The following is the text of a report, prepared for the purpose of incorporation in this document, received from our auditors and reporting accountants, Deloitte Touche Tohmatsu.

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[DATE]

The Directors
Comtec Solar Systems Group Limited
ICBC International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Comtec Solar Systems Group Limited, formerly known as Comtec Silicon Group Limited, (the "Company"), its subsidiaries and the Relevant Business (defined below, together with the Company and its subsidiaries hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 (the "Relevant Periods") for inclusion in the document of the Company dated 19 October 2009 (the "Document").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 13 November 2007. Pursuant to a group reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix VI to the Document (the "Group Reorganisation"), the Company became the holding company of its subsidiaries on 31 December 2007.

The direct and indirect interests in the following subsidiaries comprising of the Group held by the controlling shareholder, Mr. John Zhang ("Mr. Zhang"), as at 31 December 2006 and held by the Company as at 31 December 2007, 31 December 2008, 30 June 2009 and the date of this report, are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group: As at 31 December 2006	2007	2008	As at 30 June 2009	Date of this report	Principal activities
Comtec Semiconductor (Cayman) Limited (formerly known as New Genuine Limited) ("Comtec Semi (Cayman)")*	Cayman Islands 23 April 2007	US$2 *(Note 1)*	N/A	100%	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group — As at 31 December 2006	2007	2008	As at 30 June 2009	Date of this report	Principal activities
Comtec Semiconductor (Hong Kong) Limited (formerly known as Winkle (Hong Kong) Limited) ("Comtec Semi (HK)")	Hong Kong 12 October 2007	HK$2 *(Note 1)*	N/A	100%	100%	100%	100%	Investment holding, provision of sourcing, invoicing and support services
Comtec Solar (Cayman) Limited (formerly known as Most Talent Limited) ("Comtec Solar (Cayman)")*	Cayman Islands 23 April 2007	US$2 *(Note 1)*	N/A	100%	100%	100%	100%	Investment holding
Comtec Solar (Hong Kong) Limited (formerly known as Star View (Hong Kong) Limited) ("Comtec Solar (HK)")	Hong Kong 12 October 2007	HK$2 *(Note 1)*	N/A	100%	100%	100%	100%	Investment holding, provision of sourcing, invoicing and support services
Jiangxi Comtec Solar Technology Co., Ltd. (formerly known as 真彩(南昌)科技實業有限公司 HK Truecolor Technologyical Industry Limited (Nanchang)) 江西卡姆克太陽能科技有限公司 ("Comtec Solar (Jiangxi)"))#	The People's Republic of China (the "PRC") 22 March 2006	USD6,064,000 *(Note 2)*	N/A	N/A	100%	100%	100%	Manufacturing and sales of semiconductors and solar products
Shanghai Comtec Semiconductor Co., Ltd. 上海卡姆丹克半導體有限公司 ("Comtec Semi")#	PRC 21 December 1999	US$4,040,000 *(Note 3)*	100%	100%	100%	100%	100%	Manufacturing and sales of semiconductors, solar wafers and related products
Shanghai Comtec Solar Technology Co., Ltd. 上海卡姆丹克太陽能科技有限公司 ("Comtec Solar")#	PRC 5 July 2005	US$18,500,000 *(Note 4)*	100%	100%	100%	100%	100%	Manufacturing and sales of solar wafers and related products

* Directly held by the Company
\# Wholly foreign-owned enterprise

Notes:

1. The issued and fully paid share capital remained unchanged from their respective date of incorporation/establishment to the end of each reporting period.

2. The issued and fully paid registered capital at 31 December 2008 and 30 June 2009 was US$64,000 and US$6,064,000, respectively.

3. The issued and fully paid registered capital at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 was US$3,360,000, US$4,040,000, US$4,040,000 and US$4,040,000, respectively.

4. The issued and fully paid registered capital at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 was US$5,000,000, US$18,500,000, US$18,500,000 and US$18,500,000, respectively.

The Company, its subsidiaries and the Relevant Business (as defined below) have adopted 31 December as their financial year end date.

Comtec Ltd is a trade name used by Mr. Zhang, the controlling shareholder and director of the Company. Comtec Ltd was registered as a trade name with Alameda County in California in the U.S. with Alameda County Clerk — Recorder's Office on 5 January 2007. Prior to its registration with Alameda County in California, Mr. Zhang carried on business as a sole proprietorship in the U.S. under the trade name of Comtec Ltd in various counties in California, including Santa Clara County and Nevada County, due to changes in his place of residence. The principal operations of Comtec Ltd from 1 January 2006 to 30 June 2008 were (1) the purchase of wafers manufactured with imported polysilicon feedstock from either one of Comtec Semi and Comtec Solar (the "Shanghai Subsidiaries") and then re-selling the wafers back to another Shanghai Subsidiary; (2) acting as the Group's arm of sourcing and sales of goods to outsider customers, including Shanghai Comtec Electronics Co., Ltd. ("Comtec Electronics"), which is a company wholly owned by Mr. Zhang during the Relevant Periods ((1) and (2) are collectively referred to as the "Relevant Business"); and (3) holding of entire equity interest in Comtec Solar on behalf of Mr. Zhang prior to the Group Reorganisation. On 30 June 2008, Comtec Solar (HK) has assumed the Relevant Business while Comtec Ltd ceased all operations on 30 June 2008 (the "Cessation"). All assets and liabilities, except for bank balance and taxation payable, have been settled before Comtec Ltd ceased its business on 30 June 2008. The remaining bank balance of Comtec Ltd, after settlement of current account with the shareholder, has been distributed to Mr. Zhang as a dividend on 30 June 2008. Since the taxation payable was derived from the assessable income of the Relevant Business conducted by Mr. Zhang with trade name of Comtec Ltd, the Group reimbursed Mr. Zhang for such tax liabilities of approximately RMB36,499,000 in September 2008 when Mr. Zhang filed his amended U.S. individual income tax returns for 2005 and 2006 and his individual income tax return for 2007 and of RMB4,801,000 in October 2009 when he will file his individual income tax return for 2008. Comtec Ltd, not being a separate legal entity, did not form part of the "to-be-listed" group comprising the Company and its subsidiaries.

The Company, its subsidiaries and the Relevant Business have been under the common control by Mr. Zhang throughout the Relevant Periods or since their respective date of incorporation, establishment or acquisition where this is a shorter period. For the purpose of this report, the Financial Information has been prepared to present the combined financial information of the Company, its subsidiaries and the Relevant Business for the Relevant Periods.

The statutory financial statements of Comtec Semi and Comtec Solar for each of the three years ended 31 December 2008 were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by Shanghai Acumen Certified Public Accountants Co., Ltd., a firm of certified public accountants registered in the PRC.

The statutory financial statements of Comtec Solar (Jiangxi) were prepared in accordance with the PRC GAAP and were audited by:

Periods covered	Certified Public Accountants registered in the PRC
Date of establishment to 31 December 2006 and the year ended 31 December 2007	Jiangxi Hua Wei Certified Public Accountants Co., Ltd.
Year ended 31 December 2008	Beijing Zhonglihong Certified Public Accountants Co., Ltd.

The statutory financial statements of Comtec Semi (HK) and Comtec Solar (HK) from their respective date of incorporation to 31 December 2008 were prepared in accordance with the Hong Kong Financial Reporting Standards and were audited by Joyce M.C Li & Co., a firm of certified public accountants registered in Hong Kong.

No statutory financial statements for the six months ended 30 June 2009 were prepared for Comtec Semi, Comtec Solar, Comtec Solar (Jiangxi), Comtec Semi (HK) and Comtec Solar (HK) as there is no such statutory requirement.

No audited financial statements have been prepared for the Company, Comtec Semi (Cayman) and Comtec Solar (Cayman) since their respective dates of incorporation because there is no statutory requirement to do so. For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation or establishment to the date of this report and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies. There is no statutory audit requirement for Comtec Ltd as the Relevant Business was conducted under the trade name of Comtec Ltd by Mr. Zhang.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRS") and such Underlying Financial Statements have been audited by Deloitte Touche Tohmatsu CPA Ltd. in accordance with the International Standards on Auditing.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 1 of section E below. No adjustments have been made by us to the Underlying Financial Statements in preparing our report for the inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2007, 31 December 2008 and 30 June 2009 and of the Group as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2008 together with the notes thereon have been extracted from the Group's financial information for the same period (the "30 June 2008 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by the HKICPA. Our review of the 30 June 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRS.

A CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	135,416	349,064	762,103	331,184	184,253
Cost of sales		(68,243)	(190,166)	(530,802)	(168,114)	(165,653)
Gross profit		67,173	158,898	231,301	163,070	18,600
Other income	7	12,484	15,874	47,133	23,436	4,052
Other expenses	8	—	—	(80,285)	(14,578)	(1,468)
Distribution and selling expenses		(532)	(635)	(1,401)	(708)	(1,155)
Administrative and general expenses		(5,172)	(11,181)	(23,888)	(12,379)	(9,417)
Interest expenses in relation to bank loans wholly repayable within five years		(356)	(808)	(6,295)	(795)	(4,232)
Profit before taxation	9	73,597	162,148	166,565	158,046	6,380
Taxation	11	(9,762)	(14,797)	(35,086)	(29,638)	(1,950)
Profit for the year/period, attributable to the owners of the Company		63,835	147,351	131,479	128,408	4,430
		RMB cents	RMB cents	RMB cents	RMB cents	RMB cent
Earnings per share — Basic	13	18.14	27.06	23.54	30.30	0.62
— Diluted	13	N/A	N/A	23.54	30.30	N/A

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company		
		At 31 December			At 30 June	At 31 December		At 30 June
	Notes	2006	2007	2008	2009	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets								
Property, plant and equipment	14	48,770	219,673	245,615	267,645	—	—	—
Prepaid lease payments — non-current	15	4,929	4,828	15,531	15,370	—	—	—
Investments in subsidiaries	16	—	—	—	—	—	174,564	185,004
Deposits paid for acquisition of property, plant and equipment	14	8,838	3,897	22,931	54,723	—	—	—
Advance to suppliers	17	45,346	81,177	183,305	180,811	—	—	—
Amounts due from subsidiaries	19	—	—	—	—	—	186,126	196,620
Deferred tax assets	20	59	22	6,551	4,816	—	—	—
		107,942	309,597	473,933	523,365	—	360,690	381,624
Current assets								
Inventories	21	37,488	33,647	33,083	63,784	—	—	—
Trade and other receivables	22	5,582	43,903	92,824	55,104	—	2,242	3,165
Bills receivable	22	—	—	—	35,604	—	—	—
Advance to suppliers	17	1,948	15,739	45,538	34,285	—	—	—
Prepaid lease payments — current	15	101	101	322	322	—	—	—
Amount due from a shareholder	23	4,851	62,056	—	9,727	—	—	—
Amounts due from subsidiaries	19	—	—	—	—	—	7,503	5,451
Amount due from a related company	24	—	650	—	—	—	—	—
Taxation recoverable	29	—	—	6,470	—	—	—	—
Bank balances and cash	25	75,770	150,088	165,091	145,077	—	13,990	1,879
		125,740	306,184	343,328	343,903	—	27,735	10,495
Current liabilities								
Trade and other payables	26	11,557	97,265	108,788	130,947	—	23,192	23,544
Customers' deposits received	27	93,215	148,971	202	207	—	—	—
Amount due to a shareholder	28	835	5,000	—	—	—	—	—
Amount due to a related company	24	61	—	—	—	—	—	—
Amounts due to subsidiaries	19	—	—	—	—	—	—	—
Taxation payable	29	17,723	31,698	5,103	4,801	—	—	—
Short-term bank loans	30	2,000	20,000	140,000	163,500	—	—	—
		125,391	302,934	254,093	299,455	—	23,192	23,544
Net current assets (liabilities)		349	3,250	89,235	44,448	—	543	(13,049)
Total assets less current liabilities		108,291	312,847	563,168	567,813	—	361,233	368,575
Capital and reserves								
Paid-in capital/share capital	31	67,607	—	239	239	—	239	239
Preferred share capital	32	—	—	11	22	—	11	22
Reserves	34	40,684	148,201	559,667	564,086	—	360,983	368,314
Total equity		108,291	148,201	559,917	564,347	—	361,233	368,575
Non-current liabilities								
Deferred tax liabilities	20	—	—	3,251	3,466	—	—	—
Promissory notes	35	—	164,646	—	—	—	—	—
		—	164,646	3,251	3,466	—	—	—
		108,291	312,847	563,168	567,813	—	361,233	368,575

