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GOLDPOLY NEW ENERGY HOLDINGS LIMITED

金保利新能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

INTERIM RESULTS

The board of directors (the “Board” or the “Directors”) of Goldpoly New Energy Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	118,691	331,519
Cost of sales		(152,443)	(280,435)
Gross (loss)/profit		(33,752)	51,084
Other income — net	3	11,043	4,397
Distribution costs		(6,055)	(25,807)
Administrative expenses		(33,730)	(60,905)
Operating loss		(62,494)	(31,231)
Finance costs — net	5	(33,457)	(30,076)
Share of post tax loss of associates		(598)	—
Loss before income tax	6	(96,549)	(61,307)
Income tax expense	7	(1,599)	(937)
Loss for the period attributable to shareholders of the Company		(98,148)	(62,244)
Loss per share for loss attributable to shareholders of the Company	9		
— Basic (HK cents)		(11.37)	(7.48)
— Diluted (HK cents)		(2.82)	(1.47)

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(98,148)	(62,244)
Other comprehensive income		
Exchange differences arising on translation of financial statements of subsidiaries	<u>(18,332)</u>	<u>16,022</u>
Total other comprehensive (loss)/income for the period, net of tax	<u>(18,332)</u>	<u>16,022</u>
Total comprehensive loss attributable to shareholders of the Company	<u>(116,480)</u>	<u>(46,222)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights		139,770	143,082
Property, plant and equipment	<i>10</i>	789,794	675,570
Investment property		5,829	6,370
Intangible assets		612,788	612,788
Investments in associates		4,463	5,123
Available-for-sale financial assets		20,844	—
Rental deposits		673	2,323
Prepayments for the purchase of plant and equipment		48,530	67,972
		1,622,691	1,513,228
Current assets			
Inventories		40,397	22,272
Trade receivables, deposits and prepayments	<i>11</i>	226,677	281,479
Pledged bank deposits		62,377	55,180
Cash and bank balances		38,525	162,751
		367,976	521,682
Total assets		1,990,667	2,034,910
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	<i>12</i>	88,168	85,878
Reserves		646,843	744,660
Total equity		735,011	830,538

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	Note		
LIABILITIES			
Non-current liabilities			
Convertible notes		623,362	594,059
Deferred tax liabilities		31,132	31,693
Deferred government grant		<u>82,976</u>	<u>84,000</u>
		<u>737,470</u>	<u>709,752</u>
Current liabilities			
Trade payables, other payables and accruals	13	422,520	342,522
Amounts due to shareholders		10,300	5,800
Bank borrowings		85,366	136,472
Tax payable		<u>—</u>	<u>9,826</u>
		<u>518,186</u>	<u>494,620</u>
Total liabilities		<u>1,255,656</u>	<u>1,204,372</u>
Total equity and liabilities		<u>1,990,667</u>	<u>2,034,910</u>
Net current (liabilities)/assets		<u>(150,210)</u>	<u>27,062</u>
Total assets less current liabilities		<u>1,472,481</u>	<u>1,540,290</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	62,422	(158,727)
NET CASH USED IN INVESTING ACTIVITIES	(123,553)	(50,580)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(53,803)</u>	<u>161,292</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(114,934)	(48,015)
Cash and cash equivalents at beginning of period	162,751	117,208
Effect of foreign exchange rate changes	<u>(9,292)</u>	<u>—</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>38,525</u>	<u>69,193</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Convertible note equity reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 period	—	—	—	—	—	—	(62,244)	(62,244)
Other comprehensive income								
Reserves released on disposal of subsidiaries	—	—	—	—	23	—	—	23
Exchange differences arising on translation of financial statements of subsidiaries	—	—	—	—	15,999	—	—	15,999
Total comprehensive income/ (loss)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,022</u>	<u>—</u>	<u>(62,244)</u>	<u>(46,222)</u>
Transactions with owners								
Issue of shares through placement	12,537	167,432	—	—	—	—	—	179,969
Issue of shares upon exercise of share options	100	562	(283)	—	—	—	283	662
Share-based payment	—	—	1,153	—	—	—	—	1,153
Share option lapsed	—	—	(95)	—	—	—	95	—
Total transactions with owners	<u>12,637</u>	<u>167,994</u>	<u>775</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>378</u>	<u>181,784</u>
Balance at 30 June 2011 (unaudited)	<u>85,878</u>	<u>510,002</u>	<u>1,564</u>	<u>1,406,847</u>	<u>16,214</u>	<u>1,238</u>	<u>(137,678)</u>	<u>1,884,065</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2012

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Convertible note equity reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2012	85,878	510,002	1,578	1,406,847	49,297	—	(1,223,064)	830,538
Comprehensive income								
Loss for the period	—	—	—	—	—	—	(98,148)	(98,148)
Other comprehensive income								
Exchange differences arising on translation of financial statements of subsidiaries	—	—	—	—	(18,332)	—	—	(18,332)
Total comprehensive loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(18,332)</u>	<u>—</u>	<u>(98,148)</u>	<u>(116,480)</u>
Transactions with owners								
Issue of shares related to an investment	2,290	18,401	—	—	—	—	—	20,691
Share-based payment	—	—	262	—	—	—	—	262
Total transactions with owners	<u>2,290</u>	<u>18,401</u>	<u>262</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,953</u>
Balance at 30 June 2012 (unaudited)	<u>88,168</u>	<u>528,403</u>	<u>1,840</u>	<u>1,406,847</u>	<u>30,965</u>	<u>—</u>	<u>(1,321,212)</u>	<u>735,011</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

These unaudited consolidated condensed interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 January 2012, the adoption has no significant impact on the Group’s results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

As at 30 June 2012, the Group had net current liabilities of approximately HK\$150.2 million. (2011: Net current assets HK\$27.1 million) The directors considered that the Group is able to operate within the level of its current financing by utilising committed banking facilities made available to the Group. Accordingly, the directors consider that it is appropriate to adopt a going concern basis in preparing the Group’s consolidated financial statements.

Certain comparative figures have been reclassified to confirm with the current period’s presentations.

2. REVENUE

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

	For the six months ended	
	30 June	
	2012	2011
	HK\$’000	HK\$’000
Sales of fashion products	—	54,392
Sales of solar energy related products	118,691	275,538
Subcontracting services income	—	1,589
	<u>118,691</u>	<u>331,519</u>

3. OTHER INCOME, NET

For the six months ended
30 June
2012 2011
HK\$'000 HK\$'000

Other income

Income from assignment of trademarks	8,500	—
Exchange losses, net	(30)	(544)
Sales of scrap materials	266	—
Rental income	185	216
Others	<u>2,122</u>	<u>4,725</u>
	<u><u>11,043</u></u>	<u><u>4,397</u></u>

4. SEGMENT INFORMATION

For the six months ended 30 June 2012, there were 4 customers in the “solar energy” segment who in aggregate contributed over 54.9% of the total revenue. The total revenue contributed by these customers amounted to HK\$65,138,000.

For the six months ended 30 June 2012

	Fashion apparel HK\$'000	Solar energy HK\$'000	Corporate function HK\$'000	Total HK\$'000
Revenue	----- —	----- 118,691	----- —	----- 118,691
Gross loss	----- —	----- (33,752)	----- —	----- (33,752)
Operating profit/(loss)	1,926	(58,161)	(6,259)	(62,494)
Finance costs — net	—	(4,154)	(29,303)	(33,457)
Income tax expense	—	(1,599)	—	(1,599)
Share of post tax loss of associates	<u>—</u>	<u>(598)</u>	<u>—</u>	<u>(598)</u>
Profit/(loss) attributable to shareholders	<u><u>1,926</u></u>	<u><u>(64,512)</u></u>	<u><u>(35,562)</u></u>	<u><u>(98,148)</u></u>
Other information:				
Depreciation and amortisation	<u>(39)</u>	<u>(22,571)</u>	<u>—</u>	<u>(22,610)</u>
Capital expenditure	<u>—</u>	<u>(143,593)</u>	<u>—</u>	<u>(143,593)</u>

	For the six months ended 30 June 2011			
	Fashion apparel HK\$'000	Solar energy HK\$'000	Corporate function HK\$'000	Total HK\$'000
Revenue	<u>54,392</u>	<u>277,127</u>	<u>—</u>	<u>331,519</u>
Gross profit	<u>21,012</u>	<u>30,072</u>	<u>—</u>	<u>51,084</u>
Operating (loss)/profit	(38,056)	10,826	(4,001)	(31,231)
Finance income/(costs) — net	4	(3,435)	(26,645)	(30,076)
Income tax expense	<u>(53)</u>	<u>(884)</u>	<u>—</u>	<u>(937)</u>
(Loss)/profit attributable to shareholders	<u>(38,105)</u>	<u>6,507</u>	<u>(30,646)</u>	<u>(62,244)</u>
Other information:				
Depreciation and amortisation	<u>(1,105)</u>	<u>(21,645)</u>	<u>—</u>	<u>(22,750)</u>
Impairment of property, plant and equipment	<u>(1,894)</u>	<u>—</u>	<u>—</u>	<u>(1,894)</u>
Capital expenditure	<u>(60)</u>	<u>(57,300)</u>	<u>—</u>	<u>(57,360)</u>

5. FINANCE COSTS — NET

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Finance income:		
Interest income on bank balances and deposits	<u>751</u>	<u>284</u>
	<u>751</u>	<u>284</u>
Finance costs:		
Exchange loss on bank borrowings	—	(1,831)
Interest expense on bank borrowings — wholly repayable within five years	(4,905)	(1,884)
Imputed interest expense on convertible notes	<u>(29,303)</u>	<u>(26,645)</u>
	<u>(34,208)</u>	<u>(30,360)</u>
Finance costs — net	<u>(33,457)</u>	<u>(30,076)</u>

6. LOSS BEFORE INCOME TAX

For the six months ended
30 June
2012 2011
HK\$'000 HK\$'000

Loss before income tax has been arrived at after charging		
Amortisation of land use rights	1,486	1,347
Amortisation of intangible assets	—	4,539
Depreciation of property, plant and equipment	21,124	16,864
Provision for bad debts	4,551	—
Provision for long service payments	—	13,000
Write down of inventories	2,240	—
Provision for impairment of inventories	—	13,575
Impairment of property, plant and equipment	—	1,894
Loss on disposal of property, plant and equipment	—	1,187
Loss on disposal of subsidiary companies	—	327
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group has no assessment profit derived from Hong Kong for the period (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 condensed consolidated income statement represents:

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Current income tax		
— Corporate income tax in Mainland China	—	1,673
— Under-provision in prior year	1,774	—
Deferred income tax	<u>(175)</u>	<u>(736)</u>
	<u>1,599</u>	<u>937</u>

8. DIVIDEND

The Directors have resolved that no interim dividend be declared in respect of the six months ended 30 June 2012 (2011: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$98,148,000 (2011: HK\$62,244,000); and diluted loss per share is based on the Group's loss attributable to shareholders less imputed interest expense on convertible notes of HK\$68,845,000 (2011: HK\$35,599,000).

The basic loss per share is based on the weighted average of 863,586,492 (2011: 832,684,855) ordinary shares in issue during the period. The diluted loss per share is based on 2,443,894,557 (2011: 2,413,600,532) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 1,580,308,065 (2011: 1,580,915,677) ordinary shares deemed to be issued at no consideration assuming the exercise of all outstanding share options and convertible notes.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$8.5 million in plant and machinery, HK\$0.1 million in furniture and fixtures and HK\$135.0 million in construction-in-progress for its solar energy business.

11. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Trade receivables	138,967	186,351
Rental deposits	3,128	3,984
Value-added tax recoverable	3,712	27,969
Prepayment for raw materials	69,643	45,925
Other deposits and prepayments	<u>11,227</u>	<u>17,250</u>
	<u>226,677</u>	<u>281,479</u>

The Group generally requires customers to pay deposits and settle according to credit terms generally ranging from 30 days to 90 days.

The ageing analysis of trade debtors is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Not yet due	19,775	1,808
1–30 days	22,763	154,655
31–60 days	8,680	—
Over 60 days	92,300	29,888
	143,518	186,351
Less: provision for impairment	(4,551)	—
	138,967	186,351

As at 30 June 2012, trade receivables of HK\$123,743,000 (2011: HK\$184,543,000) were past due and provision for impairment of the receivables of HK\$4,551,000 (2011: nil) was made to the condensed consolidated income statement during the period.

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2012 and 30 June 2012	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2012	858,777,577	85,878
Issue of shares related to an investment (<i>note</i>)	<u>22,905,621</u>	<u>2,290</u>
At 30 June 2012	<u>881,683,198</u>	<u>88,168</u>

Note: On 23 May 2012, the Company issued and allotted 22,905,621 shares of HK\$0.10 each as settlement of the consideration for an investment.

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade and bill payables	348,567	259,914
Customers' deposits	19,828	42,595
Other payables and accruals	54,125	40,013
	<u>422,520</u>	<u>342,522</u>

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. The ageing analysis of trade payables is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Not yet due	319,660	230,430
1–30 days	4,214	11,301
31–60 days	8,674	9,963
Over 60 days	16,019	8,220
	<u>348,567</u>	<u>259,914</u>

14. COMMITMENTS

Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Property, plant and equipment	206,547	216,159
Land use rights	10,959	11,093
	<u>217,506</u>	<u>227,252</u>

Commitments under operating leases

At 30 June 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases for leasehold land and property, plant and equipment as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within one year	7,452	13,083
After one year but within five years	<u>610</u>	<u>2,827</u>
	<u>8,062</u>	<u>15,910</u>

Future operating lease receivables

At 30 June 2012, the Group had future aggregate lease receivables under non-cancellable operating leases for investment property as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within one year	371	446
After one year but within five year	<u>526</u>	<u>751</u>
	<u>897</u>	<u>1,197</u>

15. SHARE-BASED PAYMENT

Share options were granted on 6 April 2011. The closing price of the Company's shares immediately before the date of grant was HK\$1.43 per share. The fair value of the share options granted of approximately HK\$1,939,000 was estimated as at the date of grant, using a Trinominal model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Grant date 6 April 2011

Exercise price	HK\$1.434
Expected volatility	56.73%
Risk-free rate	1.22%
Expected life of options	3.14 years
Expected dividend yield	0%

Option Value

Tranche	
Exercisable period 1 June 2011 to 31 May 2014	HK\$0.5022
Exercisable period 1 June 2012 to 31 May 2014	HK\$0.5183

Total fair value of the options has been spread over the vesting period, taking the probability that the option will vest. The Group recognized share option expenses of approximately HK\$262,000 during the six months ended 30 June 2012 (2011: HK\$1,153,000).

BUSINESS REVIEW AND PROSPECT

Results for the six months ended 30 June 2012

Turnover of the Group decreased by 64.2% to approximately HK\$118.7 million for the six months ended 30 June 2012 when compared to six months ended 30 June 2011 of approximately HK\$331.5 million, and the net loss of the Group in this reporting period increased by 57.7% to HK\$98.1 million comparing from the same corresponding period in 2011. The increase in loss was mainly due to the decrease in sales volume and gross margin caused by keen competition in the market.

Business Review

Manufacturing and distribution of solar cells

For the six months ended 30 June 2012, turnover decreased by 57.2% to HK\$118.7 million (2011: HK\$277.1 million). Gross loss of the solar energy business was approximately HK\$33.8 million (2011: Gross profit HK\$30.1 million). Net loss of the solar energy business for the period ended 30 June 2012 is HK\$64.5 million (2011: Net profit HK\$6.5 million).

The reporting period showed a deterioration in business climate that sales orders of our solar energy business were diminished. Due to the continued weak demand from the end market, average selling price of photovoltaic (“PV”) cells experienced a decline. Aggressive price cut by competitors caused us to slow down our production. Consequently, we made a write down for inventories of HK\$2.2 million and suffered a gross loss of approximately HK\$33.8 million in the period under review. Despite the market uncertainty, the Group has continued to work vigorously to improve cell efficiency and keep up with customer needs.

During the period, the Group has devoted resources to its factory infrastructure, and the construction of a solar power plant. The Group expects completion of the solar power plant will be in the second half of 2012.

Fashioning Business

The management of the Company anticipated increasing competitiveness and volatility in the fashioning market, and during the period under review, the Group assigned its fashioning trademark rights in Hong Kong and the PRC region to a third party. The Board believes that this arrangement served as an opportunity to streamline and focus the resources on the Group’s solar energy business.

Corporate function — Investment

During the period, the Group has made an investment to acquire a company principally engaged in developing, constructing and operating rooftop solar plants. The Board believes that such investment can create business opportunity and will generate positive margin for the Group.

Liquidity and Financial Resources

As at 30 June 2012, net current liabilities and current ratio of the Group were approximately HK\$150.2 million and 0.7 respectively. The current assets mainly comprised inventories of approximately HK\$40.4 million, deposits and prepayments of approximately HK\$84.0 million, value-added tax recoverable of approximate HK\$3.7 million, accounts receivables of approximately HK\$139.0 million, pledged bank deposits of approximately HK\$62.4 million and bank balances and cash of approximately HK\$38.5 million. The Group had total assets of approximately HK\$1,990.7 million, current liabilities of approximately HK\$518.2 million, non-current liabilities of approximately HK\$737.5 million and shareholders' equity of approximately HK\$735.0 million.

Gearing Ratio

The overall gearing ratio for the period was maintained at 34.2% with total bank borrowings net of cash and cash equivalents of approximately HK\$ 46.8 million, shareholders' loan of approximately HK\$10.3 million, convertible notes of approximately HK\$623.4 million, and total assets of approximately HK\$1,990.7 million as at 30 June 2012. Overall gearing ratio is defined as bank borrowings net of cash and cash equivalents and shareholders' loan and convertible notes over total assets. The Group recorded net cash generated from operating activities of approximately HK\$62.4 million, net cash used in investing activities of approximately HK\$123.6 million and net cash used in financing activities of approximately HK\$53.8 million for the period.

Treasury Policies

The Group generally finances its operations with cash flows generated internally, loan facilities provided by financial institutions in PRC. As at 30 June 2012, outstanding short-term borrowings stood at approximately HK\$85.4 million. The Group had no interest rate hedging arrangement during the period 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. As at 30 June 2012, the Company's total number of issued shares was increased to 881,683,198.

Capital Expenditure

Capital expenditures amounted to approximately HK\$143.6 million for the period ended 30 June 2012. These expenditures were mainly used for the Group's solar energy business, which consisted of expenditure for the Group's 10.8 megawatt user on-grid photovoltaic power generation project (the "Demonstration Project") and the Group's factory buildings. The Demonstration Project has been selected as one of the Golden Sun Projects by the Ministry of Finance, Ministry of Science and

Technology and National Energy Administration of the PRC and the total subsidy is approximately RMB97 million. In year 2011, the Group has already received an initial subsidy of approximately RMB68 million (equivalent to approximately HK\$83.0 million) for this project.

Foreign Exchange Exposure

The functional currency of the Group's retail fashioning operation is in Hong Kong Dollar whereas the Group's solar energy operation's functional currency is Renminbi. The Group did not resort to any currency hedging facility for the period ended 30 June 2012. Up to the date of this report, 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 from currency fluctuation. However, the management will monitor the Group's foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

Pledge of Assets and Contingent Liabilities

As at 30 June 2012, the Group pledged its land use rights of HK\$139.8 million (2011: HK\$143.1 million), and the Group also pledged its bank deposit of approximately HK\$62.4 million (2011: HK\$55.2 million). As at 30 June 2012, the Group had no significant contingent liability (2011: Nil).

Significant Investment

There is no significant investments held during the period under review.

Segment Information

There are two operating segments namely fashioning and solar energy. Other operation includes corporate functions managed by the Group management. The Company domiciled in Hong Kong. During the period under review, total revenue of solar energy business from other countries was approximately HK\$118.7 million (2011: HK\$277.1 million), and there is no revenue from fashioning business (2011: HK\$54.4 million). All of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China.

Employees and Remuneration Policies

As at 30 June 2012, the Group had approximately 18 full-time employees in Hong Kong and 626 full-time employees in the PRC. The total number of full-time employees of the Group was approximately 644. The Group has a share option scheme for the benefits of its directors, consultants and eligible employees.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There was no material acquisition or disposal of subsidiaries and associated companies for the period under review.

Prospect

During the period under review, the Group has focused on its solar energy business. In common with all our competitors, the Group needs to face the problem of global economic downturn and cut of incentives in European region. In light of the PRC Central Government's support to the PV market, we will continue to maintain our relationship with key suppliers and customers to form strategic partnerships. The Board believes that by forming strategic partnerships with selective module and end market players in the region on the rise we will be able to better secure further sales.

Although the external environment is the main determining factor on the Group's financial results, effort to invest continues in both product brand and business — including product development, people and infrastructure. The management will monitor closely on its expansion plan of increasing production lines to meet the market demand and quickly respond to new opportunities and emerging risks. The Group remains confident that the solar energy business will prosper in the years ahead and aims at achieving a sustainable growth and return to Company's shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2012, the Company was in compliance with code provisions set out in the Code on Corporate Governance Practices (the "CG Code") except for the deviations from code provision A.2.1 which are explained below.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman ("Chairman") and chief executive officer ("CEO") should be divided. Our executive director, Mr. Lam Ho Fai, is the 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.

Save as the aforesaid and in the opinion of the Directors, the Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012.

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 Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements as set out in Appendix 14 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls.

The audit committee has three members, including the Company’s three independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho Samuel and Mr. Ip Shu Kwan, Stephen. Mr. Kwan Kai Cheong is the chairman of the audit committee. The financial statements of the Group for the period ended 30 June 2012 have been reviewed by the audit committee.

APPRECIATION

The management team would like to take this opportunity to thank every colleague of the Group for their contributions during the period.

On behalf of the Board
GOLDPOLY NEW ENERGY HOLDINGS LIMITED
Lam Ho Fai
Executive Director

Hong Kong, 23 August 2012

As at the date hereof, the executive Directors of the Company are Mr. Lam Ho Fai, Ms. Lin Xia Yang and Mr. Yiu Ka So, the non-executive Directors of the Company are Academician Yao Jiannian and Mr. Chiang Chao-Juei, and the independent non-executive Directors of the Company are Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Ip Shu Kwan, Stephen and Mr. Yen Yuen Ho, Tony.