not recognised	**59,707**	7,114
Under-provision in prior year	**1,796**	1,941
Income tax charge	**1,442**	10,035

12 Loss attributable to shareholders of the Company

Loss attributable to shareholders of the Company includes a loss of HK$567,609,000 (2011: HK$1,190,251,000) which has been dealt with in the financial statements of the Company.

13 Loss per share

(a) Basic

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

	2012	2011
Loss attributable to shareholders of the Company (HK$'000)	**814,801**	1,148,868
Weighted average number of ordinary shares in issue (thousand shares)	**872,821**	845,875
Basic loss per share (HK cents)	**93.35**	135.82

13 Loss per share (continued)

(b) Diluted

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

	2012	2011
Loss attributable to shareholders of the Company (HK$'000)	**814,801**	1,148,868
Imputed interest expense on convertible notes, net of tax (HK$'000)	**(58,606)**	(53,291)
Loss used to determine diluted loss per share (HK$'000)	**756,195**	1,095,577
Weighted average number of ordinary shares in issue (thousand shares)	**872,821**	845,875
Adjustments for:		
— Assumed conversion of convertible notes (thousand shares)	**1,579,926**	1,579,926
— Share options (thousand shares)	**454**	741
	2,453,201	2,426,542
Diluted loss per share (HK cents)	**30.82**	45.15

14 Land use rights

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

	2012 HK$'000	2011 HK$'000
Net book value at 1 January	**143,082**	134,620
Amortisation	**(3,173)**	(3,173)
Exchange difference	**—**	11,635
Net book value at 31 December	**139,909**	143,082

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

At 31 December 2012, land use rights of HK$139,909,000 (2011: HK$143,082,000) were pledged as security for the Group's bank borrowings (Note 30).

15 Property, plant and equipment

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, Fixtures and office equipments HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 1 January 2011							
Cost	22,626	11,372	298,225	12,197	5,574	49,526	399,520
Accumulated depreciation	(212)	(9,198)	(7,690)	(7,113)	(3,617)	—	(27,830)
Net book amount	22,414	2,174	290,535	5,084	1,957	49,526	371,690
Year ended 31 December 2011							
Opening net book amount	22,414	2,174	290,535	5,084	1,957	49,526	371,690
Additions	45,865	—	902	268	535	266,636	314,206
Transfer	—	—	4,814	—	—	(4,814)	—
Disposals	—	(568)	(417)	(505)	(207)	—	(1,697)
Depreciation	(1,991)	(1,631)	(33,478)	(2,439)	(836)	—	(40,375)
Exchange difference	1,938	25	25,095	283	124	4,281	31,746
Closing net book amount	68,226	—	287,451	2,691	1,573	315,629	675,570
At 31 December 2011							
Cost	72,964	11,547	328,426	13,484	6,422	315,629	748,472
Accumulated depreciation	(4,738)	(11,547)	(40,975)	(10,793)	(4,849)	—	(72,902)
Net book amount	68,226	—	287,451	2,691	1,573	315,629	675,570

	Buildings HK$'000	**Leasehold improve-ments HK$'000**	**Plant and machinery HK$'000**	**Furniture, Fixtures and office equipments HK$'000**	**Motor vehicles HK$'000**	**Construction in-progress HK$'000**	**Total HK$'000**
Year ended 31 December 2012							
Opening net book amount	**68,226**	**—**	**287,451**	**2,691**	**1,573**	**315,629**	**675,570**
Additions	**—**	**—**	**323**	**167**	**—**	**219,752**	**220,242**
Disposals	**—**	**—**	**—**	**(4)**	**—**	**—**	**(4)**
Transfer	**—**	**—**	**8,489**	**—**	**—**	**(8,489)**	**—**
Depreciation	**(3,670)**	**—**	**(33,496)**	**(1,065)**	**(412)**	**—**	**(38,643)**
Closing net book amount	**64,556**	**—**	**262,767**	**1,789**	**1,161**	**526,892**	**857,165**
At 31 December 2012							
Cost	**72,964**	**11,547**	**337,238**	**13,647**	**6,422**	**526,892**	**968,710**
Accumulated depreciation	**(8,408)**	**(11,547)**	**(74,471)**	**(11,858)**	**(5,261)**	**—**	**(111,545)**
Net book amount	**64,556**	**—**	**262,767**	**1,789**	**1,161**	**526,892**	**857,165**

Note:

Depreciation expense of HK$23,230,000 (2011: HK$22,285,000) has been charged in cost of sales, HK$8,400,000 (2011: HK$10,044,000) in distribution costs and HK$7,013,000 (2011: HK$8,046,000) in administrative expenses, respectively.