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital/ share capital	Preferred share capital	Share premium	Share options reserve	Restricted shares reserve	Special reserve	Statutory/ discretionary surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note 33(b))	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000
At 1 January 2006	33,280	—	—	—	—	—	694	5,552	39,526
Total comprehensive income for the year	—	—	—	—	—	—	—	63,835	63,835
Capitalisation of retained profits (note 37(a) of Section E)	5,249	—	—	—	—	—	—	(5,249)	—
Capital contributions	29,078	—	—	—	—	—	—	—	29,078
Transfer	—	—	—	—	—	—	618	(618)	—
Dividends paid	—	—	—	—	—	—	—	(24,148)	(24,148)
At 31 December 2006	67,607	—	—	—	—	—	1,312	39,372	108,291
Total comprehensive income for the year	—	—	—	—	—	—	—	147,351	147,351
Capitalisation of retained profits (note 37(a) of Section E)	48,439	—	—	—	—	—	—	(48,439)	—
Capital contributions	59,612	—	—	—	—	—	—	—	59,612
Transfer	—	—	—	—	—	—	5,403	(5,403)	—
Dividends paid	—	—	—	—	—	—	—	(2,407)	(2,407)
Special reserve arising on Group Reorganisation (note a below)	(175,658)	—	—	—	—	175,658	—	—	—
Deemed distribution to Mr. Zhang upon Group Reorganisation (note a below)	—	—	—	—	—	(164,646)	—	—	(164,646)
At 31 December 2007	—	—	—	—	—	11,012	6,715	130,474	148,201
Total comprehensive income for the year	—	—	—	—	—	—	—	131,479	131,479
Issue of new shares of the Company	239	11	305,097	—	(9,575)	—	—	—	295,772
Recognition of equity-settled share-based payments	—	—	—	41,932	—	—	—	—	41,932
Transfer	—	—	—	(41,932)	—	—	16,307	25,625	—
Deemed distribution to Mr. Zhang upon the cessation of the Relevant Business (note c below)	—	—	—	—	—	—	—	(6,411)	(6,411)
Dividends paid	—	—	—	—	—	—	—	(51,056)	(51,056)
At 31 December 2008	239	11	305,097	—	(9,575)	11,012	23,022	230,111	559,917
Total comprehensive income for the period	—	—	—	—	—	—	—	4,430	4,430
Issue of new shares of the Company	—	11	(11)	—	—	—	—	—	—
Transfer	—	—	—	—	—	—	25,703	(25,703)	—
At 30 June 2009	239	22	305,086	—	(9,575)	11,012	48,725	208,838	564,347
UNAUDITED									
At 1 January 2008	—	—	—	—	—	11,012	6,715	130,474	148,201
Total comprehensive income for the period	—	—	—	—	—	—	—	128,408	128,408
Issue of new shares of the Company	239	11	305,097	—	(9,575)	—	—	—	295,772
Recognition of equity-settled share-based payments	—	—	—	3,300	—	—	—	—	3,300
Transfer	—	—	—	—	—	—	16,307	(16,307)	—
Deemed distribution to Mr. Zhang upon the cessation of the Relevant Business (note c below)	—	—	—	—	—	—	—	(6,411)	(6,411)
Dividends paid	—	—	—	—	—	—	—	(51,056)	(51,056)
At 30 June 2008	239	11	305,097	3,300	(9,575)	11,012	23,022	185,108	518,214

Note:

a. Special reserve arising on Group Reorganisation/deemed distribution to Mr. Zhang upon Group Reorganisation

On 13 November 2007, the Company acquired the entire issued share capital of each of Comtec Solar (Cayman) and Comtec Semi (Cayman) which were previously held by Mr. Zhang. Comtec Solar (Cayman) and Comtec Semi (Cayman) hold the entire issued share capital of each of Comtec Solar (HK) and Comtec Semi (HK), respectively. During the year ended 31 December 2007, Comtec Semi (HK) and Comtec Solar (HK) acquired the entire equity interest in Comtec Semi and Comtec Solar from Mr. Zhang and Comtec Ltd, respectively, by the issuance of two promissory notes with an aggregate amount of United States Dollars (“USD”) 22.54 million, equivalent to approximately RMB164,646,000, which is based on the paid-up capital of Comtec Semi and Comtec Solar on 21 November 2007 (see note 35 of section E for details).

The difference between the nominal value of the shares acquired and the acquisition consideration is treated as special reserve arising on Group Reorganisation and recorded in special reserve.

The issuance of two promissory notes is accounted for as a deemed distribution to Mr. Zhang upon Group Reorganisation and deducted from special reserve.

b. Statutory/discretionary surplus reserve

In accordance with relevant laws and regulations for foreign investment enterprises in the PRC, the PRC subsidiaries are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under the PRC GAAP to the statutory surplus reserve. Allocation shall be approved by the shareholders. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the PRC subsidiaries’ registered capital.

The PRC subsidiaries may, upon the approval by a resolution, convert their surplus reserves into capital in proportion to their then existing shareholdings. However, when converting the PRC subsidiaries’ statutory surplus reserve fund into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

c. Deemed distribution upon the cessation of the Relevant Business

The amount represents the bank balance of Comtec Ltd that has been distributed to Mr. Zhang as a dividend on 30 June 2008.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities					
Profit before taxation	73,597	162,148	166,565	158,046	6,380
Adjustments for:					
Interest income	(120)	(331)	(2,988)	(1,155)	(891)
Interest expenses	356	808	6,295	795	4,232
Allowance for (reversal of) doubtful debts	40	(40)	—	—	—
Depreciation of property, plant and equipment	3,676	8,325	20,835	10,251	10,878
Foreign exchange gain	—	—	(4,456)	(4,456)	—
Impairment loss on goodwill	—	—	136	136	—
Written-off of property, plant and equipment	—	1,918	7	5	—
Write-down of inventories	—	—	43,412	—	—
Impairment of advance to suppliers	—	—	8,984	—	—
Share-based payment expenses	—	—	41,932	3,300	—
Release of prepaid lease payments	25	101	138	51	161
Operating cash flows before movements in working capital	77,574	172,929	280,860	166,973	20,760
(Increase) decrease in inventories	(5,763)	3,841	(42,848)	(33,552)	(30,701)
(Increase) decrease in trade and other receivables	(3,843)	(38,281)	(48,921)	25,345	37,720
Increase in bills receivable	—	—	—	(9,443)	(35,604)
(Increase) decrease in advance to suppliers	(46,527)	(49,622)	(140,911)	(33,522)	13,747
Decrease in trade and other payables	3,692	27,886	17,905	15,561	981
Increase (decrease) in customers' deposits received	84,501	55,756	(148,769)	(123,841)	5
Cash from (used in) operations	109,634	172,509	(82,684)	7,521	6,908
Tax paid	(1,051)	(785)	(71,429)	(10,972)	—
Tax refunded	—	—	—	—	6,168
Net cash from (used in) operating activities	108,583	171,724	(154,113)	(3,451)	13,076

		Year ended 31 December			Six months ended 30 June	
	Note	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Investing activities						
Interest received		120	331	2,988	1,155	891
Proceeds from disposals of property, plant and equipment		—	91	448	72	—
Acquisition of a subsidiary	36	—	—	(136)	(136)	—
Prepaid lease payments		(895)	—	(11,062)	—	—
Increase in pledged bank deposits		—	—	—	(13,300)	—
Deposits paid and purchase of property, plant and equipment		(28,429)	(118,474)	(72,648)	(21,466)	(43,522)
Advance to a shareholder		—	—	—	—	(9,727)
Net cash used in investing activities		(29,204)	(118,052)	(80,410)	(33,675)	(52,358)
Financing activities						
(Repayment to) advance from a related company		(6,416)	(711)	650	650	—
Bank loans raised		2,000	20,000	140,000	22,643	143,500
(Repayment to) advance from a shareholder		(2,713)	4,165	(411)	(411)	—
Capital contributions		24,227	2,407	140,384	140,384	—
Interest paid		(356)	(808)	(6,295)	(795)	(4,232)
Dividends paid		(24,148)	(2,407)	—	—	—
Repayment of bank loans		(5,000)	(2,000)	(20,000)	(20,000)	(120,000)
Payment of transaction costs attributable to issue of new shares		—	—	(4,802)	(4,802)	—
Net cash (used in) from financing activities		(12,406)	20,646	249,526	137,669	19,268
Increase (decrease) in cash and cash equivalents		66,973	74,318	15,003	100,543	(20,014)
Cash and cash equivalents at beginning of the year/period		8,797	75,770	150,088	150,088	165,091
Cash and cash equivalents at end of the year/period, represented by bank balances and cash		75,770	150,088	165,091	250,631	145,077

E. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands. Its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of the Company's subsidiaries and the Relevant Business are the manufacturing and sales of solar wafers, semiconductors and related products.

Pursuant to the Group Reorganisation, the Company became the holding company of the companies now comprising the Company and its subsidiaries on 31 December 2007. The Company, its subsidiaries and Comtec Ltd, a trade name used by Mr. Zhang in carrying out business in the United Sates as a sole proprietorship, have been under the common control by Mr. Zhang throughout the Relevant Periods or since their respective date of incorporation or establishment or up to 30 June 2008 (date of cessation of Comtec Ltd's operations) where this is a shorter period. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation and the Relevant Business conducted by Comtec Ltd is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company has always been the holding company of the companies and business comprising the Group throughout the Relevant Periods, using the principle of merger accounting as set out in note 3 below.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results and cash flows of the companies and business comprising the Group have been prepared by using the principles of merger accounting as if the current group structure had been in existence throughout the Relevant Periods or since their respective date of incorporation or establishment or up to 30 June 2008 (date of cessation of Comtec Ltd's operations) where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies and business comprising the Group as if the current group structure had been in existence as at those dates.

Although the Relevant Business was not formerly transferred to the Company and its subsidiaries, it has been included in the Financial Information for the Relevant Periods as the directors consider that the historical financial information of the Group should include all relevant activities that have been a part of the Group's history of the manufacturing and sales of solar wafers, semiconductors and related products. Accordingly, the Financial Information reflected all of the Group's activities in the manufacturing and sales of solar wafers, semiconductors and related products, including those sourcing, invoicing and support services carried out by Comtec Ltd.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has consistently applied all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for financial year beginning on 1 January 2009 in the preparation of its Financial Information throughout the Relevant Periods.

At the date of this report, the IASB has issued the following new and revised International Accounting Standards ("IASs"), IFRSs and IFRICs which are not yet effective in respect of the Relevant Periods. The Group has not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Right Issues[3]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
IFRS 3 (Revised)	Business Combinations[1]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfer of Assets from Customers[5]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 January 2010

[5] Effective for transfers on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost convention and in accordance with the accounting policies set out below which are in conformity with IFRS. These policies have been consistently applied throughout the Relevant Periods.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Merger accounting for business combinations under common control

The Business Combinations under common control are accounted for in accordance with merger accounting. In applying merger accounting, Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

The statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Purchase accounting for business combinations other than common control combinations

The acquisitions of subsidiaries under business combination other than common control combinations are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at their acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statements of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment loss.

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Revenue from processing services is recognised when the services are provided.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year in which the item is derecognised.

Leasing

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments

Upfront prepayments made for the land use rights and leasehold land are initially recognised on the statements of financial position as lease prepayments and are expensed in the statements of comprehensive income on a straight-line basis over the periods of the respective lease.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period/year.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Taxation

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

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

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

Deterred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

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

Research and development expenditure

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

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, amount due from a shareholder, amount due from a related company, amounts due from subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a shareholder, amount due to a related company, amounts due to subsidiaries, short-term bank loans and promissory notes are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of transferred assets, the Group continues to recognise the financial assets and recognised collateralised borrowings of proceeds received.

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

Provision for onerous contracts

When the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under this contract, the present obligation under the contract shall be recognsied and measured as a provision. Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options and restricted shares granted

The fair values of services received in exchange for awards of share options determined by reference to the grant-date fair value of those share options is recognised as expense over the vesting period on a straight-line basis with a corresponding increase in shares option reserve. Restricted shares issued are recognised at fair value of those restricted shares granted at the grant date and is recognised as share capital and share premium with a corresponding increase in restricted shares reserve. The fair value of services received in exchange for awards of restricted shares is recognised as expense over the vesting period on a straight-line basis with a corresponding reduction in the previously recognised restricted shares reserve.

At the end of each reporting period, the Group revises its estimates of the number of share options and restricted shares that are expected to ultimately vest. The impact of the revision of the estimates of the number of share option, and restricted shares, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve (for share options) and restricted shares reserve (for restricted shares). When restricted shares are forfeited, lapsed and cancelled before the vesting, share capital, share premium, remaining restricted share reserve (if any) and previously charged expenses (if any) are reversed.

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

At the time when the share options or restricted shares are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share options reserve or restricted shares reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and judgements are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions and may vary significantly as a result of technical innovations and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

(b) Impairment of advance to suppliers and provision for onerous contracts

As detailed in note 17, the Group makes non-cancellable advance payments to raw material suppliers under long-term and short-term purchase agreements which are to be offset against future purchases. In the event when the economic benefits expected to be received under these purchase agreements are less than the unavoidable costs of meeting the contractual obligations; or the financial conditions of these suppliers deteriorate, the Group would impair advance payments to these suppliers and make necessary provision for the present obligation under the agreements. The Group does not require collateral or other security against its advance to suppliers. The Group performs ongoing evaluation of impairment of advance to suppliers and provision for commitment that may become onerous due to a change of market conditions and the financial conditions of its suppliers. The evaluation takes into account the projected revenue, related expenses, capital spending and other costs. When the advance would not be settled as expected, the Group would impair the advance to suppliers and make necessary provision for the present obligation under the agreements.

During the year ended 31 December 2008, the Group recognised an impairment of advance to a supplier of approximately RMB8,984,000 (year ended 31 December 2006, year ended 31 December 2007, six months ended 30 June 2008 and 30 June 2009: nil, nil, nil and nil).

(c) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. The Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down of inventories in that year/period. During each of the three years ended 31 December 2008 and the six months ended 30 June 2008 and 30 June 2009, write-down of inventories to net realisable value of nil, nil, approximately RMB43,412,000, nil and nil was recognised, respectively.

5. FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, bills receivable, amount due from (to) a shareholder, amount due from a related company, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a related company, certain customers' deposits received from customers as at 31 December 2007 (see note 27), short-term bank loans and promissory notes. The Company's major financial instruments include balances with subsidiaries, other receivables, bank balances and cash and other payables. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories and carrying amounts of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	The Group				The Company	
	Year ended 31 December			At 30 June	At 31 December	At 30 June
	2006	2007	2008	2009	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Amount due from a subsidiary	—	—	—	—	128,902	121,796
Trade and other receivables	4,524	43,268	89,710	45,067	—	—
Bills receivables	—	—	—	35,604	—	—
Amount due from a shareholder	4,851	62,056	—	9,727	—	—
Amounts due from subsidiaries	—	—	—	—	30,745	32,681
Amount due from a related company	—	650	—	—	—	—
Bank balances and cash	75,770	150,088	165,091	145,077	13,990	1,879
Total loans and receivables	85,145	256,062	254,801	235,475	173,637	156,356
Financial liabilities						
Trade and other payables	8,038	85,125	80,314	103,340	221	1,844
Customers' deposits received	—	140,961	—	—	—	—
Amount due to a shareholder	835	5,000	—	—	—	—
Amount due to a related company	61	—	—	—	—	—
Amounts due to subsidiaries	—	—	—	—	8,394	—
Short-term bank loans	2,000	20,000	140,000	163,500	—	—
Promissory notes	—	164,646	—	—	—	—
Total liabilities measured at amortised costs	10,934	415,732	220,314	266,840	8,615	1,844

Note: At 31 December 2007, the Company did not have any financial assets and financial liabilities.

Currency risk

The primary economic environment which most of the principal subsidiaries of the Company operate is the PRC and their functional currency is RMB. However, these principal subsidiaries sometimes collect their trade receivables and settle their purchases of materials, machinery and equipment supplies and certain expenses in foreign currencies. In addition, Comtec Semi (HK) and Comtec Solar (HK) settled the acquisition of Comtec Semi and Comtec Solar in foreign currency by issuance of promissory notes which are denominated in USD during the year ended 31 December 2007.

Details of the Group's bank balances and cash, trade and other receivables, trade and other payables, customers' deposits received, and promissory notes and the Company's balances with subsidiaries, bank balances and cash that are denominated in foreign currencies, mainly in Hong Kong dollars ("HK$"), Swiss franc ("CHF"), USD and European dollars ("Euro") as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 are set out in respective notes.

The Group and the Company currently do not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

This sensitivity analysis details the Group's and the Company's sensitivity to a 5% appreciation and depreciation in each relevant foreign currency against functional currency, RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year/period end for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit for the year/period where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the year/period.

	The Group				**The Company**		
	Year ended 31 December			**Six months ended 30 June**	**Year ended 31 December**		**Six months ended 30 June**
	2006	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
CHF impact	—	—	—	929	—	—	—
Euro impact	—	(36)	419	87	—	419	6
Hong Kong dollars ("HK$") impact	—	—	11	(78)	—	—	—
USD impact	1,730	(17,984)	374	(723)	—	7,310	6,884

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, short-term bank loans and promissory notes (see notes 25, 30 and 35 for details of these bank balances, short-term bank loans and promissory notes, respectively) and the Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25 for details of bank balances). The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances, short-term bank loans and promissory notes at the end of each reporting period and the stipulated changes taking place at the beginning of the financial year/period and held constant throughout the reporting period in the case of bank balances, short-term bank loans and promissory notes.

A 10 basis points increase or decrease on variable-rate bank balances and 100 basis points increase or decrease on variable-rate bank loans and promissory notes are used when reporting interest rate risk internally to key management personnel and represents managements' assessment of the reasonably possible change in interest rates.

If interest rate on bank balances had been 10 basis points higher and all other variables were held constant, a positive number below indicates an increase in profit for the year/period.

	The Group				The Company		
	Year ended 31 December			Six months ended 30 June	Year ended 31 December		Six months ended 30 June
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase in profit for the year/period	76	150	250	145	—	14	2

The profit for the year/period would be decreased by an equal and opposite amount if interest rate on bank balances had been 10 basis points lower and all other variables were held constant.

If the interest rate on bank loans and promissory notes had been 100 basis points higher and all other variables were held constant, a negative number below indicates a decrease in profit for the year/period.

Decrease in profit for the year/period	—	(1,846)	(1,400)	(1,635)	—	—	—

The profit for the year/period would be increased by an equal and opposite amount if interest rate on variable-rate bank loans and promissory notes had been 100 basis points lower and all other variables were held constant.

Credit risk

The Group's principal financial assets are trade and other receivables, bills receivable, amount due from a shareholder, amount due from a related company and bank balances and cash and the Company's principal financial assets are amounts due from subsidiaries and bank balances and cash. The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated statements of financial position and the Company's statements of financial position.

The Group's credit risk is primarily attributable to the trade and other receivables and bills receivable. In order to minimise the credit risk, the Group's management continuously monitors the credit quality and financial conditions of the customers and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual advance balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Company's credit risk is primarily attributable to the amounts due from subsidiaries. In order to minimise the credit risk, the Company's management continuously monitors the credit quality and financial conditions of the subsidiaries and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual advance balance at the end of each reporting period to ensure that adequate impairment losses are made. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on bank balances and cash is limited because majority of the counterparties are state-owned banks with good reputation or banks with good credit rating.

The credit risk of the Group is concentrated as receivables from the Group's top five major customers at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 amounted to approximately RMB4,022,000, RMB42,236,000, RMB27,285,000 and RMB23,399,000, respectively, and accounted for 100%, 98.7%, 94.8% and 61.8% of the Group's total trade receivables. The Group's bills receivable from the Group's top five major customers at 30 June 2009 amounted to approximately RMB31,326,000 and accounted for 88.0% (31 December 2006, 31 December 2007 and 31 December 2008: nil, nil and nil) of the Group's total bills receivable. Also, as at 31 December 2008, the Group has an amount due from a supplier of approximately RMB55,774,000. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers and supplier to ensure that prompt actions will be taken to lower exposure.

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities which have drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The tables include both interest and principal cash flows:

	Weighted average effective interest rate	**Less than 6 months**	**6 months to 1 year**	**1 year to 2 years**	**Total undiscounted cash flows**	**Carrying amounts**
	%	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 31 December 2006						
Financial liabilities						
Non-interest bearing instruments		8,934	—	—	8,934	8,934
Fixed interest bearing instruments	6.14	61	2,031	—	2,092	2,000
		8,995	2,031	—	11,026	10,934
At 31 December 2007						
Financial liabilities						
Non-interest bearing instruments		231,086	—	—	231,086	231,086
Variable interest bearing instruments	6.12	752	20,251	172,487	193,490	184,646
		231,838	20,251	172,487	424,576	415,732

	Weighted average effective interest rate	Less than 6 months	6 months to 1 year	1 year to 2 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008						
Financial liabilities						
Non-interest bearing instruments		80,314	—	—	80,314	80,314
Variable interest bearing instruments	4.21	145,386	—	—	145,386	140,000
		225,700	—	—	225,700	220,314
At 30 June 2009						
Financial liabilities						
Non-interest bearing instruments		103,340	—	—	103,340	103,340
Variable interest bearing instruments	7.53	103,628	61,593	—	165,221	163,500
		206,968	61,593	—	268,561	266,840
THE COMPANY						
At 31 December 2008						
Financial liabilities						
Non-interest bearing instruments		8,615	—	—	8,615	8,615
At 30 June 2009						
Financial liabilities						
Non-interest bearing instruments		1,844	—	—	1,844	1,844

The Company did not have any financial liabilities as at 31 December 2007.

Note: At 31 December 2006, the interest rate was based on the rates outstanding at the end of that reporting period. At 31 December 2007, 31 December 2008 and 30 June 2009, the weighted average effective interest rate is based on the variable interest rates of the bank loans and the promissory notes outstanding at the end of each reporting period.

Fair value

The fair value of the Company's and the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Capital risk management

The Group and the Company manages its capital to ensure that the group entities and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the bank loans, and equity attributable to owners of the Company, which includes the share capital, share premium, special reserve and retained profits, as disclosed in the Financial Information. The capital structure of the Company consists of equity of the Company, which includes share capital, share premium and retained profits, as disclosed in Financial Information.

Management of the Group and the Company reviews the capital structure regularly. The Group and the Company considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issuance of new shares as well as raising of bank loans.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers during the Relevant Periods.

Mr. Zhang, the chief operating decision maker of the Group, regularly reviews revenue analysis by major products and the Group's profit for the year/period to make decisions about resources allocation. As no other discrete financial information is available for the assessment of performance of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

Revenue analysed by major products

The Group is currently operating two major products, namely manufacturing and sales of solar wafers and related products and manufacturing and sales of semiconductors.

The following tables sets forth a breakdown of the Group's revenue from manufacturing and sales of solar wafers and related products and manufacturing and sales of semiconductors for the Relevant Periods and the six months ended 30 June 2008:

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Manufacturing and sales of solar wafers and related products:										
Monocrystalline solar wafers										
156 mm by 156 mm	—	—	132,084	37.9	227,737	29.9	90,639	27.3	63,367	34.3
125 mm by 125 mm	107,613	79.5	162,828	46.6	324,512	42.6	157,533	47.6	87,829	47.7
Total wafers	107,613	79.5	294,912	84.5	552,249	72.5	248,172	74.9	151,196	82.0
Monocrystalline solar ingots	12,297	9.1	25,640	7.4	173,217	22.7	56,894	17.2	18,324	10.0
Sub-total	119,910	88.6	320,552	91.9	725,466	95.2	305,066	92.1	169,520	92.0
Manufacturing and sales of semiconductors:										
Semiconductor products	9,895	7.3	27,369	7.8	32,272	4.2	22,592	6.8	9,046	4.9
Others (note)	5,611	4.1	1,143	0.3	4,365	0.6	3,526	1.1	5,687	3.1
Total revenue	135,416	100.0	349,064	100.0	762,103	100.0	331,184	100.0	184,253	100.0

Note: Included revenue from sale of materials, such as monocrystalline silicon and recyclable silicon.

Revenue reported above represents revenue generated from external customers. There were no sales between the solar wafers and the semiconductors operating units during the Relevant Periods and the six months ended 30 June 2008.

Assets analysed by major products

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Manufacturing and sales of solar wafers and related products	15,250	54,346	51,939	110,342
Manufacturing and sales of semiconductors	4,771	2,506	1,173	3,646
Total	20,021	56,852	53,112	113,988

The above assets include mainly trade receivables, bills receivables and inventories which can be allocated to different products.

The above products were produced from the same production facilities, which are located in the PRC.

Revenue and assets analysed by place of domicile of group entities

The analysis of the Group's revenue from external customers attributed to the country of domicile of the relevant group entities, which is the PRC, and to other foreign countries during the Relevant Periods and the six months ended 30 June 2008 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Place of domicile of group entities:					
Mainland China	112,936	332,322	659,938	299,324	159,505
Other foreign countries:					
Taiwan	—	—	25,086	10,577	6,702
Japan	11,511	6,337	23,028	10,150	—
Thailand	—	4,947	49,383	7,139	5,483
Germany	—	—	92	—	11,346
Other countries *(note)*	10,969	5,458	4,576	3,994	1,217
Total revenue	135,416	349,064	762,103	331,184	184,253

All of the Group's non-current assets, including property, plant and equipment, prepaid lease payments, deposits paid for acquisition of property, plant and equipment and advance to suppliers, are located in the group entities' country of domicile, the PRC, at the end of each reporting period.

Note: The customers located in other countries are mainly from other Asian countries and the U.S.

Information about major customers

Details of the customers accounting for 10% or more of total revenue are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Customer A	*	*	*	*	49,404
Customer B	47,125	187,745	164,776	64,805	33,718
Customer C	*	*	157,545	52,929	*
Customer D	*	*	84,073	40,941	*
Customer E	*	35,005	*	*	*

* Less than 10%

All of the above customers trade in solar wafers and related products with the Group.

7. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Foreign exchange gain	46	3,774	2,154	—	—
Interest income	120	331	2,988	1,155	891
Processing service fees *(note)*	12,318	11,769	41,485	22,281	3,032
Others	—	—	506	—	129
	12,484	15,874	47,133	23,436	4,052

Note: Revenue from processing service represents amounts received and receivable for wafer processing services provided to outside customers.

8. Other Expenses

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Impairment of advance to suppliers	—	—	8,984	—	—
Share-based payments expense	—	—	41,932	3,300	—
Legal and professional fees *(Note)*	—	—	29,369	11,278	1,468
	—	—	80,285	14,578	1,468

Note: The amount mainly represented the legal and professional expenses incurred for the [●].

9. PROFIT BEFORE TAXATION

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation has been arrived at after charging:					
Directors' remuneration (note 10)	66	291	21,788	2,292	735
Other staff costs	4,041	6,991	7,153	4,802	4,552
Other staff's retirement benefits scheme contributions	355	820	835	678	462
Share-based payments expense for other staff	—	—	21,546	1,706	—
Total staff costs	4,462	8,102	51,322	9,478	5,749
Allowance for (reversal of) doubtful debts	40	(40)	—	—	—
Auditor's remuneration	20	47	106	76	75
Cost of inventories recognised as expense	68,243	190,166	530,802	168,114	165,653
Depreciation of property, plant and equipment	3,676	8,325	20,835	10,251	10,878
Foreign exchange losses — net	—	—	—	2,412	1,987
Impairment loss on goodwill (included in administrative expenses)	—	—	136	136	—
Write-off of property, plant and equipment	—	1,918	7	6	—
Release of prepaid lease payments	25	101	138	51	161
Research and development expenses	—	—	1,079	—	1,683
Operating lease rentals in respect of rented premises	595	957	945	510	440

During the year ended 31 December 2008, included in costs of inventories recognised as expense was write-down of inventories to net realisable values of approximately RMB43,412,000 (year ended 31 December 2006, 31 December 2007, six months ended 30 June 2008 and 30 June 2009: nil, nil, nil and nil).

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the seven directors during the Relevant Periods and the six months ended 30 June 2008 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Non-executive directors	—	—	—	—	—
Independent non-executive directors	—	—	—	—	—
Executive directors					
— fees	—	—	—	—	—
— basic salaries and allowance	66	291	1,402	698	735
— share-based payments expense in relation to					
(i) share options vested	—	—	10,898	1,594	—
(ii) effect of cancellation of share options (note 33)	—	—	9,488	—	—
	66	291	21,788	2,292	735

	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2006					
Executive directors:					
Mr. Zhang (Note 1)	—	—	—	—	—
Mr. Shi Cheng Qi (Note 3)	—	66	—	—	66
	—	66	—	—	66
For the year ended 31 December 2007					
Executive directors:					
Mr. Zhang (Note 1)	—	—	—	—	—
Mr. Chau Kwok Keung (Note 2)	—	220	—	—	220
Mr. Shi Cheng Qi (Note 3)	—	71	—	—	71
	—	291	—	—	291
For the year ended 31 December 2008					
Executive directors:					
Mr. Zhang (Note 1)	—	—	—	—	—
Mr. Chau Kwok Keung (Note 2)	—	1,320	17,342	—	18,662
Mr. Shi Cheng Qi (Note 3)	—	82	3,044	—	3,126
Non-executive directors:					
Mr. He Xin (Note 4)	—	—	—	—	—
Independent non-executive directors:					
Mr. Leung Ming Shu (Note 4)	—	—	—	—	—
Mr. Lawrence Lee (Notes 4 and 5)	—	—	—	—	—
Dr. Wu Po Chi (Notes 4 and 5)	—	—	—	—	—
	—	1,402	20,386	—	21,788

	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2008 (unaudited)					
Executive directors:					
Mr. Zhang (Note 1)	—	—	—	—	—
Mr. Chau Kwok Keung (Note 2)	—	660	1,356	—	2,016
Mr. Shi Cheng Qi (Note 3)	—	38	238	—	276
Non-executive directors:					
Mr. He Xin (Note 4)	—	—	—	—	—
Independent non-executive directors:					
Mr. Leung Ming Shu (Note 4)	—	—	—	—	—
Mr. Lawrence Lee (Notes 4 and 5)	—	—	—	—	—
Dr. Wu Po Chi (Notes 4 and 5)	—	—	—	—	—
	—	698	1,594	—	2,292
For the six months ended 30 June 2009					
Executive directors:					
Mr. Zhang (Note 1)	—	—	—	—	—
Mr. Chau Kwok Keung (Note 2)	—	660	—	—	660
Mr. Shi Cheng Qi (Note 3)	—	75	—	—	75
Non-executive directors:					
Mr. He Xin (Note 4)	—	—	—	—	—
Independent non-executive directors:					
Mr. Leung Ming Shu (Note 4)	—	—	—	—	—
Mr. Lawrence Lee (Notes 4 and 5)	—	—	—	—	—
Dr. Wu Po Chi (Notes 4 and 5)	—	—	—	—	—
	—	735	—	—	735

The five highest paid individuals included one, two, two, two and two director(s) of the Company, for the year ended 31 December 2006, 31 December 2007, 31 December 2008 and the six months ended 30 June 2008 and 30 June 2009, respectively. Details of whose emoluments are set out above. The emoluments of the remaining individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employees					
— basic salaries and allowances	187	197	483	114	432
— retirement benefits scheme contributions	10	17	73	12	48
— share-based payments expense	—	—	8,275	647	—
	197	214	8,831	773	480

The emoluments of the five highest paid individuals were within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(Unaudited)	
Nil to HK$1,000,000	5	5	—	4	5
HK$2,000,001 to HK$2,500,000	—	—	—	1	—
HK$2,500,001 to HK$3,000,000	—	—	1	—	—
HK$3,500,001 to HK$4,000,000	—	—	3	—	—
HK$21,000,001 to HK$21,500,000	—	—	1	—	—

During the Relevant Periods and the six months ended 30 June 2008, no bonus was paid or payable to the directors nor the other five highest paid individuals.

During the Relevant Periods and six months ended 30 June 2008, no emoluments were paid by the Group to 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 has waived any emoluments during the Relevant Periods and the six months ended 30 June 2008.

Notes:

1. No emoluments were paid to Mr. Zhang during the year ended 31 December 2006, 31 December 2007 and 31 December 2008 and the six months ended 30 June 2008 and 30 June 2009. In the opinion of the directors, it was a result of the management's discretionary decision.
2. Mr. Chau Kwok Keung is employed by the Company which is a the Cayman Islands entity and not any of the PRC subsidiaries of the Group. Commerce & Finance Law Offices, the Company's legal adviser as to PRC law, confirmed that the PRC subsidiaries are not responsible for making retirement benefit contributions for Mr. Chau Kwok Keung as he is not in labour relationship with any of the PRC subsidiaries under the relevant laws and regulations of the PRC. The Company's Cayman Islands legal adviser, Conyers Dill & Pearman, has advised that subject to any agreement between the Company and Mr. Chau Kwok Keung to the contrary, there is no requirement under the Cayman Islands law for the Company to make any retirement benefit contribution for Mr. Chau Kwok Keung during the Relevant Periods. The management consulted its legal adviser and represented that there is no similar requirement under Hong Kong laws. The addresses and others particulars of Commerce & Finance Law Officers and Conyers Dill & Pearman are disclosed in section "Directors and parties involved in the [●]" to the Document.
3. The Company's PRC legal advisers, Commerce & Finance Law Offices, confirmed that the PRC subsidiaries are not obliged to make retirement benefit contributions for Mr. Shi Cheng Qi to the relevant PRC social insurance authorities under the relevant laws and regulations of the PRC because Mr. Shi Cheng Qi joined the Group after he had passed the PRC statutory retirement age.
4. The director was appointed as a director of the Company in 2008 and retirement benefit contributions are not required to be made with the PRC governmental agencies under the relevant PRC laws and regulations during the year ended 31 December 2008 and the six months ended 30 June 2009. The Company has not entered into any agreement with the director which would specifically require the Company to make any retirement benefit contributions for him. The Cayman Islands legal adviser, Conyers Dill & Pearman, has advised that subject to any agreement between the Company and the director to the contrary, there is no requirement under the Cayman Islands law for the Company to make any retirement benefit contribution for the director during the year ended 31 December 2008 and the six months ended 30 June 2008. The management consulted its legal adviser and represented that there is no similar requirement under Hong Kong laws.
5. The director was resigned on 5 May 2009.
6. Mr. Daniel Dewitt Martin and Mr. Kang Sun were appointed as independent non-executive directors on 31 July 2009.

11. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Current tax:					
Hong Kong Profits Tax	—	—	—	—	—
PRC Enterprise Income Tax					
— Current year/period	804	534	33,563	22,656	—
The U.S.					
Federal income tax	7,133	14,055	4,801	4,801	—
California state income tax	1,884	171	—	—	—
	9,821	14,760	38,364	27,457	—
Deferred taxation (note 20):					
— Current year/period	(59)	37	(3,278)	2,181	1,950
	9,762	14,797	35,086	29,638	1,950

No Hong Kong Profits Tax has been provided as the group entities either have no relevant assessable profits or incurred tax losses for the Relevant Periods and the six months ended 30 June 2008.

PRC income tax is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Taxation on assessable profits of Comtec Ltd, which carried out the Relevant Business in the Relevant Periods, has been calculated at mainly federal tax rate of approximately 35% and California state tax of approximately 9% prevailing in the U.S., in which it operates, based on existing legislation, interpretations and practices, mainly the Internal Revenue Code, as amended in 1986 and California Revenue and Taxation Code.

Comtec Semi and Comtec Solar were registered as foreign invested enterprises of a production nature established in Shanghai Nanhui District which is the Coastal Economic Open Zone in the PRC and where the Group's operations are substantially based during the Relevant Periods, therefore enjoyed a preferential PRC Enterprise Income Tax rate of 24% up to 31 December 2007. In addition, as Comtec Semi and Comtec Solar are foreign invested enterprises of production nature scheduled to operate for a period of no less than ten years, from the first profit making year, they are exempted from income tax for two years, followed by a 50% enterprise income tax reduction in the following three years which is approved by Shanghai Nanhui National Tax Bureau in accordance with The Foreign Invested Enterprises Income Tax Law of the PRC and The Implementation Rules for Foreign Invested Enterprises and Foreign Enterprises Income Tax Law of the PRC promulgated on 30 June 1991 and as effective on 1 July 1991. As a result, Comtec Semi and Comtec Solar were exempted from enterprise income tax for two years, starting from their first profitable year, which was 2003 and 2006, respectively, and are then entitled to a 50% reduction in enterprise income tax for three years thereafter until 2007 and 2010, respectively. Thus, Comtec Semi enjoyed a 50% reduction of enterprise income tax during the year ended 31 December 2006 and 31 December 2007. Comtec Solar enjoyed tax holiday during the year ended 31 December 2006 and 31 December 2007. Effective from 1 January 2008, the domestic income tax rate of Comtec Semi, Comtec Solar and Comtec Solar (Jiangxi) changed to 25% upon the introduction of the New Law and Implementation Regulations (as defined below). Under the New Law and Implementation Regulations, Comtec Solar continued to enjoy a 50% reduction of domestic income tax rate during the year ended 31 December 2008 and the six months ended 30 June 2009.

Comtec Solar (Jiangxi), which was acquired by the Group on 29 May 2008, was registered as production oriented enterprise in Nanchang which is a coasted open area of the PRC, and, therefore enjoyed a preferential PRC Enterprise Income Tax rate of 24% since its establishment to 31 December 2007. During the year ended 31 December 2008 and six months ended 30 June 2009, no assessable profits were derived from Comtec Solar (Jiangxi).

On 16 March 2007, the Law of People's Republic of China on Enterprise Income Tax (the "New Law") was promulgated by Order No.63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). The New Law and Implementation Regulations unified enterprise income tax rate at 25% effective from 1 January 2008. Enterprises that were previously entitled to exemptions or reductions from the standard income tax rate for a fixed term (such as those income tax exemption and income tax reduction as discussed above) would continue to enjoy such treatment until the fixed terms expires, but not beyond 2012.

Upon the promulgation and implementation of the New Law, dividends paid out of the net profits derived by the Company's PRC operating subsidiaries to non-PRC residents in financial years since 1 January 2008 are subject to applicable PRC withholding tax in a rate of 10% or lower rates as provided in tax treaties in accordance with relevant tax laws in the PRC. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5% provided that requirements under such tax treaty between the PRC and Hong Kong, Administrative Measures for Non-resident Enterprises to Enjoy Treatment under Tax Treaties and the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties, are satisfied. Withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities to non-PRC residents which is around 30% of the earnings of these entities.

The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The taxation for the Relevant Periods and the six months ended 30 June 2008 is reconciled to profit before taxation as follows.