As 31 December 2012, buildings of HK$64,556,000 (2011: nil) were pledged as security for the Group bank borrowings (Note 30).

16 Investment property

	2012 HK$'000	2011 HK$'000
Fair value at 1 January	**6,370**	13,364
Net loss from fair value adjustment	**(469)**	—
Disposals	—	(7,500)
Exchange difference	—	506
Fair value at 31 December	**5,901**	6,370

Notes:

(a) The investment property was revalued at 31 December 2012 by Jones Lang LaSalle Sallmanns Limited, an independent and professionally qualified valuer. Valuation is based on current prices in an active market.

(b) The Group's interest in investment property, held in the PRC on leases of between 10 to 50 years.

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

	2012 HK$'000	2011 HK$'000
Rental income	**558**	453
Direct operating expense arising from investment property	**(68)**	(19)

(d) At 31 December 2012, investment property of HK$5,901,000 (2011: nil) were pledged as security for the Group's bank borrowings (Note 30).

17 Intangible assets

	Goodwill HK$'000	Unfinished sales contracts HK$'000	Total HK$'000
Year ended 31 December 2011			
Opening net book amount	1,744,788	8,766	1,753,554
Amortisation charge	—	(9,524)	(9,524)
Impairment charge	(1,132,000)	—	(1,132,000)
Exchange difference	—	758	758
Closing net book amount	612,788	—	612,788
At 31 December 2011			
Cost	612,788	10,227	623,015
Accumulated amortisation	—	(10,227)	(10,227)
Net book amount	612,788	—	612,788
Year ended 31 December 2012			
Opening net book amount	**612,788**	**—**	**612,788**
Impairment charge	**(612,788)**	**—**	**(612,788)**
Closing net book amount	**—**	**—**	**—**
At 31 December 2012			
Cost	**—**	**10,227**	**10,227**
Accumulated amortisation	**—**	**(10,227)**	**(10,227)**
Net book amount	**—**	**—**	**—**

17 Intangible assets (continued)

Goodwill is allocated to the Group's cash generating units ("CGUs") identified according to operating segment. As at 31 December 2012 and 2011, the goodwill is attributable to the solar energy segment, which is a CGU.

The recoverable amount of a CGU is determined based on the higher of its fair value less cost to sell and value-in-use. The calculation uses post-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows beyond the five-year period assuming no growth. The growth rate does not exceed the long-term average growth of the respective countries. Management determined the financial budgets and gross margin based on past performance and its expectations for market development and made reference to industry reports.

The key assumptions used for the calculations are as follows:

	2012	2011
Selling price per watt (HK$)	**3.33–4.10**	5.64–5.93
Average sales volume per annum (MW)	**64–360**	132–319
Discount rate	**14%**	14%

During the year ended 31 December 2012, an impairment charge of HK$612,788,000 (2011: HK$1,132,000,000) was recognised in the consolidated profit and loss as a result of the poor market conditions in the solar energy market. In particular, the market price of solar photovoltaic cells dropped significantly during the year and the Group has decided to further postpone its expansion plan.

No other class of asset other than goodwill was impaired.

18 Investment in an associate — Group

	2012 **HK'000**	2011 HK'000
At 1 January	**5,123**	—
Additions	**—**	5,123
Share of loss	**(667)**	—
At 31 December	**4,456**	5,123

18 Investment in an associate — Group (continued)

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

Name	Country of incorporation	% interest held	Assets	Liabilities	Revenue	Results
			HK$'000	HK$'000	HK$'000	HK$'000
31 December 2012						
GCL Goldpoly (Quanzhou) Photovoltaic Technology Co., Ltd	**PRC**	**5%**	**4,567**	**111**	**—**	**(667)**
31 December 2011						
GCL Goldpoly (Quanzhou) Photovoltaic Technology Co., Ltd	PRC	5%	5,469	346	—	—

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

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

19 Interests in subsidiaries

	The Company	
	2012	2011
	HK'000	HK'000
Unlisted shares, at cost	**2,194,788**	2,194,788
Amounts due from subsidiaries (Note (b))	**229,983**	293,617
	2,424,771	2,488,405
Less: Impairment losses	**(1,577,747)**	(1,164,251)
	847,024	1,324,154