	Year ended 31 December			Six month ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profit before taxation	73,597	162,148	166,565	158,046	6,380
Tax at domestic income tax rate (Note 1)	17,663	38,916	41,642	39,512	1,595
Tax effect of expenses not deductible for tax purpose (Note 2)	53	471	22,462	2,548	1,876
Tax effect of income not taxable for tax purpose	(45)	—	(337)	—	—
Tax effect of deemed taxable income for the Relevant Business operation in the U.S. (Note 3)	—	9,265	3,494	3,494	—
Effect of tax exemptions granted to PRC subsidiaries	(11,606)	(37,112)	—	—	—
Effect of different tax rates for the Relevant Business operating in the U.S.	4,435	4,332	1,828	1,828	—
Effect of a 50% tax reduction granted to PRC subsidiaries	(738)	(1,075)	(37,254)	(20,089)	(1,736)
Withholding income tax provision on dividends from the PRC	—	—	3,251	2,345	215
Taxation for the year/period	9,762	14,797	35,086	29,638	1,950

Notes:

(1) The domestic income tax of 24% for the year ended 31 December 2006 and 31 December 2007 and 25% for the year ended 31 December 2008 and the six months ended 30 June 2008 and 30 June 2009 represent the applicable income tax rate of Shanghai Nanhui in the PRC of which the Group's operations are substantially based throughout the Relevant Periods and the six months ended 30 June 2008.

(2) During the year ended 31 December 2008, the six months ended 30 June 2008 and 30 June 2009, the amount mainly represented share-based payments expense, legal and professional expenses incurred for the [●] and other expenses that are not tax-deductible in nature.

(3) Under Section 956 of the Internal Revenue Code, as amended in 1986, the amount due to Comtec Solar by Comtec Ltd arose in the course of the operation of the Relevant Business from 1 January 2007 to 30 June 2008 (date of cessation of business of Comtec Ltd) was deemed to be dividend income and was subject to income tax in the U.S.

12. DIVIDENDS

During the year ended 31 December 2006, 31 December 2007 and 31 December 2008 and the six months ended 30 June 2008 and 30 June 2009, Mr. Zhang made cash drawings from the sole proprietorship of Comtec Ltd of approximately RMB24,148,000, RMB2,407,000, nil, nil and nil, respectively.

Deemed distribution to Mr. Zhang during the year ended 31 December 2007 represents the issuance of two promissory notes by the Group with an aggregate amount of USD22.54 million (which is equivalent to approximately RMB164,646,000) for the acquisition of the entire equity interest of Comtec Semi and Comtec Solar from Mr. Zhang for the year then ended.

Deemed distribution to Mr. Zhang of approximately RMB6,411,000 during the year ended 31 December 2008 and the period ended 30 June 2008 represents remaining bank balance of Comtec Ltd, after settlement of current account with a shareholder, that is distributed as dividend on 30 June 2008.

Pursuant to a shareholders' resolution on 30 June 2008, the Company declared a dividend of approximately RMB51,056,000 to a shareholder.

The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of this report.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods and the six months ended 30 June 2008 is based on the following data.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profits					
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	63,835	147,351	131,479	128,408	4,430
Number of shares					
Weighted average number of ordinary and preferred shares for the purpose of basic earnings per share	351,864,892	544,591,802	558,573,401	423,739,701	711,668,277

The number of shares for the purposes of basic earnings per share has been determined assuming the capitalisation issue as detailed in Appendix VI of the Document occurred on the first day of the Relevant Periods and the six months ended 30 June 2008.

Except for the liquidation preference and the mandatorily convertible feature of the preferred shares automatically upon the [●] as mentioned in (ii) of note 32, the preferred shares share similar characteristics of ordinary shares of the Company. Such preference shares are considered as ordinary shares for the purpose of calculation of basic earnings per share.

The calculation of diluted earnings per share does not take into account share options as in the opinion of the directors, the exercise price of the Group's share options was higher than the average fair values of shares of the Company during the year ended 31 December 2008 and the six months ended 30 June 2008. Therefore, the Group's share options did not have dilutive effect on the earnings per share of the Group for the year and period then ended and no diluted earnings per share has been presented. No diluted earnings per share for the year ended 31 December 2006, year ended 31 December 2007 and the six months ended 30 June 2009 was presented as there were no potential ordinary shares outstanding.

14. PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

The Group	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2006	1,157	30,144	459	1,680	1,641	35,081
Additions	11	9,820	294	438	14,004	24,567
Transfers	—	6,595	—	—	(6,595)	—
At 31 December 2006	1,168	46,559	753	2,118	9,050	59,648
Additions	—	93,144	206	682	87,205	181,237
Transfers	30,121	64,927	—	—	(95,048)	—
Disposals	—	(2,551)	(200)	(167)	(702)	(3,620)
At 31 December 2007	31,289	202,079	759	2,633	505	237,265
Additions	2,247	2,699	329	1,593	40,364	47,232
Transfers	—	5,573	—	—	(5,573)	—
Disposals	—	(11)	—	(1,174)	—	(1,185)
At 31 December 2008	33,536	210,340	1,088	3,052	35,296	283,312
Additions	786	19	32	—	32,071	32,908
Transfers	—	1,561	—	—	(1,561)	—
At 30 June 2009	34,322	211,920	1,120	3,052	65,806	316,220
DEPRECIATION						
At 1 January 2006	133	6,658	147	264	—	7,202
Provided for the year	63	3,040	185	388	—	3,676
At 31 December 2006	196	9,698	332	652	—	10,878
Provided for the year	64	7,847	63	351	—	8,325
Eliminated on disposals	—	(1,356)	(105)	(150)	—	(1,611)
At 31 December 2007	260	16,189	290	853	—	17,592
Provided for the period	1,612	18,607	97	519	—	20,835
Eliminated on disposals	—	(8)	—	(722)	—	(730)
At 31 December 2008	1,872	34,788	387	650	—	37,697
Provided for the period	715	9,840	48	275	—	10,878
At 30 June 2009	2,587	44,628	435	925	—	48,575
CARRYING VALUES						
At 31 December 2006	972	36,861	421	1,466	9,050	48,770
At 31 December 2007	31,029	185,890	469	1,780	505	219,673
At 31 December 2008	31,664	175,552	701	2,402	35,296	245,615
At 30 June 2009	31,735	167,292	685	2,127	65,806	267,645

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	20 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The Group's buildings are located on land in the PRC which is under a lease term of 50 years.

As at 30 June 2009, the Group pledged its buildings and construction in progress having net book values of approximately RMB31,735,000 (31 December 2006, 31 December 2007 and 31 December 2008: nil, nil and RMB31,664,000) and RMB31,512,000 (31 December 2006, 31 December 2007, 31 December 2008: nil, nil and nil), respectively, to a bank to secure banking facilities granted to the Group.

Deposits paid for acquisition of property, plant and equipment

The Group

Balance represents amounts paid before the property, plant and equipment were delivered to the Group. The amounts are transferred to the property, plant and equipment upon delivery of the assets to the Group.

15. PREPAID LEASE PAYMENTS

Prepaid lease payments

	At 31 December			At 30 June
The Group	**2006**	**2007**	**2008**	**2009**
Carrying value	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At beginning of the year/period	—	5,030	4,929	15,853
Additions during the year/period	5,055	—	11,062	—
Charged to consolidated statements of comprehensive income for the year/period	(25)	(101)	(138)	(161)
At end of the year/period	5,030	4,929	15,853	15,692
Less: Amount to be amortised within one year	(101)	(101)	(322)	(322)
Non-current portion	4,929	4,828	15,531	15,370

The land use rights in the PRC are under medium-term lease.

Included in additions to prepaid lease payments in 2006 was a deposit paid for acquisition of such land lease of RMB4,160,000 which was paid by the Group in 2005 before the land use right certificate was obtained.

16. INVESTMENTS IN SUBSIDIARIES

	The Company		
	At 31 December		At 30 June
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Unlisted investments, at cost	—	174,564	185,004

The balances at 31 December 2008 and 30 June 2009 included deemed contribution arose from imputed interest on non-current amounts with subsidiaries.

17. ADVANCE TO SUPPLIERS

The Group

From time to time, the Group makes advance payments to raw material suppliers prior to delivery of raw materials by these suppliers. Except for the two purchase agreements with major suppliers detailed below, the advance payments are for purchases in the next twelve months from the end of each reporting period and are therefore classified as current assets.

In November 2006 and April 2008, the Group entered into purchase agreements with two major suppliers, independent parties not connected or related to the Group, whereby the Group is committed to purchase a minimum quantity of raw materials (to be used in the manufacture of its products) each year during the period from 1 January 2008 to 31 December 2015 and from 1 January 2009 to 31 December 2015 (the "Supply Period") at pre-determined prices. According to the terms of the agreement, the Group made advances of approximately Euro4,400,000 (which was equivalent to approximately RMB45,346,000), Euro4,343,680 (which was equivalent to approximately RMB44,739,000) and USD18,936,000 (which was equivalent to approximately RMB128,724,000), respectively, to these suppliers during the year ended 31 December 2006, 31 December 2007 and 31 December 2008. At 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, the Group had outstanding advance payments of approximately Euro4,400,000 (which was equivalent to approximately RMB45,346,000), Euro8,743,680 (which was equivalent to approximately RMB90,085,000), the aggregate amount of Euro8,044,000 and USD18,936,000 (which was equivalent to an aggregate amount of approximately RMB218,344,000) and the aggregate amount of Euro 7,143,000 and USD18,936,000 (which was equivalent to an aggregate amount of approximately RMB203,658,000) with these suppliers, respectively. The advances are unsecured, interest-free and will be offset with part of the invoiced amounts in the manner discussed below, on an annual basis before expiry of the agreements in 2015.

Pursuant to the terms of the agreement, during each year of the Supply Period, the amount of advances made in respect of the agreed contract quantity in that particular year, which is around 20% to 26% of the annual purchases to be made by the Group from these suppliers, would be utilised to reduce the invoiced amount of purchases up to those annual agreed quantity. The total minimum amount of raw materials to be purchased by the Group from the two major suppliers during the Supply Period is approximately RMB1,475,491,000.

Total future minimum purchases remaining under the agreements, net of advance paid to these major suppliers at the reporting date, amounted to approximately RMB329,513,000, RMB284,774,000, RMB1,234,507,000 and RMB1,227,211,000 at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, respectively. For the arrangement with one of the major suppliers, if the minimum purchase requirement is not met in a particular year/period, advances amounting to 20% to 26% of that minimum purchase commitment would be forfeited. Pursuant to terms of this purchase agreement, the Group granted to this supplier a continuing security interest in the raw materials supplied by such supplier and the proceeds of sale or insurance of such raw materials with the entire purchase of such raw materials and if applicable, all late payments, interest and expenses necessary to enforce such security interest. The supplier has the right to take all necessary measures to create, perfect, preserve and enforce the security interest. At 31 December 2008 and 30 June 2009, the Group did not have any outstanding trade payable with this supplier.

For the arrangement with the other major supplier, the Group is obliged to purchase at least the minimum amount as set out in the agreement. If the Group fails to accept deliveries for a certain number of times in any calendar year, the Group's payment obligations for the minimum purchase commitment may be accelerated in that particular year and the Group will be liable to pay to the supplier the difference between the actual purchase and the minimum purchase commitment in that year.

These purchase agreements do not expressly stipulate that the Group will be subject to any other liabilities should the Group fails to meet the minimum purchase commitment.

Subsequent to 30 June 2009, the Group entered into a supplementary agreement with one of the major suppliers to revise the purchase price and quantity of raw materials to be delivered during each year of the Supply Period, while the total minimum purchase commitment throughout the contract period remains unchanged. The directors estimated that the amount of advances expected to be settled by the offset of the purchases of the agreed contract quantity in the next twelve months from 30 June 2009 will be decreased by approximately RMB7,200,000 as these purchase quantity will be deferred to other years during the Supply Period in accordance with the terms of the supplemental agreement.

The Group's minimum annual purchase commitment during the remaining Supply Period, taking into account the amended terms of the supplementary agreement, is as follows:

Year ending 31 December	Amount equivalent to RMB
2009	RMB49,152,000
2010	RMB260,773,000
2011	RMB204,901,000
2012	RMB235,966,000
2013	RMB229,710,000
2014	RMB225,034,000
2015	RMB249,780,000
	RMB1,453,316,000

At the end of each reporting period, the directors of the Company estimate the amount of advances that is expected to be settled by the offset of the purchases of the agreed contract quantity in the next twelve months and classify it as current asset at the end of each reporting period. The remaining balance is classified as non-current asset in the consolidated statements of financial position.

18. GOODWILL

The Group

	RMB'000
COST	
At 1 January 2006, 31 December 2006 and 31 December 2007	—
Arising on acquisition of a subsidiary	136
At 31 December 2008, 1 January 2009 and 30 June 2009	136
IMPAIRMENT	
At 1 January 2006, 31 December 2006 and 31 December 2007	—
Impairment loss recognised in the year	136
At 31 December 2008, 1 January 2009 and 30 June 2009	136
CARRYING VALUES	
At 1 January 2006, 31 December 2006 and 31 December 2007	—
At 31 December 2008 and 30 June 2009	—

During the year ended 31 December 2008, the goodwill of RMB136,000 was arisen and allocated to cash generating unit ("CGU") of a subsidiary, operating in Jiangxi Province in the PRC, which principal activities were the manufacture and sales of computer related products and provision of repair and maintenance service. During the year ended 31 December 2008, the directors of the Company determined that an impairment loss of RMB136,000 was recognised in the consolidated statement of comprehensive income.

19. BALANCES WITH A SUBSIDIARY/SUBSIDIARIES

	The Company	
	At 31 December	At 30 June
	2008	2009
	RMB'000	RMB'000
Amounts due from subsidiaries included in non-current assets (note i)	186,126	196,620
Amounts due from subsidiaries included in current assets (note ii)	7,503	5,451

The amounts due from subsidiaries were neither past due nor impaired and had good credit quality at 31 December 2008 and 30 June 2009.

Notes:

(i) The amounts are unsecured, interest-free and has no fixed repayment term. In the opinion of the directors of the Company, the amounts will not be repaid within twelve months from the end of reporting period and are classified as non-current asset. Imputed interest on the non-current amount was calculated at benchmark rate issued by the People's Bank of China.

(ii) The amounts are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amounts expect to be recovered within one year from the end of each reporting period. Imputed interest on the current amount was calculated at benchmark rate issued by the People's Bank of China.

20. DEFERRED TAX

The Group

The following is the deferred tax assets (liabilities) recognised by the Group and movements thereon during the Relevant Periods.

	Write-down of inventories	Allowance for advance to suppliers	Tax losses	Withholding tax on undistributed dividends	Unrealised profit on inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006 and 31 December 2006	—	—	—	—	—	—
Credit to consolidated statement of comprehensive income for the year	—	—	—	—	59	59
At 31 December 2006	—	—	—	—	59	59
Charge to consolidated statement of comprehensive income for the year	—	—	—	—	(37)	(37)
At 31 December 2007	—	—	—	—	22	22
Credit to consolidated statement of comprehensive income for the year	5,428	1,123	—	(3,251)	(22)	3,278
At 31 December 2008	5,428	1,123	—	(3,251)	—	3,300
(Charge) credit to consolidated statement of comprehensive income for the period	(4,750)	(1,123)	4,138	(215)	—	(1,950)
At 30 June 2009	678	—	4,138	(3,466)	—	1,350

For the purposes of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial report presentation purposes.

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	59	22	6,551	4,816
Deferred tax liabilities	—	—	(3,251)	(3,466)
	59	22	3,300	1,350

At 31 December 2008 and 30 June 2009, except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately RMB65,020,000 and RMB69,320,000, respectively, deferred tax liabilities of approximately RMB7.4 million and RMB8.1 million have not been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of the PRC operating subsidiaries for approximately RMB148.9 million and RMB162.7 million as the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse nor be subject to withholding tax in the foreseeable future.

21. INVENTORIES

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	21,370	19,583	16,990	41,109
Work-in-progress	8,823	9,952	9,664	10,484
Finished goods	7,295	4,112	6,429	12,191
	37,488	33,647	33,083	63,784

22. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	The Group				The Company		
	At 31 December			At 30 June	At 31 December		At 30 June
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	4,250	42,788	28,772	37,865	—	—	—
Less: Allowance for doubtful debts	(228)	—	—	—	—	—	—
	4,022	42,788	28,772	37,865	—	—	—
Utility deposits	502	480	550	338	—	—	—
Value-added-tax receivables	—	—	4,814	13,456	—	—	—
Other receivables and prepayments	1,058	635	58,688	3,445	—	2,242	3,165
	5,582	43,903	92,824	55,104	—	2,242	3,165
Bills receivable	—	—	—	35,604	—	—	—

The Group requests prepayment from customers before delivery of goods and allows a credit period of 7 to 30 days only on a case-by-case basis. The following is an aged analysis of trade receivables at the end of each reporting period:

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Age				
0 to 30 days	4,012	42,788	27,675	34,661
31 to 60 days	—	—	—	2,943
61 to 90 days	—	—	422	111
91 to 180 days	10	—	674	—
Over 180 days	—	—	1	150
	4,022	42,788	28,772	37,865

The following is an aged analysis of bills receivable at the end of each reporting period:

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Age				
0 to 30 days	—	—	—	8,199
31 to 60 days	—	—	—	19,905
61 to 180 days	—	—	—	7,500
Over 180 days	—	—	—	—
	—	—	—	35,604

During the six months ended 30 June 2009, the Group factored bills receivable of approximately RMB 7,500,000 (31 December 2006, 31 December 2007 and 31 December 2008: nil, nil and nil) to a bank with full recourse and the bills receivable were fully matured and recovered in July 2009. Details of the transaction are set out in note 30.

No interest is charged on the trade receivables and bills receivable. The Group has provided fully for all receivables age over 365 days as historical experience indicates that such amount may not be recoverable. Trade receivables and bills receivable age between 30 and 365 days are provided for based on estimated irrecoverable amounts from the sales of goods, determined by reference to subsequent settlement, past default experience and objective evidences of impairment.

At the end of each reporting period, the Group's bills receivable are not past due nor impaired while the Group's trade receivables that age over 30 days are past due at the reporting date for which the Group has not provided as they were fully settled subsequent to the reporting dates. The Group's trade receivables and bills receivable that are neither past due nor impaired at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 have no default history and of good credit quality.

Movement in the allowance for doubtful debts:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	334	228	—	—
Increase (decrease) in allowance recognised in consolidated statement of comprehensive income	40	(40)	—	—
Written-off of trade receivables	(146)	(188)	—	—
Balance at end of the year/period	228	—	—	—

As at 31 December 2007, 31 December 2008 and 30 June 2009, the Group and the Company did not have allowance for doubtful debts. As at 31 December 2006, included in the allowance for doubtful debts of the Group was impairment of RMB228,000 recognised in respect of individually fully impaired trade receivables which had been placed in severe financial difficulties. The Group did not hold any collateral over these balances.

In determining the recoverability of the trade and bills receivables, the Group reassesses any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the directors believe that no further allowance is required.

The Group's trade and other receivables and bills receivable that were denominated in USD, foreign currency of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables denominated in USD	—	5,574	—	—

Included in other receivables at 31 December 2008 is approximately RMB55,774,000 (31 December 2006, 31 December 2007 and 30 June 2009: nil, nil and nil) refundable advance payment to a supplier, which was unsecured, interest-free and had no fixed repayment terms. The amount was repaid by the supplier in January 2009. The amount was neither past due nor impaired and had good credit quality at 31 December 2008.

23. AMOUNT DUE FROM A SHAREHOLDER

The Group

Details of the amount due from a shareholder of the Group are as follows:

	As at 31 December			At 30 June	Maximum amount outstanding during the Year ended 31 December			Maximum amount outstanding during the Six months ended 30 June
Name of shareholder	**2006**	**2007**	**2008**	**2009**	**2006**	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Mr. Zhang	4,851	62,056	—	9,727	4,851	62,056	62,056	9,727

The amount is unsecured, interest-free and repayable on demand.

Amount due from a shareholder at 31 December 2006 and 2007 represented receivables from Mr. Zhang for the increase in paid-in capital of Comtec Solar, contributed by Comtec Ltd on behalf of Mr. Zhang, during the year then ended and was non-trade in nature. The amount was fully settled by 30 June 2008.

Amount due from a shareholder at 30 June 2009 represented advance by the Group to the shareholder and was non-trade in nature.

24. AMOUNT DUE FROM (TO) A RELATED COMPANY

The Group

Details of the amount due from (to) a related company of the Group are as follows:

	As at 31 December			At 30 June	Maximum amount outstanding during the Year ended 31 December			Six months ended 30 June	Equity interests of Comtec Electronic held by the director and shareholder of the Company as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009
Name of related company	**2006**	**2007**	**2008**	**2009**	**2006**	**2007**	**2008**	**2009**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	
Comtec Electronics	(61)	650	—	—	—	650	650	—	100%

The amount was unsecured, interest-free and repayable on demand. The director and shareholder of the Company, Mr. Zhang, has beneficial interest in this related company.

Amount due from (to) a related company at 31 December 2006 and 31 December 2007 represented advances from (to) the related company to (from) the Group and was non-trade in nature.

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.10% to 1.15% per annum, 0.10% to 1.71% per annum, 0.10% to 1.71% per annum and 0.10% to 1.53% per annum at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, respectively.

The Group's bank balances and cash that were denominated in CHF, Euro, HK$ and USD, and the Company's bank balances and cash that were denominated in Euro and USD, the foreign currencies of the relevant group entities and the Company, were re-translated in RMB and stated for reporting purposes as:

	The Group				The Company		
	At 31 December			At 30 June	At 31 December		At 30 June
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash denominated in							
CHF	—	—	—	18,589	—	—	—
Euro	8	5,264	8,817	1,742	—	8,379	125
HK$	—	—	432	283	—	—	—
USD	39,562	8,133	46,583	63,135	—	5,611	1,754

Certain bank balances and cash of approximately RMB36,200,000, RMB136,691,000, RMB109,259,000 and RMB61,328,000 at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, respectively were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

26. TRADE AND OTHER PAYABLES

	The Group				The Company		
	At 31 December			At 30 June	At 31 December		At 30 June
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	2,236	22,327	23,898	25,755	—	—	—
Value-added tax payables	1,462	5,553	688	—	—	—	—
Payables for acquisition of property, plant and equipment	4,976	62,798	56,416	77,585	—	—	—
Other payables and accrued charges	2,883	6,587	27,786	27,607	—	20,886	23,544
	11,557	97,265	108,788	130,947	—	20,886	23,544

The following is an aged analysis of trade payables at the end of each reporting period:

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Age				
0 to 30 days	1,382	17,772	11,516	11,502
31 to 60 days	752	2,828	5,608	8,067
61 to 90 days	31	1,191	3,856	2,966
91 to 180 days	1	424	2,320	1,987
Over 180 days	70	112	598	1,233
	2,236	22,327	23,898	25,755

The average credit period on purchases of goods is 30 days to 90 days.

Included in the Group's other payables were payables of employees' emoluments of approximately RMB562,000, RMB1,975,000, RMB2,826,000, RMB2,422,000, payables of rental and utility charges of approximately RMB518,000, RMB767,000, RMB215,000 and RMB256,000, interest and other charges of approximately RMB826,000, RMB2,875,000, RMB4,870,000, RMB4,870,000, respectively, at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009.

Included in the Company's other payables were payables of legal and professional fees and other general office supplies of approximately nil, RMB221,000 and RMB1,844,000, respectively, at 31 December 2007, 31 December 2008 and 30 June 2009 which are mainly denominated in HK$.

The Group's trade and other payables that were denominated in HK$, USD and Euro, the foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables denominated in				
HK$	—	—	221	1,844
Euro	—	10,825	—	—
USD	4,976	62,798	56,416	77,585
	4,976	73,623	56,637	79,429

27. CUSTOMERS' DEPOSITS RECEIVED

The Group

Included in customers' deposits received is the amount of approximately RMB91,362,000, RMB140,961,000, nil and nil at 31 December 2006, 31 December 2007, 31 December 2008 and June 2009, respectively which represent deposits received from a major customer pursuant to a framework agreement between the Group and the customer for the sales of the Group's products during the contractual period from 1 January 2007 to 31 December 2011. The advances are unsecured, interest-free and will be offset against the invoiced amount from sales of the products to this customer before expiry of the agreement in 2011 in accordance with the terms of framework agreement.

Pursuant to the terms of a supplementary agreement entered into by the Group with this customer dated 24 October 2007, the Group agreed to repay the outstanding deposits of approximately RMB140,961,000 to such customer. This amount was denominated in USD, foreign currency of the relevant group entity, and remained outstanding as at 31 December 2007. The amount was repaid by the Group in May 2008. After the repayment of such customers' deposits received, the framework agreement between the Group and the customer for sale of Group's products was still effective which the customer is no longer required to pay deposits to the Group for every purchase of the Group's products. The prices and settlement terms for the sales of the Group's products will be subject to further agreement between the Group and this customer on an order-to-order basis. The Group agreed to sell products to this customer with a credit period of seven days in 2008 and 2009.

Other customers' deposits received are unsecured, interest-free and will be settled by the delivery of products by the Group.

28. AMOUNT DUE TO A SHAREHOLDER

The Group

The amount due to a shareholder at 31 December 2006 and 31 December 2007, which represented advances from Mr. Zhang to the Group for operating cash flows of the Group was non-trade in nature, unsecured, interest-free and was fully repaid during year ended 31 December 2008.

29. TAXATION RECOVERABLE/TAXATION PAYABLE

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Taxation recoverable				
PRC Enterprise Income taxes	—	—	6,470	—
Taxation payable				
PRC Enterprise Income taxes	212	—	302	—
U.S.:				
— federal taxes	13,785	27,801	4,801	4,801
— California state taxes	3,726	3,897	—	—
	17,723	31,698	5,103	4,801

30. SHORT-TERM BANK LOANS

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term bank loans				
— secured	—	—	20,000	67,500
— unsecured	2,000	20,000	120,000	96,000
	2,000	20,000	140,000	163,500

The short-term bank loans carry fixed interest rates at 6.12% per annum at 31 December 2006 and variable interest rate based on the benchmark interest rate issued by the People's Bank of China at 31 December 2007, 31 December 2008, and 30 June 2009 respectively.