19 Interests in subsidiaries (continued)

(a) Particulars of the principal subsidiaries as at 31 December 2012 are as follows:

Name of company	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gay Giano Holdings Limited	British Virgin Islands	US$1,000	100%	—	Investment holding
Fortune Arena Limited	British Virgin Islands	US$1	100%	—	Investment holding
Profit Icon Investments Limited	British Virgin Islands	US$1	100%	—	Investment holding
Goldpoly International Limited	British Virgin Islands	US$1,000	—	100%	Investment holding
Goldpoly New Energy Technology Company Limited	Hong Kong	HK$200	—	100%	Investment holding
Goldpoly (Quanzhou) Packing Science & Technology Company Limited	PRC	US$8,142,317	—	100%	Inactive
Goldpoly (Quanzhou) Electronics Technology Company Limited	PRC	US$6,200,000	—	100%	Inactive
Goldpoly (Quanzhou) Science & Technology Industry Company Limited	PRC	US$69,999,980	—	100%	Manufacturing of electronic components, solar silicon cell and related products

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

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

20 Available-for-sale financial assets — Group

	2012 HK'000	2011 HK'000
At 1 January	—	—
Additions	20,844	—
Fair value gains transferred to equity	198,396	—
At 31 December	219,240	—

Available-for-sale financial assets represent unlisted shares stated at fair value. It represents a 7.83% equity interest in the Target, a private entity established in the British Virgin Islands. The unlisted investment was revalued as at 31 December 2012 by American Appraisal China Limited, an independent and professional qualified valuer, which is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

21 Trade and other receivables, deposits and prepayments

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade receivables	52,111	186,351	—	—
Less: Provision for impairment of trade receivables	(9,028)	—	—	—
Trade receivables — net	43,083	186,351	—	—
Prepayment for the purchase of plant and equipment	40,945	67,972	—	—
Rental deposits	61	6,307	—	—
Value-added tax recoverable	29,523	27,969	—	—
Prepayment for raw materials	97,684	45,925	—	—
Other deposits and prepayments	24,931	17,250	192	931
	236,227	351,774	192	931
Less: non-current portion	(40,945)	(70,295)	—	—
Current portion	195,282	281,479	192	931

Included in the other deposits and prepayments are the amounts due from companies, which are beneficially controlled by a shareholder of the Company, amounted to HK$14,140,000 as at 31 December 2012 (2011: HK$2,612,000).

21 Trade and other receivables, deposits and prepayments (continued)

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

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

The ageing analysis of trade debtors is as follows:

	2012 HK$'000	2011 HK$'000
Not yet due	18,663	1,808
1–30 days	3,468	154,655
31–60 days	—	—
Over 60 days	20,952	29,888
	43,083	186,351

As at 31 December 2012, trade receivables of HK$24,420,000 (2011: HK$184,543,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012 HK$'000	2011 HK$'000
1–30 days	3,468	154,655
31–60 days	—	—
Over 60 days	20,952	29,888
	24,420	184,543

21 Trade and other receivables, deposits and prepayments (continued)

As of 31 December 2012, trade receivables of HK$9,028,000 (2011: nil) were impaired and provision was made accordingly. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	2012 HK$'000	2011 HK$'000
3 to 6 months	1,937	—
Over 6 months	7,091	—
	9,028	—

Movements on the Group provision for impairment of trade receivables are as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	—	—
Provision for impairment of receivables	9,028	—
At 31 December	9,028	—

The trade receivables are denominated in following currencies:

	2012 HK$'000	2011 HK$'000
RMB	35,467	156,463
US$	7,616	29,888
	43,083	186,351

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

22 Inventories

	2012 HK$'000	2011 HK$'000
Raw materials	4,318	8,469
Work in progress	262	1,934
Finished goods	24,233	11,869
	28,813	22,272

The cost of inventories recognised as an expense and included in "cost of sales" amounted to HK$188,297,000 (2011: HK$563,661,000).

23 Cash and bank balances, pledged bank deposits

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Pledged bank deposits	81,419	55,180	—	—
Cash at bank and on hand	32,297	162,751	12,976	5,178
	113,716	217,931	12,976	5,178

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December 2012, the weighted average effective interest rate on pledged bank deposits was approximately 0.6% per annum (2011: 0.5%). These deposits had an average maturity period of 70 days (2011: 101 days). For the purpose of consolidated statement of cash flows, cash and cash equivalents includes cash at bank and on hand of HK$32,297,000 (2011: HK$162,751,000).