At 30 June 2009, the Group factored bills receivable of approximately RMB7,500,000 to a bank with full recourse. The finance charges in relation to factorisation of the bills receivable were borne by the debtors of factored receivables as agreed by the Group and the debtors. The related bank loans of approximately RMB7,500,000 are fully matured in July 2009 and are classified as current liabilities as at 30 June 2009.

31. PAID-IN CAPITAL/SHARE CAPITAL

The paid-in capital of the Group at 31 December 2006 represented the sum of fully paid and registered capital of Comtec Semi and Comtec Solar contributed by their equity holder which is the same as the owner of the Company.

The share capital of the Group at 31 December 2007, 31 December 2008 and 30 June 2009 represented the issued and fully paid capital of ordinary shares of the Company.

Authorised:	**Number of shares**	**Amount**
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.01 each at 13 November 2007 and 31 December 2007	25,000,000	250
Increase by subdivision of 1 share of HK$0.01 each into 10 shares of HK$0.001 each	225,000,000	—
Increase in authorised share capital of the Company	750,000,000	750
Increase in authorised share capital of the Company	12,000,000	12
Redesignation and reclassification into preferred shares of HK$0.001 each (note 32)	(12,000,000)	(12)
Ordinary shares of HK$0.001 each at 31 December 2008 and 30 June 2009	1,000,000,000	1,000

Issued and fully paid:	**Number of shares**	**Amount**
		HK$'000
Ordinary shares		
Ordinary share of HK$0.01 each at 13 November 2007 and 31 December 2007	1	—
Increase by subdivision of 1 share of HK$0.01 each into 10 shares of HK$0.001 each	9	—
Issue of ordinary share of HK$0.001 each on 12 March 2008	265,999,990	266
Issue of ordinary shares of HK$0.001 each on 2 June 2008 (note 32)	959,468	1
Ordinary shares of HK$0.001 each at 31 December 2008 and 30 June 2009	266,959,468	267

	At 31 December		**At 30 June**
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Presented as RMB:			
Ordinary shares	—	239	239

The movements in the Company's authorised and issued ordinary share capital during the period from 13 November 2007 (date of incorporation) to 30 June 2009 are as follows:

(a) Upon incorporation, the authorised share capital of the Company was HK$250,000 divided into 25,000,000 ordinary shares of HK$0.01 each of which one subscriber share was allotted and issued at par on 13 November 2007.

(b) On 12 March 2008, the authorised share capital was subdivided from 25,000,000 shares of HK$0.01 each to consist of 250,000,000 share of HK$0.001 each, and increased from HK$250,000 to HK$1,000,000 by creation of 750,000,000 additional shares upon issue to rank pari passu in all respects with the existing shares of a par value of HK$0.001 each.

(c) On the same day, as consideration for a capital contribution from Fonty Holdings Limited ("Fonty"), the immediate and ultimate holding company of the Company, 265,999,990 shares of HK$0.001 each were allotted and issued to Fonty credited as fully paid.

(d) On 16 March 2008, the authorised share capital was increased from HK$1,000,000 to HK$1,012,000 by creation of 12,000,000 additional shares of HK$0.001 each and following the increase, the Company redesignated and reclassified the shares into 1,000,000,000 ordinary shares of HK$0.001 each and 12,000,000 preferred shares of HK$0.001 each. Details of the preferred shares are set out in note 32.

(e) On 2 June 2008, the Company issued 959,468 new shares of ordinary shares upon the issuance of Restricted Shares which the owner has the same rights as holding of ordinary shares of the Company except that the Restricted Shares may not be sold, transferred by gift, pledged or transferred or disposed prior to the date when the Restricted Shares become vested pursuant to the vesting schedule set out in 33(b), to a director of the Company, credited as fully paid. Details of the Restricted Shares are set out in note 33(b).

All the shares issued by the Company during the period subsequent to date of incorporation of the Company, except for the preferred shares and the Restricted Shares, rank pari passu with the then existing shares in all respects. Preferred shares carry same rights as ordinary shares except for preference at liquidation and the restrictions as set out in the articles of association of the Company. Restricted Shares carry the same right as other ordinary shares except for the restrictions and cancellation option of the Company as detailed in note 33(b).

32. PREFERRED SHARE CAPITAL

Details of the preferred shares of the Company are set out below:

Authorised:	**Number of shares**	**Amount**
		HK$'000
Preferred shares		
At 13 November 2007 and 31 December 2007	—	—
Redesignation and reclassification from ordinary shares of HK$0.001 each to preferred shares of HK$0.001 each (Note 31)	12,000,000	12
Preferred shares of HK$0.001 each at 31 December 2008	12,000,000	12
Increase in authorised preferred shared capital of the Company	14,000,000	14
Preferred shares of HK$0.001 each at 30 June 2009	26,000,000	26

Issued and fully paid:	**Number of shares**	**Amount**
		HK$'000
Preferred shares		
On 13 November 2007 and 31 December 2007	—	
Issue of preferred shares of HK$0.001 each on 18 March 2008	11,212,019	11
Preferred shares of HK$0.001 each at 31 December 2008	11,212,019	11
Issue of preferred shares of HK$0.001 each on 30 March 2009	13,587,494	14
Preferred shares of HK$0.001 each at 30 June 2009	24,799,513	25

	At 31 December		At 30 June
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Presented as RMB:			
Preferred shares	—	11	22

(i) Each preferred share is entitled to be converted into one ordinary share of HK$0.001 par value in the capital of the Company at any time.

(ii) Each preferred share will be converted automatically into one ordinary shares upon the [●], unless the preferred shares are converted into ordinary shares of the Company before the [●].

(iii) The preferred shares are not redeemable.

(iv) Prior written consent of the Company should be obtained before any transfer, unless it is a transfer to the ultimate shareholder of CMTF (defined below), the shareholder of the preferred shares.

(v) The owner of the preferred shares have the same voting rights as holding ordinary shares of the Company.

(vi) The owner of the preferred shares has a right of first offer over the ordinary shares proposed to be sold by the Company in the future. Such right of first offer however does not apply to the ordinary shares issued pursuant to the [●].

The movements in the Company's authorised and issued preferred share capital during the period from 13 November 2007 (date of incorporation) to 30 June 2009 are as follows:

(a) As disclosed in note 31(d), the Company redesignated and reclassified the ordinary shares into 1,000,000,000 ordinary shares of HK$0.001 each and 12,000,000 preferred shares of HK$0.001 each on 16 March 2008.

(b) On 18 March 2008, the Company allotted and issued 11,212,019 preferred shares of HK$0.001 each to CMTF Private Equity One ("CMTF"), which is an exempted limited partnership established under the laws of the Cayman Islands and independent party not connected or related to the Group, for a consideration of USD1.738 per share which was mutually agreed by the Group and CMTF, resulting to an aggregate amount of US$20,000,000 (equivalent to approximately RMB140,384,000).

(c) On 30 March 2009, the authorised preferred share capital of the Company was increased from HK$12,000 to HK$26,000 by creation of 14,000,000 additional preferred shares of HK$0.001 each. Following the increase, 13,587,494 additional preferred shares were issued to CMTF at nil consideration pursuant to a supplementary agreement entered into by the Company and CMTF on 30 March 2009 in relation to the subscription of shares mentioned in (b) above. The issue of such preferred shares was credited as fully paid by a transfer from share premium.

33. SHARE-BASED COMPENSATION

(a) **Share options to employees and others**

The Company's share option scheme (the "[●] Share Option Scheme") was adopted pursuant to a resolution passed on 2 June 2008 for the primary purpose of giving the grantees an opportunity to have personal stake in the Company and motivating the grantees to optimise their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the [●] Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 2 June 2008, the number of shares in respect of which options had been granted under the [●] Share Option Scheme was 4,813,740, representing 1.73% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the [●] Share Option Scheme is not permitted to exceed 3% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Option granted must be taken up within 30 days from the date of grant, upon payment of HK$1.00. Subject to the vesting conditions as detailed below, options may be exercised at any time from the grant date of the share options to the 10th anniversary of the date of grant. The exercise price of the shares in the Company shall be a price, which is HK$12.34 per share, determined by the Board of directors of the Company with reference to future earnings potential of the Company and notified to the eligible participants. No further options will be offered or granted under the [●] Share Option Scheme after the [●].

Set out below are details of the outstanding options granted under the [●] Share Option Scheme on 2 June 2008:

		Number of options granted on 2 June 2008 and remained outstanding at 30 June 2008
(1)	Directors:	
	Mr. Chau Kwok Keung	1,990,240
	Mr. Shi Cheng Qi	350,000
(2)	Employees and others	2,473,500
		4,813,740

Notes:

(1) All options under the [●] Share Option Scheme were granted on 2 June 2008 at an exercise price of HK$12.34 per share.

(2) All holders of options granted under the [●] Share Option Scheme may only exercise their options in the following manner:

(i) 1/12th of the share options will vest on 1 September 2008 and become exercisable; and

(ii) From 1 September 2008 onwards, for the remaining 11/12th share options, 1/12th of the granted share options will vest at the end of each three-month period, on a quarterly basis.

(3) The options will be lapsed automatically and not be exercisable (to the extent not already exercised) when the grantees ceased to be employees of the Group.

The estimated fair values of the share options granted on 2 June 2008 was RMB41,932,000. These fair values were calculated using the Binomial model. The inputs into the model are follows:

Fair value of ordinary share	HK$13.67
Exercise price	HK$12.34
Expected volatility	68.6%
Suboptimal exercise multiple	3
Staff turnover rate	5%
Risk-free rate	4.195%
Expected dividend yield	nil

The risk-free rate was based on market yield of China International Government Bond with maturity date at 20 March 2018 at valuation date on 2 June 2008. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Pursuant to a board resolution dated 30 December 2008, the Company cancelled all share options.

The Group recognised the total expense of approximately RMB3,300,000 and RMB41,932,000 for the six months ended 30 June 2008 and the year ended 31 December 2008, respectively, in relation to share options granted by the Company.

During the six months ended 30 June 2009, no share options were granted, exercised, cancelled or lapsed.

(b) Restricted Shares to a director

	Number of shares	Fair values of Unvested Restricted Shares (as defined below)
		RMB'000
At 13 November 2007 and 31 December 2007	—	—
Granted on 2 June 2008	959,468	9,575
At 31 December 2008, 1 January 2009 and 30 June 2009	959,468	9,575

A total of 959,468, restricted shares ("Restricted Shares") representing 0.36% of the shares of the Company in issue on 2 June 2008, were granted to a director of the Company, Mr. Chau Kwok Keung, on 2 June 2008 at nil consideration. The terms of the grant are as follows:

(1) Under the terms of the grant, the Restricted Shares issued may not be sold, transferred by gift, pledged or transferred or disposed prior to the date when the Restricted Shares become vested as discussed in (2) below.

(2) Subject to the continued employment of the director with the Company, all Restricted Shares granted shall become vested (subject to cancellations by the Company before vesting) in the following manner:

(i) 2/12th of the Restricted Shares shall vest immediately after the closing of the [●] ("First Vesting"); and

(ii) the remaining 10/12th of the Restricted Shares shall vest thereafter in equal quarterly instalments of 1/12th of the Restricted Shares at the end of each three-month period quarterly after the First Vesting.

(3) In the event of the [●] does not complete on or before one year from 2 June 2008, the Company shall immediately cancel all the Restricted Shares held by the director which have not yet been vested ("Unvested Shares") unless the board of the directors of the Company in its discretion otherwise determines in which event the Restricted Shares shall not be forfeited. Pursuant to a board resolution passed on 1 June 2009, the board of directors determined that the Restricted Shares would not be forfeited till 1 June 2010.

(4) In the event of the director's voluntary resignation for any reason prior to the date when the Restricted Shares become vested as discussed in (2) above, the Company shall upon the effective date of such resignation (the "Resignation Date") immediately cancel all of the Unvested Shares. All such Unvested Shares shall be immediately forfeited and cancelled by the Company without any payment to the director. He shall be entitled to remain as the legal and beneficial owner of all the Restricted Shares vested in accordance with (1) above as of the Resignation Date.

(5) If the Company terminates his employment prior to the [●], all Restricted Shares held by the director become vested immediately, subject to the right of the Company to cancel the Restricted Shares as mentioned in (3) above. However, after the [●], in the event of the termination of the director's employment by the Company for any reason (including death or disability), with or without cause, all Unvested Shares shall upon the date of such termination immediately be vested and not subject to cancellation by the Company.