23 Cash and bank balances, pledged bank deposits (continued)

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

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
HK$	16,046	7,842	12,976	5,178
RMB	97,278	191,196	—	—
US$	392	18,851	—	—
Euro	—	42	—	—
	113,716	217,931	12,976	5,178

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

As at 31 December 2012, the Group's bank balances of HK$97,420,000 (2011: HK$210,733,000) are deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

24 Share capital

	Company			
	Number of shares		Share capital	
	2012	2011	2012 HK$'000	2011 HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January and 31 December	5,000,000,000	5,000,000,000	500,000	500,000
Issued and fully paid:				
At 1 January	858,777,577	732,407,577	85,878	73,241
Issue of shares through placement (Note (a))	—	125,370,000	—	12,537
Issue of shares upon exercise of share options (Note (b))	225,191	1,000,000	23	100
Issue of shares (Note (c))	22,905,621	—	2,290	—
At 31 December	881,908,389	858,777,577	88,191	85,878

24 Share capital (continued)

Notes:

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

(b) During the year, 225,191 (2011: 1,000,000) shares were issued upon exercise of share options. Total net proceeds were HK$149,000 (2011: HK$662,000). The weighted average exercise price was HK$0.6624 (2011: HK$0.6624) per share. The related transaction costs have been deducted from the proceeds received.

(c) On 23 May 2012, the Company issued and allotted 22,905,621 shares of HK$0.1 each for settlement of the consideration for the acquisition of available-for-sale financial assets (Note 20).

(d) Share option

On 19 June 2012, at the annual general meeting, the Company adopted a share option scheme (the "Option Scheme"), which is replaced the old share option scheme adopted on 10 September 2002, under which the board of directors may, at their discretion, invite any full time employees, directors of the Group or advisors or consultant to the Group, any provider or customer, shareholders of any member of the Group or any other person who as determined by the board of directors, has contribution to the Group, to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. By reason of voluntary resignation or by termination of employment in accordance with the provisions of employment contract, other than on redundancy, or because the relevant employing company ceases to be a member of the Group, all options granted to the relevant person, to the extent of those not already exercised, shall lapse and the date of lapse shall be determined by the directors' discretion.

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

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

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

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

24 Share capital (continued)

(d) Share option (continued)

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

	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011 and 1 January 2012	Exercised during the year	Outstanding at 31 December 2012
Directors	21.11.2007	21.11.2007 to 20.11.2017	2.3076	221,346	—	—	(221,346)	—	—	—
	24.11.2009	24.11.2009 to 23.11.2019	0.6624	2,450,382	—	(1,000,000)	—	1,450,382	(225,191)	1,225,191
	6.4.2011	1.6.2011 to 31.5.2014	1.4340	—	1,400,000	—	—	1,400,000	—	1,400,000
	6.4.2011	1.6.2012 to 31.5.2014	1.4340	—	1,400,000	—	—	1,400,000	—	1,400,000
Employees	6.4.2011	1.6.2011 to 31.5.2014	1.4340	—	500,000	—	(500,000)	—	—	—
	6.4.2011	1.6.2012 to 31.5.2014	1.4340	—	500,000	—	(500,000)	—	—	—
				2,671,728	3,800,000	(1,000,000)	(1,221,346)	4,250,382	(225,191)	4,025,191

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

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

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

Note:

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

25 Reserves of the Company

	Share premium HK$'000	Share options reserve HK$'000	Convertible note equity reserve HK$'000	Contributed surplus (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2011	342,008	789	1,406,847	32,051	(117,292)	1,664,403
Total comprehensive income						
Loss for the year	—	—	—	—	(1,190,251)	(1,190,251)
Transactions with owners						
Issue of shares through placement (Note 24 (b))	167,432	—	—	—	—	167,432
Issue of shares upon exercise of share options	562	—	—	—	—	562
Share based payment	—	1,167	—	—	—	1,167
Share option lapsed	—	(378)	—	—	378	—
Total transactions with owners	167,994	789	—	—	378	169,161
Balance at 31 December 2011 and 1 January 2012	510,002	1,578	1,406,847	32,051	(1,307,165)	643,313
Total comprehensive income						
Loss for the year	—	—	—	—	(567,609)	(567,609)
Transactions with owners						
Issue of shares upon exercise of share options (Note 24 (b))	126	—	—	—	—	126
Issue of shares (Note 24 (c))	18,554	—	—	—	—	18,554
Share-based payment	—	262				262
Total transactions with owners	18,680	262	—	—	—	18,942
Balance at 31 December 2012	528,682	1,840	1,406,847	32,051	(1,874,774)	94,646

Note:

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

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

26 Convertible notes

	Total HK$'000
Fair value of convertible note at issuance	1,938,002
Equity component	(1,406,847)
Liability component on initial recognition	531,155
Interest expense	62,904
Liability component at 31 December 2011 and 1 January 2012	594,059
Interest expense	58,606
Liability component at 31 December 2012	652,665
Effective interest at 31 December 2012 and 2011	9.86%

Notes:

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

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

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

27 Deferred taxation

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

	2012 **HK$'000**	2011 HK$'000
At 1 January	**31,693**	30,593
Credited to income statement	**(354)**	(1,544)
Exchange difference	**—**	2,644
At 31 December	**31,339**	31,693

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

	Accelerated tax depreciation HK$'000	**Fair value gains** HK$'000	**Total** HK$'000
At 1 January 2011	91	30,593	30,684
Credited to income statement	—	(1,544)	(1,544)
Exchange difference	—	2,644	2,644
At 31 December 2011 and 1 January 2012	91	31,693	31,784
Credited to income statement	—	(354)	(354)
At 31 December 2012	91	31,339	31,430

	2012 **HK$'000**	2011 HK$'000
Deferred tax liability to be recovered after more than 12 months	**30,632**	31,339
Deferred tax liability to be recovered within 12 months	**707**	354
	31,339	31,693

27 Deferred taxation (continued)

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

	HK$'000
At 1 January 2011 and 31 December 2011	91
Credited to income statement	—
At 1 January 2012	91
Credited to income statement	—
At 31 December 2012	91

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

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised deferred tax assets of HK$82,114,000 (2011: HK$22,407,000) in respect of tax losses of HK$441,035,000 (2011: HK$135,800,000), that can be carried forward against future taxable income. Total unrecognised tax losses of HK$331,115,000 (2011: HK$135,800,000) can be carried forward indefinitely; while cumulative tax losses of HK$109,920,000 (2011: Nil) will expire in 2017.

28 Trade and bills payable, other payables and accruals

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade and bills payable	**378,497**	259,914	**—**	—
Customers' deposits	**71,296**	42,595	**—**	—
Other payables and accruals	**38,893**	40,013	**3,690**	1,713
Deferred government grant	**84,000**	84,000	**—**	—
	572,686	426,522	**3,690**	1,713
Less: non-current portion	**(84,000)**	(84,000)	**—**	—
Current portion	**488,686**	342,522	**3,690**	1,713

28 Trade and bills payable, other payables and accruals (continued)

The carrying amounts of payables approximate their fair values. The average credit period from the Group's trade creditors is of 30 to 90 days (2011: 30 to 90 days). The ageing analysis of trade payable is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Not yet due	288,106	230,430
1–30 days	6,304	11,301
31–60 days	1,828	9,963
61–90 days	82,259	8,220
	378,497	259,914

The trade and bills payable are denominated in following currencies:

	2012 HK$'000	2011 HK$'000
RMB	377,472	249,825
US$	1,025	10,073
Euro	—	16
	378,497	259,914

Included in the other payables and accruals are amounts due to companies, which are beneficially controlled by a shareholder of the Company, amounted to HK$16,050,000 as at 31 December 2012 (2011: HK$16,050,000).

29 Amounts due to shareholders

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Amounts due to shareholders	26,000	5,800	21,000	5,300

The amounts are unsecured, interest-free and due by 30 September 2014 (2011: repayable on demand). The amounts are denominated in Hong Kong dollar.

On 18 December 2012, the Group entered into a loan agreement with a company, which is beneficially controlled by a shareholder of the Company, for an interest-free loan of RMB100 million (approximately HK$124 million) with a maturity date of 30 September 2014. The Group has drawn down the loan of RMB60 million (approximately HK$74 million) in January 2013 and RMB40 million (approximately HK$50 million) in March 2013, respectively.

30 Bank borrowings

	2012 HK'000	2011 HK'000
Short-term bank loans	**98,765**	136,472

Notes:

(a) As at 31 December 2012, bank borrowings are secured by the following:

(i) land use rights with net book amount of HK$139,909,000 (2011: HK$143,082,000) (Note 14);

(ii) Buildings with net book amount of HK$64,556,000 (Note 15) and investment property with fair value of HK$5,901,000 (Note 16);

(iii) pledged bank deposits of HK$81,419,000 (2011: HK$55,180,000) (Note 23); and

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

The effective interest rates per annum of short-term bank loans at the end of the reporting period were 7.10% (2011: 6.82%).

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

	2012 HK'000	2011 HK'000
RMB	**98,765**	107,408
US$	**—**	29,064
	98,765	136,472

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

(d) As at 31 December 2012, the Group had aggregate banking facilities of approximately HK$465,432,000 (2011: HK$407,407,000) for trade financing, loans and import bills. Unused facilities as at the same date amounted to approximately HK$165,642,000 (2011: HK$47,873,000).

31 Consolidated statement of cash flows

(a) Cash generated from operations

	2012 HK$'000	2011 HK$'000
Operating activities:		
Loss before income tax expense	**(813,359)**	(1,138,833)
Adjustments for:		
Provision for/(reversal of) inventories obsolescence	**11,490**	(1,045)
Provision for doubtful debt	**9,028**	—
Inventories written off	**—**	225
Amortisation of land use rights	**3,173**	3,173
Amortisation of intangible assets	**—**	9,524
Deprecation of property, plant and equipment	**38,643**	40,375
Loss on disposal of property, plant and equipment	**4**	845
Loss on disposals of investment property	**—**	500
Fair value loss on investment property	**469**	—
Impairment charge on goodwill	**612,788**	1,132,000
Reversal of long service payments	**—**	(1,913)
Equity settled share-based payment expenses	**262**	1,167
Share of loss of an associate	**667**	—
Interest income	**(1,629)**	(996)
Interest expense	**66,585**	61,485
Operating (loss)/profit before working capital changes	**(71,879)**	106,507
Changes in working capital		
Inventories	**(18,912)**	77,111
Trade and other receivables, deposits and prepayments	**78,866**	(200,840)
Trade and bills payable, other payables and accruals	**139,027**	104,687
Deferred government grant	**—**	84,000
Cash generated from operations	**127,102**	171,465

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

	2012 HK$'000	2011 HK$'000
Net book amount (Note 15)	**4**	1,697
Loss on disposal of property, plant and equipment	**(4)**	(845)
Proceeds from disposal of property, plant and equipment	**—**	852

31 Consolidated statement of cash flows (continued)

(b) Non-cash transaction

The principal non-cash transaction is the issues of shares as consideration for the purchase of available-for-sale financial assets as discussed in note 24.

32 Commitments

(a) Capital commitments

	2012 HK$'000	2011 HK$'000
Contracted but not provided for		
— Property, plant and equipment	**196,314**	216,159
— Land use rights	**11,093**	11,093
	207,407	227,252

(b) Commitments under operating leases

At 31 December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and warehouses as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**334**	13,083
After one year but within five years	**263**	2,827
	597	15,910

32 Commitments (continued)

(c) Future operating lease receivables

At 31 December 2012, the Group had future aggregate lease receivables under non-cancellable operating leases for investment property as follows:

	2012 HK$'000	2011 HK$'000
Within one year	1,143	446
After one year but within five years	692	751
	1,835	1,197

33 Related party transactions

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the year and balances arising from related transactions at 31 December 2012 and 2011 are as follows:

Key management compensation

	2012 HK$'000	2011 HK$'000
Salaries and other short-term employee benefits	5,661	6,373

34 Proposed acquisition

On 22 November 2012, the Group had entered into a conditional sale and purchase agreement to acquire the remaining 92.17% equity interest of the Target for a total consideration of HK$2.1 billion, to be settled by issuance of 959,462,250 Company's Consideration shares at the price of HK$1 each and zero coupon rate convertible notes in the principal amount of HK$1,160,447,750. The convertible notes shall mature on the date failing on the fifth anniversary of the issue date. The completion of the acquisition is dependent on the fulfillment of a number of conditions, amongst others, the approval from shareholders of the Company and The Stock Exchange of Hong Kong Limited.

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