The fair values of the Restricted Shares of approximately RMB9,575,000 were estimated with the fair value of the ordinary shares after taking into account the weighted average fair values of put option. The put option represents the marketability discount of the Restricted Shares and will give the holder of the Restricted Shares the right to sell the underlying shares at any time during the term of the option up to the expiry as mentioned in (2) above. The fair value of the ordinary shares was determined with reference to the valuation of the Group’s business carried out on the grant date by American Appraisal China Limited, an independent valuer not connected nor related to the Group. The valuation was determined by reference to the Income Approach using the discounted cashflow method. The weighted average fair value of the Restricted Shares of approximately HK$9.98, approximately 27% of marketability discount of each ordinary share, was calculated using the Black-Scholes pricing model with the inputs below:

Fair value and exercise price of ordinary share	HK$13.67
Expected volatility	60.3% to 76.0%
Expected life	0.47 to 2.97 year
Risk-free rate	3.300% to 3.740%
Expected dividend yield	nil

The risk-free rate was based on market yield of China International Government Bond with maturity at 10 December 2008, 17 April 2009, 6 June 2009, 23 August 2009, 6 December 2009, 19 February 2010, 26 April 2010, 20 August 2010, 19 November 2010, 14 April 2011 and 25 May 2011 at the valuation date on 2 June 2008. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

During the year ended 31 December 2008, the six months ended 30 June 2008 and 30 June 2009, the Group did not recognise any expenses in relation to the Restricted Shares granted by the Company since the Restricted Shares have not yet become vested. During the year ended 31 December 2008, the six months ended 30 June 2008 and 30 June 2009, no Restricted Shares granted to the director of the Group were cancelled.

During the six months ended 30 June 2009, the terms of Restricted Shares were modified as mentioned in (3) above. In the opinion of the directors, the fair values of the Restricted Shares immediately after modification were the same as those immediately before modification.

34. RESERVES OF THE COMPANY

Other than ordinary and preferred share capital, the other reserves of the Company consist of share premium, restricted shares reserve, special reserve, share options reserve and the retained profits.

	The Company				
	Share premium	Share options reserve	Restricted shares reserve	Retained profits	Total
	RMB'000	RMB'000 (note b)	RMB'000 (note a)	RMB'000	RMB'000
At 13 November 2007 (date of incorporation) and 31 December 2007	—	—	—	—	—
Total comprehensive income for the year	—	—	—	74,585	74,585
Issue of new shares	305,097	—	(9,575)	—	295,522
Recognition of equity-settled share-based payments	—	41,932	—	—	41,932
Transfer	—	(41,932)	—	41,932	—
Dividends declared	—	—	—	(51,056)	(51,056)
At 31 December 2008	305,097	—	(9,575)	65,461	360,983
Total comprehensive income for the period	—	—	—	7,342	7,342
Issue of new preferred shares for nil consideration	(11)	—	—	—	(11)
At 30 June 2009	305,086	—	(9,575)	72,803	368,314

Notes:

a. **Restricted shares reserve**

On 2 June 2008, the Company issued 959,468 Restricted Shares to a director of the Company, at nil consideration. The Group recognised the fair values of the Restricted Sharers in the restricted shares reserve in accordance with the accounting policy for Restricted Shares in note 3. Details of the transaction are set out in note 33 (b).

b. **Share options reserve**

Share options reserve comprises the fair values of share options granted to the directors, employees and others of the Group by the Company. The Group recognised the fair values of the share options in accordance with the accounting policy for the share-based payment transactions in note 3.

35. PROMISSORY NOTES

The Group

The amounts represent two promissory notes payable to Mr. Zhang issued for the Group Reorganisation:

(a) Pursuant to an equity transfer agreement dated 21 November 2007, Comtec Semi (HK) acquired the entire equity interest in Comtec Semi from Mr. Zhang for a consideration of US$4.04 million (equivalent to approximately RMB29,511,000) and the said consideration was satisfied by the issuance of a promissory note in the amount of US$4.04 million on 31 December 2007.

(b) Pursuant to an equity transfer agreement dated 21 November 2007, Comtec Solar (HK) acquired the entire equity interest in Comtec Solar from Comtec Ltd, the sole proprietorship of Mr. Zhang, for a consideration of US$18.5 million (equivalent to approximately RMB135,135,000) and the said consideration was satisfied by the issuance of a promissory note in the amount of US$18.5 million on 31 December 2007.

The promissory notes are unsecured, denominated in USD, interest-bearing at monthly federal short-term rate used in the Internal Revenue Code of 1986 of the U.S. and repayable on 31 March 2009. As a result, the promissory notes are classified as non-current liabilities at 31 December 2007.

Pursuant to an assignment agreement dated on 12 March 2008, Mr. Zhang assigned the promissory notes to Fonty Holdings Limited ("Fonty"), the parent and ultimate holding company of the Company, as additional capital contribution to Fonty's capital. On the same day, Fonty and the Company entered into an assignment agreement which Fonty assigned the promissory notes to the Company and 265,999,990 new shares of the Company were issued to Fonty in return for the assignment. The promissory notes were cancelled upon the assignment on 12 March 2008. Details of the transaction are set out in note 37(c).

36. ACQUISITION OF A SUBSIDIARY

Pursuant to an equity transfer agreement dated 9 May 2008 entered into between Comtec Solar (HK) and HK Truecolor Technology Industry Limited ("HK Truecolor Technology"), an independent party not connected nor related to the Group, Comtec Solar (HK) agreed to acquire from HK Truecolor Technology the entire equity interests in Comtec Solar (Jiangxi) for a consideration of RMB136,000. In the opinion of the directors, the consideration was determined based on mutually agreed prices between the Group and HK Truecolor Technology. The transactions was completed on 29 May 2008. The said consideration was satisfied in cash on 30 May 2008.

The net assets acquired are as follows:

	Carrying amount before combination	Fair value adjustments	Fair value
	RMB'000	RMB'000	RMB'000
Net assets acquired:			
Property, plant and equipment	380	(380)	—
Other receivables	147	(147)	—
Other payables	(21)	21	—
	506	(506)	—
Goodwill			136
Total satisfied by cash			136
Net cash outflow arising on acquisition of Comtec Solar (Jiangxi):			
Cash consideration paid			(136)

The Group plans to carry out expansion of production capacity in the Nanchang Economy and Technology Development Zone. Given its accessible location in central China, the Group believes the acquisition would offer it with well-equipped infrastructure as Comtec Solar (Jiangxi) was established in Nanchang Economy and Technology Development Zone. Management of the Group considered that the excess cost over net assets acquired mainly represents business registration of Comtec Solar (Jiangxi). The management of the Group considered that the fair value of such business registration would not be measured reliably due to its nature and therefore not recognised separately from goodwill.

Comtec Solar (Jiangxi) did not contribute significantly to the Group's cash flow, turnover and profit for the year ended 31 December 2008 since the date of acquisition to 31 December 2008.

The contribution to the Group's turnover and profit for the year ended 31 December 2008 by Comtec Solar (Jiangxi) would be insignificant had the transaction been completed on 1 January 2008.

On 29 May 2008, the registered capital of Comtec Solar (Jiangxi) was increased from HK$500,000 (which is equivalent to approximately RMB440,000) to USD30,000,000 (which is equivalent to approximately RMB205,773,000). The due date of full payment of the increased registered capital of Comtec Solar (Jiangxi) will be 1 June 2010. On 4 July 2008, the paid-in capital was increased by approximately USD6,000,000 (which is equivalent to approximately RMB41,155,000) to approximately USD6,064,000 (which is equivalent to approximately RMB41,594,000).

37. MAJOR NON-CASH TRANSACTIONS

During the Relevant Periods, the major non-cash transactions are as follows:

(a) During the year ended 31 December 2006 and 31 December 2007, retained profits of approximately RMB5,249,000 and RMB48,439,000, respectively were capitalised as capital of the PRC operating subsidiaries of the Company;

(b) During the year ended 31 December 2006 and 31 December 2007 the increase in paid-in capital of Comtec Solar of approximately RMB4,851,000 and RMB57,205,000, respectively were settled by capitalisation of the current account with Mr. Zhang;

(c) During the year ended 31 December 2007, promissory notes with an aggregate amount of USD 22.54 million (equivalent to approximately RMB164,646,000) were issued by Comtec Semi (HK) and Comtec Solar (HK) for the acquisition of Comtec Semi and Comtec Solar to Mr. Zhang. Details of the transactions are set out in note 35;

(d) On 12 March 2008, the Company issued 265,999,990 new shares in return for the assignment of the promissory notes with the carrying amount of RMB160,190,000. Details of the transaction is set out in note 35;

(e) On 30 June 2008, the Company declared a dividend of approximately RMB51,056,000 to a shareholder pursuant to shareholders' resolution on that date, in which approximately RMB49,214,000 was settled through a current account with that shareholder, Mr. Zhang; and

(f) On 30 June 2008, the amount due from a shareholder was partly settled by the offset of amount due to this shareholder with carrying amount at approximately RMB12,842,000.

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group was committed to make the following future minimum leases payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	At 31 December			**At 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within one year	503	564	1,117	1,117
In the second to fifth year inclusive	1,400	1,400	2,448	2,448
After five years	3,879	3,529	4,290	3,691
	5,782	5,493	7,855	7,256

Operating lease payments represented rentals payable by the Group for certain of its office properties and factory premises. Except for the lease for the Group's factory with a term of 20 years, leases are negotiated for an average term from one to two years.

The Company has no significant operating lease commitments at the end of each reporting period.

39. CAPITAL COMMITMENTS

	The Group			
	At 31 December			At June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of property, plant and equipment	39,219	1,805	117,883	119,315
Capital expenditure authorised for but not contracted for in respect of acquisition of property, plant and equipment	—	—	480,444	1,385,248
	39,219	1,805	598,327	1,504,563

The Company has no significant capital commitments at the end of each reporting period.

40. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme which was established under the Mandatory Provident Fund Ordnance in December 2000 (the "MPF Scheme"). The assets of the scheme are held separately from those of the Group and are invested in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute 22% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

41. RELATED PARTY TRANSACTIONS

During the Relevant Periods and the six months ended 30 June 2008, the Group has the following significant transactions with related parties:

		Year ended 31 December			Six months ended 30 June	
Name of related party	Nature of transaction	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Comtec Electronics	Sales of goods	1,574	1,143	616	616	—

Notes:

i Comtec Electronics is a company which principal activities are sales of electronic products, semiconductors and related products, provision of processing services, installation and support services. Mr. Zhang, the director and the controlling shareholder of the Company, has a significant beneficial interest in Comtec Electronics.

ii In the opinion of the directors, the above transactions will not continue after [●]. Comtec Electronics has ceased its operations in April 2008.

During the year ended 31 December 2007, promissory notes with an aggregate amount of USD 22.54 million (equivalent to approximately RMB164,646,000) were issued by Comtec Semi (HK) and Comtec Solar (HK) for the acquisition of Comtec Semi and Comtec Solar to Mr. Zhang. Details of the transactions are set out in note 35.

Details of the balances with related parties at the end of each reporting period are set out in notes 23, 24 and 28, which represented by (a) amount due from a shareholder, Mr. Zhang, (b) amount due from (to) a related company, which is Comtec Electronics and (c) amount due to a shareholder, who is Mr. Zhang. The directors have confirmed that all balances with the related parties which are non-trade nature were fully settled subsequent to 30 June 2009.

At 31 December 2006 and 31 December 2007, facilities granted to the Group of RMB2,000,000 and RMB20,000,000, respectively, were secured by personal guarantee from Mr. Zhang, a director and the controlling shareholder of the Company. The personal guarantee from Mr. Zhang was released upon the repayment of the bank loans in June 2008.

Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods and the six months ended 30 June 2008 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Basic salaries and allowances	328	644	2,247	953	1,365
Retirement benefits scheme contributions	15	39	76	20	66
Share-based payments expense	—	—	33,016	2,582	—
	343	683	35,339	3,555	1,431

Key management represents the directors and other senior management personnel disclosed in the Document. The remuneration of key management is determined with reference to the performance to individuals and market trends.

F. ULTIMATE HOLDINGS COMPANY

The Company’s ultimate holding company is Fonty Holdings Limited, a company which is incorporated in the British Virgin Islands.

G. DIRECTORS’ REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company’s directors by the Company or any of its subsidiaries during the Relevant Periods.

Under the arrangement presently in force, the aggregate amount of the directors’ fees and emoluments, for the year ending 31 December 2009 is estimated to be approximately RMB2,413,000.

H. SUBSEQUENT EVENTS

a. Pursuant to a board resolution of the Company passed on 3 August 2009, the vesting conditions of the 959,468 Restricted Shares as set out in note 33(b) of section E granted by the Company to a director was changed and details of which are set out in paragraph headed “Further information about the Directors — Restricted Shares grant to Director” of Appendix VI of the Document;

b. On 3 August 2009, the Company granted 8,752,770 Restricted Shares and 230,000 share options to certain key management personnel and details of which are set out in paragraph headed "Further information about the Director — Restricted Share grant to Director" and "Restricted Shares grant to Senior Management" of Appendix VI of the Document.

c. [●]

The directors of the Company are in the opinion that the above transactions have no material impacts to the results of the Group for the year ending 31 December 2009.

I. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong