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

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

Bringing
Green Power** to **Life

INTERIM REPORT 2010

GCL-Poly Energy
Holdings Limited

Interim Report
2010

Contents

Performance Highlights

	Six months ended 30 June			
	2010	2009	Change	% of change
	HK$'000	*HK$'000*		
	(Unaudited)	(Unaudited)		
		(Restated)		
Revenue				
Sales of polysilicon	**2,091,023**	1,192,852	898,171	75.3%
Sales of wafer	**1,409,945**	31,921	1,378,024	4317.0%
Sales of electricity	**1,290,202**	–	1,290,202	N/A
Sales of steam	**664,451**	–	664,451	N/A
Sales of coal	**191,157**	–	191,157	N/A
Sales of others	**147,492**	41,454	106,038	255.8%
	5,794,270	1,266,227	4,528,043	357.6%
Profit attributable to owners of the Company	**787,635**	399,950	387,685	96.9%
	HK Cents	*HK Cents*	Change	% of change
Earnings per share				
– Basic	**5.09**	4.21	0.88	20.9%
– Diluted	**5.08**	4.02	1.06	26.4%
	HK$'000	*HK$'000*	Change	% of change
EBITDA	**1,875,924**	538,567	1,337,357	248.3%

	30 June 2010	31 December 2009	Change	% of change
	HK$'000	*HK$'000*		
	(Unaudited)	(Restated)		
Extracts of consolidated statement of financial position				
Equity attributable to owners of the Company	**12,522,798**	11,615,250	907,548	7.8%
Total assets	**32,296,119**	26,178,807	6,117,312	23.4%
Bank balances, cash, pledged bank and restricted bank deposits	**5,948,546**	6,340,788	(392,242)	(6.2%)
Bank borrowings	**11,853,480**	8,572,456	3,281,024	38.3%
Key financial ratios				
Current ratio	**0.83**	1.05	(0.22)	(21.0%)
Quick ratio	**0.73**	0.96	(0.23)	(24.0%)
Net debt to shareholders' equity	**47.2%**	19.2%	0.28	145.8%

On behalf of the Board of Directors, I am pleased to report that GCL-Poly achieved satisfactory operating results for the first half of 2010. For the six months ended 30 June 2010, the Group recorded total revenue of approximately HK$5,794 million, representing an increase of 357.6% as compared with the same period in 2009. EBITDA was approximately HK$1,876 million, a rise of 248.3% compared with the previous corresponding period. Profit attributable to shareholders was approximately HK$788 million, an increase of 96.9% from that of the same period in 2009. Earnings per share was approximately HK5.1 cents.

BUSINESS REVIEW

During the first half of 2010, global solar demand was stronger than expected and led to an excellent operating environment for solar companies. The Company was able to capitalize on the business opportunities arising from the rapid development of the solar industry and ramp up wafer production in full force. In less than a year's time, the Company became a leading global wafer supplier. As of the end of June 2010, annual wafer production capacity reached 1.2GW. The Company continues to devote substantial efforts to expand its wafer production capacity and expects wafer production capacity to reach 3GW by the end of 2010. The Company will then emerge as the largest wafer supplier in the world.

Through the successful acquisition of Konca Solar, which is a leading wafer producer, and the effective implementation of predetermined business development strategies, the Company was able to further enhance its competitiveness and has assumed a leading position in terms of product quality, production cost and customer services, in addition to the rapid expansion of wafer production capacity. During the first half of 2010, the Company produced 272MW of wafers (including the volume produced by Konca Solar in the first quarter of 2010). Not only did the Company manage to fulfill its commitment to its long-term customers for the reliable supply of wafers, the Company also ramped up its wafer business to make it an important source of revenue and earnings for the Company.

At the same time, the Company focused on technology innovation and cost-down measures to further enhance polysilicon production and achieved remarkable results. The current monthly polysilicon production volume has exceeded 1,500MT, and product quality also improved significantly with a substantial portion of the products reaching electronic grade quality. Production cost continues to improve with unit production cost now below US$28 per kg, and the Company managed to reduce production cost to below US$30 per kg ahead of the original schedule set for the end of 2010.

The enhancement of the polysilicon operations in terms of output, quality and costs provided a solid foundation for the Company to fully expand into wafer production and enhanced competitiveness; and as a result, the Company has also enabled our key Chinese partners to achieve higher conversion efficiency of solar products in China and also increased competitiveness of China's solar industry.

The Company completed construction and commenced operation of the 20MW solar farm in Xuzhou, Jiangsu by the end of 2009. This is the largest solar farm in China to date. The Company also entered into two acquisition agreements in June 2010 to invest in two roof-top solar projects in the United States with a total installed capacity of 9.7MW. This represented the first step for the Company to expand into overseas solar farm projects.

Chairman's Statement

2010 is a crucial year for GCL-Poly to expand its business scope and further enhance its competitiveness. During the first half of the year, we achieved satisfactory results, which were attributable, in my opinion, to the following four factors:

Firstly, focus on developing the solar business. The Company decided to focus on developing the solar business and vertically integrating polysilicon and wafer production. By fully leveraging on the synergies in integrating polysilicon and wafer operations, the Company can further enhance the competitiveness of the silicon raw materials business. During the first half of this year, synergies in integrating polysilicon and wafer production were significant. The Company is becoming a top global wafer supplier in terms of price-value performance and competitiveness.

Secondly, strong execution capabilities. GCL-Poly has always been proud of its execution capabilities. This was again realized in the expansion of the wafer operations. The Company started construction of the 500MW ingot and slicing facilities in Xuzhou in September 2009. Production in Xuzhou officially commenced in January 2010 and the facility was fully ramped up by May 2010. The 300MW slicing facility in Changzhou began construction in March 2010, commenced production by the end of May 2010 and became fully ramped up by end of June 2010. Our strong execution capabilities not only helped to save considerable capital expenditure and finance costs, but also allowed the Company to fully capitalize on the opportunities arising from the development of the global solar industry.

Thirdly, emphasis on technology innovation, innovative business model and scientific management. Technology improvement and innovation led to higher production volume, better product quality and lower production cost for polysilicon. The 200,000 MT hydrochlorination facility commenced operations in July 2010, which signifies the Company's commitment to continuously enhance the competitiveness of the polysilicon operations. The new facility allows for full recycling of by-products and ensures the steady production of polysilicon as well as significant enhancement in product quality. This provides a solid foundation for the Company to further reduce polysilicon production cost to US$25 per kg in the future.

Since the Company began to expand into wafer production, enormous efforts were devoted to lay a solid foundation for its sustainability. The Company entered into close cooperation with certain equipment manufacturers with the intention of improving overall production efficiency in an ongoing manner.

The Company is proactively ramping up production of raw materials such as crucibles, slurry and slicing wires in order to achieve production scale and economies of scale. At present, the production line of 52,000 units of square crucibles has successfully commenced production. Construction work for the slurry recovery facility is under preparations. The Company has also been in discussions with certain business partners for the production of slicing wires. If the above projects are successively implemented, wafer production cost will decline substantially.

The Company, based on the close-to-client principle, allocates its wafer slicing facilities. By developing seamless supply chain management with clients, the Company has built up a unique competitive edge in customer services.

Due to the fact that the power generation business is of a more diversified nature, management has been proactively implementing centralized management systems. Insurance, purchasing, tendering and funding are now centrally managed, which saves significant costs.

Fourthly, solid financial position and strong financing capabilities. Considerable amount of funding is required for the rapid expansion of the Company's wafer business. A solid financial position coupled with good corporate reputation and a leading position in the industry, has ensured the Company's strong financing capabilities as well as smooth execution of the Company's wafer ramp-up plans. In May 2010, the Company entered into a comprehensive cooperation agreement with the Bank of China Limited, Jiangsu Branch ("Jiangsu BOC"), for which Jiangsu BOC will provide a loan facility of RMB10 billion to the Company (subject to the satisfaction of requirements of each party).

SOCIAL RESPONSIBILITIES

While devoting efforts in developing our various businesses, GCL-Poly does not forget about social responsibilities. After the earthquake at Yushu, Qinghai on 14 April, the Company donated money and necessary supplies to the victims.

The Company also plans to build solar farms in the Yushu disaster area on a voluntary basis. The Company is committed to "bringing green power to life" by providing clean energy to the disaster area.

The Company sponsored the Sixth Provincial Game for Incubation Projects by University Students in Jiangsu and the Second International Youth Summit on Energy and Climate Change, so as to encourage young people to pay attention to climate change.

GCL-Poly's efforts in promoting green energy are increasingly being recognized by the public. The Company was awarded the Best PV Enterprise in China for 2010, the Best Low Carbon Enterprise in China for 2009-2010, one of the Top 100 Enterprises for Promoting Low Carbon Environment (China) in the world and the Most Innovative Enterprises in China 2010. The Company was also successfully included into the Hang Seng Composite Index and the Hang Seng Mainland 100 Index.

OUTLOOK AND PROSPECTS

The Company's management team is optimistic about the prospects of the global solar industry. Every country is focused on developing renewable energies. Continuous decline in the cost of solar power generation is attracting governments from all over the world to encourage the adoption of solar power. The Company believes that the global solar industry is entering into a new phase of continuous and rapid growth.

In view of the above, the Company's Board of Directors decided in July 2010 to further invest and expand wafer production capabilities and plans to ramp up annual wafer production capacity to 3GW by end of 2010. This will allow the Company to capitalize on the business opportunities arising from the development of the solar industry in the future and to further enhance competitiveness of the wafer's business. By the end of 2010, the Company will become the largest wafer manufacturer in terms of production capacity, and will also rank foremost in the world in terms of quality and costs. The Company expects to produce 1.3GW of wafer for the full year of 2010. The wafer business is expected to become the most important source of revenue and earnings for the Company.

Chairman's Statement

After fully ramping up the new hydrochlorination facility and successfully completing other technology improvement initiatives, the Company expects polysilicon production volume to exceed 16,000MT for the full year of 2010. The Company also expects to be able to produce a significant amount of electronic grade polysilicon and polysilicon production cost is expected to further decline.

In view of the rapid development of the polysilicon and wafer production businesses, the Company is actively seeking to expand its overseas customer base while at the same time consolidating the market in China.

Management believes that the continuous increase in the competitiveness of the polysilicon operations, the multi-dimensional business model for the wafer business and the synergies between the polysilicon and wafer operations will enable the Company to assume a leading position in the production of silicon raw materials and to become a leading enterprise in terms of technology, energy savings and environmental protection. The Company will become the leader not only in terms of scale but also in terms of profitability.

Fuel price continued to rise in the first half of 2010. This has brought about enormous pressure on the Company's power business. High fuel price will still be the major challenge in the second half of 2010. Apart from continuing to adopt measures in controlling fuel costs and raising steam price, the Company is also dedicated to enhance the composition of the power business. Through the development of waste incineration power projects and solar power projects, the weighting of renewable energy in the Company's power plants portfolio will further increase.

Finally, I would like to express my heartfelt gratitude to our Directors, management team and all the staff of the Group for their hardwork and dedication. I also wish to extend my gratitude to our shareholders and business partners for their continuous support and guidance.

Zhu Gong Shan
Chairman
Hong Kong, 25 August 2010

HALF YEAR RESULTS

For the six months ended 30 June 2010, GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded significant growth with revenue and net profit attributable to owners of the Company amounted to approximately HK$5,794 million and HK$788 million respectively, representing an increase of 3.58 times and 96.93% as compared to revenue of approximately HK$1,266 million and net profit attributable to owners of the Company of HK$400 million for the six months ended 30 June 2009. The increase was mainly due to consolidation of revenue from the power business and the newly acquired Konca Solar, as well as the significant growth in both polysilicon and wafer sales volume as a result of our expansion of polysilicon production facilities and the commencement of in-house wafer manufacturing.

MAJOR ACQUISITION

On 30 March 2010, the Group completed the acquisition of 70.19% of equity interest in Konca Solar Cell Co., Ltd. ("Konca Solar") with a total cash consideration of approximately HK$971 million. Konca Solar principally engages in the research and development, production and sale of monocrystalline and multicrystalline ingots and wafers. Since its establishment, Konca Solar has enjoyed stable growth and is a highly-regarded industry-leader in terms of technology, quality and cost control measures. The acquisition enhanced the Group's in-house wafer production capabilities and strengthened its vertical integration processes by making use of its self-produced polysilicon.

USE OF PROCEEDS

The Company raised approximately HK$9,320 million in gross proceeds by placing/subscription of new shares on 14 May 2009, 4 August 2009 and 17 November 2009, out of which HK$7,455 million was mainly utilised as follows:

1. approximately HK$2,732 million for the redemption of the secured notes;

2. approximately HK$2,340 million for the repayment of bank borrowings;

3. approximately HK$971 million for the acquisition of Konca Solar;

4. approximately HK$864 million for the capital expenditure as a result of expanding our polysilicon and wafer production capacities and developing our solar farm business;

5. approximately HK$341 million for payment transaction costs related to the placements/subscription of new shares and the acquisition of the solar business (including commission, legal and other professional fees); and

6. approximately HK$207 million for the repayment of loans and general working capital purposes.

Management Discussion and Analysis

BUSINESS REVIEW

Solar Business

Production

The Group supplies polysilicon and wafers to companies operating in the solar industry. Polysilicon is the primary raw material for wafers used in the solar and the electronics industries. During the six months ended 30 June 2010, we produced 7,032 MT of polysilicon, representing a significant increase of 209% as compared to 2,274 MT for the six months ended 30 June 2009.

We commenced in-house wafer manufacturing in December 2009 and all wafers sold before that was through tolling arrangements with third party manufacturers. On 30 March 2010, the Group completed the acquisition of Konca Solar, one of the leading suppliers of solar wafers in the People's Republic of China (the "PRC"). During the six months ended 30 June 2010, we produced 192MW of wafer, of which 112MW was produced by Konca Solar since end of March 2010. We are expanding our own in-house wafer and ingot manufacturing facilities and targets to ramp up wafer production capacity to 3GW by end of 2010.

Production Costs

Our production costs in respect of polysilicon and wafer are affected primarily by our ability to control raw material costs, achieve economies of scale in our operations and efficiently manage our supply chain.

Our polysilicon production cost decreased 23.5% from HK$336.4 (US$43.4) per kilogram for the six months ended 30 June 2009 to HK$257.3 (US$33.1) per kilogram for the six months ended 30 June 2010. Decrease in polysilicon production cost was mainly attributable to the decrease in TCS cost and other raw material costs as a result of the increase in in-house TCS sufficiency rate and the achievement of economies of scale. For the six months ended 30 June 2009 and 2010, approximately 57.4% and 70.3% of the TCS that we consumed, respectively, was produced in-house.

Our wafer production cost, before eliminating the internal profit of polysilicon, was approximately HK$4.41 (US$0.57) per watt for the six months ended 30 June 2010.

Sales Volume and Revenue

For the six months ended 30 June 2010, we sold 5,394 MT of polysilicon and 229MW of wafer, an increase of 1.81 times and 24.44 times, respectively, as compared to 1,917MT of polysilicon and 9MW of wafer for the six months ended 30 June 2009. Revenue of our solar business for the six months ended 30 June 2010 amounted to HK$3,648 million, representing an increase of 1.88 times from HK$1,266 million for six months ended 30 June 2009.

Realised average selling price for the six months ended 30 June 2010 was HK$387.7 (US$50.0) per kilogram for polysilicon and HK$6.16 (US$0.80) per watt for wafer. Realised average selling price for the six months ended 30 June 2009 was HK$622.1 (US$80.3) per kilogram for polysilicon and HK$7.91 (US$1.02) per watt for wafer.

Power Business

As at 30 June 2010, the Group (including its subsidiary and associated power plants) operated 21 power plants. These comprised 14 coal-fired cogeneration plants and comprehensive resource utilisation cogeneration plants, 2 gas-fired cogeneration plants, 2 biomass cogeneration plants, 1 solid waste incineration plant, 1 wind power plant and 1 solar farm with total installed capacity of 1,125.5 MW and steam extraction capacity of 2,239 tonne/h. Attributable installed capacity and attributable steam extraction capacity were 773.3 MW and 1,756.4 tonne/h, respectively.

Sales Volume and Revenue

For the six months ended 30 June 2010, total electricity and steam sales volume were 2,318,930 MWh and 3,442,951 tonnes respectively, compared to 2,588,702 MWh and 2,656,208 tonnes for the same period last year.

The following table indicates total electricity sales and steam sales of each power plant.

	Electricity Sales MWh 30.06.2010	Electricity Sales MWh 30.06.2009	**Steam Sales tonne 30.06.2010**	Steam Sales tonne 30.06.2009
Subsidiary power plants				
Kunshan Cogeneration Plant	**181,364**	190,046	**346,696**	217,568
Haimen Cogeneration Plant	**64,550**	73,060	**248,914**	165,167
Rudong Cogeneration Plant	**82,313**	89,790	**317,947**	221,276
Huzhou Cogeneration Plant	**59,344**	88,187	**183,234**	162,328
Taicang Poly Cogeneration Plant	**96,949**	112,187	**211,440**	196,013
Jiaxing Cogeneration Plant	**108,853**	112,904	**414,691**	339,528
Lianyungang Xinneng Cogeneration Plant	**42,464**	60,387	**92,826**	70,214
Puyuan Cogeneration Plant	**95,155**	110,396	**364,398**	317,894
Fengxian Cogeneration Plant	**86,142**	101,154	**172,965**	128,367
Yangzhou Cogeneration Plant	**118,277**	134,220	**128,065**	99,193
Dongtai Cogeneration Plant	**68,315**	86,570	**218,442**	172,641
Peixian Cogeneration Plant	**94,646**	95,873	**88,418**	85,780
Xuzhou Cogeneration Plant	**83,758**	97,392	**168,753**	102,906
Suzhou Cogeneration Plant	**913,694**	1,013,481	**329,591**	261,215
Baoying Cogeneration Plant	**68,896**	104,560	**92,647**	61,966
Lianyungang Xiexin Cogeneration Plant	**72,121**	96,631	**63,924**	54,152
Taicang incineration Plant	**34,562**	21,864	**N/A**	N/A
Guotai Wind Power Plant	**36,597**	N/A	**N/A**	N/A
Xuzhou Solar Farm	**10,930**	N/A	**N/A**	N/A
Total subsidiary power plants	**2,318,930**	2,588,702	**3,442,951**	2,656,208
Associated power plants				
Funing Cogeneration Plant	**56,560**	94,980	**45,827**	40,493
China Resources Beijing Cogeneration Plant	**312,048**	336,732	**215,173**	162,482
Total subsidiary and associated power plants	**2,687,538**	3,020,414	**3,703,951**	2,859,183

Management Discussion and Analysis

Revenue of the power business for the six month ended 30 June 2010 was HK$2,146 million, representing a 3.1% decrease from HK$2,215 million recorded for the six month period in 2009.

Average Utilization Hours

The average utilization hours of a power plant refers to the amount of electricity produced during a specified period (in MWh) divided by the average installed capacity of the plant during the same period (in MW). The average utilization hours of the Group's subsidiary power plants was 2,689 hours for the first six months of 2010, a decrease of 17.1% compared with 3,243 hours for the same period last year. The decrease was due to the decrease in electricity generation during the period.

Production costs

The major cost of sales in power business is fuel costs which included coal, natural gas, coal sludge, sludge, gangue and biomass materials.

For the coal-fired cogeneration plants, comprehensive resource utilization plants and biomass cogeneration plants, the average unit fuel costs (equivalent to 5,000 kcal) for electricity sales and steam sales were HK$412/MWh and HK$128/tonne respectively.

For the gas-fired cogeneration plant, Suzhou Cogeneration Plant, the natural gas is its major cost of sales and its average unit fuel cost for electricity sales and steam sales was HK$411/MWh and HK$162/tonne respectively.

The major cost of sales for the wind power plant, solar farm and incineration plant are labor costs and depreciation.

EMPLOYEES

The Group values quality employees as the most important resources. As at 30 June 2010, the Group had approximately 8,000 employees in Hong Kong, the PRC and overseas. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, employee benefits include discretionary bonus and share options are granted to the eligible employees.

OUTLOOK

For the solar business, the technical upgrade program for the polysilicon production facilities is on schedule and we are confident that the annual polysilicon production capacity will reach 21,000 MT by end of 2010. Our cost-down initiatives are progressing well and our average production cost reached US$33.1 per kilogram for the first half of 2010. We expect our polysilicon production cost to reach to the level that are very competitive against that of international incumbents by end of 2010.

We are in the progress of constructing and ramping up our 2GW in-house wafer manufacturing capabilities. Our board of directors (the "Board" or "Directors") has just approved our wafer expansion plan and an additional US$300 million will be invested in the wafer business with an additional capacity of approximately 1GW. Under the Group's latest plan, a total of 3GW of wafer production facility will be constructed in Jiangsu Province, the PRC and is expected to be fully ramped up by end of this year. Through the investment in wafer facilities, the Group is able to achieve vertical integration of both polysilicon and wafer production, which in turn enhances wafer quality and reduces polysilicon consumption, therefore achieving cost competitiveness. New technology is also adopted by the Group to improve conversion efficiency, which will enable us to become one of the best and lowest cost wafer suppliers in terms of both quality and price and also take advantage of the business opportunities arising from the development of the global solar industry.

As for our power business, the higher coal price has a negative impact on our Group's results for the first half of 2010. The current rising natural gas prices and higher coal prices are expected to put pressure on fuel costs in power plants operation in the PRC which will also apply significant pressure on tariffs. The State will continue its efforts in electricity tariff reforms to improve the pricing mechanism of on-grid electricity tariffs, thus easing the operating pressure on the Group's power business sector. In addition, we will focus on the development of renewable energy power plants in the future.

In June 2010, we entered into agreements to develop two roof-top solar projects with a total installed capacity of 9.7MW in the United States, which are expected to be completed by end of this year. We will continue to explore further opportunities in the global renewable energy sector to maximize shareholders' return and help to promote a low-carbon and green environment.

FINANCIAL REVIEW

Segment Information

The Group reported its financial information in two segments, namely, solar business and power business during the six months ended 30 June 2010. The following table sets forth the Group's profit from operations by business segments:

	Solar business	**Power business**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	3,648,460	2,145,810	5,794,270
Segment profit	769,321	116,011	885,332

For the six months ended 30 June 2009, the Group has only one segment, the solar business. All the comparative figures have been restated to present Solar Group as comparative figures as a result of the reverse acquisition accounting treatment under International Financial Reporting Standards for the acquisition of the solar business in July 2009.

Revenue

Revenue for the six months ended 30 June 2010 amounted to approximately HK$5,794 million, representing an increase of 3.58 times from approximately HK$1,266 million for six months ended 30 June 2009. The significant increase was mainly due to consolidation of revenue from the power business and the newly acquired Konca Solar, as well as an increase in revenue derived from our solar business as a result of the significant growth in both polysilicon and wafer sales volume.

Management Discussion and Analysis

Gross Profit Margin

Solar business's gross profit margin decreased from 41.6% for the six months ended 30 June 2009 to 34.6% for the six months ended 30 June 2010. The decrease in gross profit margin was mainly due to a decrease in polysilicon's average selling price and a lower gross profit margin contributed by the wafer business, which was partly offset by the decrease in polysilicon's average production cost. For the power business, the gross profit margin for the six months ended 30 June 2010 was 12.0%. The Group's gross profit margin for the six months ended 30 June 2010 was 26.2%.

Other Income

Other income amounted to approximately HK$208 million for the six months ended 30 June 2010, an increase of 5.42 times as compared to HK$32 million for the six months ended 30 June 2009. The increase was mainly attributable to consolidation of other income of approximately HK$105 million from the power business, as well as an increase in government grants received by the solar business.

Distribution and Selling Expenses

Distribution and selling expenses was approximately HK$18 million for the six months ended 30 June 2010, representing salaries and other expenses incurred by GCL Solar's sales office and power business's coal trading company. No material distribution and selling expenses was incurred before GCL Solar's sales office commenced its operation in July 2009.

Administrative Expenses

Administrative expenses amounted to approximately HK$304 million for the six months ended 30 June 2010, an increase of 246% as compared to approximately HK$88 million for the six months ended 30 June 2009. The increase was mainly attributable to consolidation of administrative expenses from the power business and an increase in salaries and other office expenses incurred by the solar business due to an increase in headcount and operation scale.

Finance Costs

Finance costs of the Group for the six months ended 30 June 2010 was approximately HK$281 million, increased by 24.34 times compared with HK$11 million for the six months ended 30 June 2009. The increase was mainly due to consolidation of the finance costs from the power business of approximately HK$122 million, and an increase in finance costs incurred by the solar business since the Xuzhou Phase III polysilicon production facility was completed in the fourth quarter of 2009.

Share of Results of Associates

The Group's share of profits of associates for the six months ended 30 June 2010 was approximately HK$10 million, which was derived solely from the power business.

Income Tax Expenses

Income tax expenses for the six months ended 30 June 2010 was approximately HK$228 million, representing an increase of 8.78 times as compared with approximately HK$23 million for the six months ended 30 June 2009. The reason for the increase was mainly due to increase in deferred tax provided for the undistributed profit of the solar business, coupled with the increase in PRC income tax expenses from the solar business as the two-year 100% tax exemption of Jiangsu Zhongneng was expired on 31 December 2009.

Profit attributable to Owners of the Company

The Group recorded a profit of approximately HK$788 million for the six months ended 30 June 2010 as compared with the profit of HK$400 million for the six months ended 30 June 2009.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

Liquidity and Financial Resources

For the six months ended 30 June 2010, the Group's main sources of funding was cash generated from operating and financing activities. The net cash provided by operating activities for the six months ended 30 June 2010 amounted to approximately HK$759 million. Net cash used in investing activities was mainly used in purchase of property, plant and equipment and acquisition of Konca Solar. The main financing activities of the Group for the six months ended 30 June 2010 were new bank loans of approximately HK$5,572 million and repayment of bank loans of approximately HK$3,046 million.

The capital structure of the Group consists of short-term and long-term bank borrowings and shareholders' equity. It has net current liabilities of approximately HK$2,041 million as at 30 June 2010 with short-term bank borrowings of approximately HK$7,540 million. As at 30 June 2010, the Group has available banking facilities of approximately HK$2,142 million from banks for operating use. The Directors are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the balance sheet date. Hence, the consolidated financial statements have been prepared on a going concern basis.

As at the end of 30 June 2010, aggregate restricted and unrestricted cash and bank balances amounted to approximately HK$5,949 million (31 December 2009: HK$6,341 million). The Group's total assets at the end of 30 June 2010 was approximately HK$32,296 million (31 December 2009: HK$26,179 million).

Management Discussion and Analysis

Bank Borrowings

As at 30 June 2010, the Group's total borrowings amounted to approximately HK$11,853 million (31 December 2009: HK$8,572 million). Below is a table showing the borrowing structure and maturity profile of the Group's total Bank borrowings:

	30 June 2010 *HK$ million*	31 December 2009 *HK$ million* (Restated)
Secured borrowings	**4,305**	4,684
Unsecured borrowings	**7,548**	3,888
	11,853	8,572
Maturity profile of borrowings		
On demand or within one year	**7,540**	5,033
After one year but within two years	**1,631**	1,837
After two years but within five years	**1,896**	1,051
After five years	**786**	651
Group's total Bank borrowings	**11,853**	8,572

Key Financial Ratios of the Group

	30 June 2010	31 December 2009
Current ratio	**0.83**	1.05
Quick ratio	**0.73**	0.96
Net debt to shareholders' equity	**47.2%**	19.2%

Current ratio	=	balance of current assets at the end of the period/balance of current liabilities at the end of the period
Quick ratio	=	(balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period
Net debt to shareholders' equity	=	(balance of total bank borrowings at the end of the period – balance of bank balances, cash and pledged and restricted bank deposits at the end of the period)/balance of equity attributable to owners of the Company at the end of the period

Foreign Currency Risk

All of our revenue, cost of sales and most of the administrative expenses are denominated in RMB. Besides some of the bank deposits which are denominated in Hong Kong Dollars and US Dollars, most of our assets and liabilities are denominated in RMB. Since RMB is our functional currency, our foreign currency risk exposure therefore is mostly confined to assets denominated in Hong Kong and US Dollars.

For the six months ended 30 June 2010, the Group did not purchase any foreign currency and interest rate derivatives or relating hedging instruments.

Pledge of Assets

As at 30 June 2010, property, plant and equipment and prepaid lease payments with a carrying value of approximately HK$3,497 million and HK$233 million respectively, were pledged as security for certain banking facilities granted to the Group. Apart from these, bank deposits in an aggregate amount of HK$137 million was pledged to banks to secure bills and notes payable and borrowings granted to the Group.

Capital Commitments

As at 30 June 2010, the Group had capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately HK$3,637 million (31 December 2009: HK$1,995 million) and authorized but not contracted for capital commitments amounting to HK$394 million (31 December 2009: HK$4,136 million).

Contingent Liabilities

As at 30 June 2010, the Group provided guarantees of HK$37 million to bank in respect of banking facilities granted to an associate.

Events After the End of Reporting Period

The Board has approved to invest an additional US$300 million in the silicon wafer business with an additional capacity of approximately 1GW in the PRC. The new investment allows the Company to expand further in its silicon wafer business in producing monocrystalline wafers and multicrystalline wafers, which will be sold as semi-finished materials to cells and modules manufacturers. The scope of production will include the pulling of monocrystalline silicon ingots and molding of multicrystalline silicon ingots, as well as the slicing and grinding of the monocrystalline and multicrystalline silicon wafers. The new production facility with approximately 1 GW of capacity will be constructed in Jiangsu Province, the PRC and is expected to be fully ramped up by end of this year. The new US$300 million investment will be funded by the Group's or internal resources or new banking facilities.

In August 2010, the Company has entered into a facility agreement with a bank in relation to a facility in an aggregate amount of US$300 million for a term of three years to the Company for the purpose of funding general corporate requirements of the Group.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 48, which comprises the condensed consolidated statement of financial position of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited) (Restated)
Revenue	4	**5,794,270**	1,266,227
Cost of sales		**(4,274,295)**	(739,740)
Gross profit		**1,519,975**	526,487
Other income	5	**208,294**	32,428
Distribution and selling expenses		**(18,486)**	–
Administrative expenses		**(303,569)**	(87,800)
Finance costs	6	**(281,067)**	(11,092)
Share of results of associates		**9,894**	–
Other expenses		**(35,061)**	(2,935)
Change in fair value of convertible loan notes		**–**	(29,255)
Change in fair value of convertible redeemable preferred shares		**–**	(8,320)
Change in fair value of derivative instruments		**–**	3,787
Profit before tax		**1,099,980**	423,300
Income tax expense	7	**(228,465)**	(23,350)
Profit for the period	8	**871,515**	399,950
Other comprehensive income			
Exchange differences arising from translation of functional currency to presentation currency		**120,801**	(604)
Total comprehensive income for the period		**992,316**	399,346
Profit for the period attributable to:			
Owners of the Company		**787,635**	399,950
Non-controlling interests		**83,880**	–
		871,515	399,950
Total comprehensive income for the period attributable to:			
Owners of the Company		**900,879**	399,346
Non-controlling interests		**91,437**	–
		992,316	399,346
		HK	*HK*
Earnings per share	10		
Basic		**5.09 cents**	4.21 cents
Diluted		**5.08 cents**	4.02 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**19,318,434**	15,573,737
Prepaid lease payments		**876,417**	740,987
Goodwill	12	**1,083,720**	545,485
Other intangible assets		**40,738**	40,786
Interests in associates	13	**217,739**	231,645
Available-for-sale investment		**6,878**	6,814
Deferred tax assets		**–**	9,077
Deposits for acquisitions of property, plant and equipment	14	**639,685**	278,098
Pledged and restricted deposits	15	**118,996**	225,739
		22,302,607	17,652,368
CURRENT ASSETS			
Inventories		**1,183,326**	727,252
Trade and other receivables	16	**2,839,859**	1,569,473
Amounts due from related companies	17	**52,264**	14,858
Loans to related companies	17	**61,760**	79,116
Prepaid lease payments		**20,169**	18,924
Tax recoverable		**6,584**	1,767
Pledged and restricted deposits	15	**1,495,775**	803,712
Bank balances and cash		**4,333,775**	5,311,337
		9,993,512	8,526,439
CURRENT LIABILITIES			
Trade and other payables	18	**3,408,279**	2,395,549
Amounts due to related companies	17	**166,492**	139,386
Loans from related companies	17	**229,255**	56,787
Advances from customers		**482,410**	436,804
Deferred income		**26,034**	25,795
Tax payables		**152,389**	27,334
Bank borrowings – due within one year	19	**7,539,856**	5,032,745
Obligations under finance lease	20	**29,560**	–
		12,034,275	8,114,400
NET CURRENT (LIABILITIES) ASSETS		**(2,040,763)**	412,039
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,261,844**	18,064,407

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Advances from customers		**1,901,451**	1,906,632
Deferred income		**164,538**	168,855
Bank borrowings – due after one year	*19*	**4,313,624**	3,539,711
Obligations under finance lease	*20*	**192,818**	–
Deferred tax liabilities	*21*	**291,305**	230,964
		6,863,736	5,846,162
NET ASSETS		**13,398,108**	12,218,245
CAPITAL AND RESERVES			
Share capital	*22*	**1,547,177**	1,547,155
Reserves		**10,975,621**	10,068,095
Equity attributable to owners of the Company		**12,522,798**	11,615,250
Non-controlling interests		**875,310**	602,995
TOTAL EQUITY		**13,398,108**	12,218,245

The condensed consolidated financial statements on pages 17 to 48 were approved and authorised for issue by the Board of Directors on 25 August 2010 and are signed on its behalf by:

Director *Director*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company											
	Issued equity											
	Share capital HK$'000 (Note i)	Other reserve HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve fund HK$'000 (Note ii)	Special reserves HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009 (Restated)	957,280	(957,198)	–	65,666	299,431	(2,894,969)	–	(35,775)	1,607,694	(957,871)	–	(957,871)
Exchange differences arising from translation of functional currency to presentation currency	–	–	–	–	–	–	–	(604)	–	(604)	–	(604)
Profit for the period	–	–	–	–	–	–	–	–	399,950	399,950	–	399,950
Total comprehensive income for the period	–	–	–	–	–	–	–	(604)	399,950	399,346	–	399,346
At 30 June 2009 (Unaudited) (Restated)	957,280	(957,198)	–	65,666	299,431	(2,894,969)	–	(36,379)	2,007,644	(558,525)	–	(558,525)
At 1 January 2010 (Restated)	**1,547,155**	**2,433,178**	**8,583,651**	**65,666**	**404,126**	**(2,719,434)**	**6,220**	**(8,574)**	**1,303,262**	**11,615,250**	**602,995**	**12,218,245**
Exchange differences arising from translation of functional currency to presentation currency	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**113,244**	**-**	**113,244**	**7,557**	**120,801**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**787,635**	**787,635**	**83,880**	**871,515**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**113,244**	**787,635**	**900,879**	**91,437**	**992,316**
Recognition of share-based payment expenses in respect of share options	**-**	**-**	**-**	**-**	**-**	**-**	**6,537**	**-**	**-**	**6,537**	**-**	**6,537**
Exercise of share options	**22**	**(75)**	**185**	**-**	**-**	**-**	**-**	**-**	**-**	**132**	**-**	**132**
Non-controlling interests arising on acquisition of subsidiaries *(Note 26)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**189,669**	**189,669**
Dividends declared to non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,791)**	**(8,791)**
At 30 June 2010 (Unaudited)	**1,547,177**	**2,433,103**	**8,583,836**	**65,666**	**404,126**	**(2,719,434)**	**12,757**	**104,670**	**2,090,897**	**12,522,798**	**875,310**	**13,398,108**

Notes:

(i) Issued equity represents the issued equity instruments of the Solar Group before the Acquisition and, in the case of after the Acquisition, plus the deemed consideration for the Acquisition, represented by the fair value of the Company's shares immediately prior to the Acquisition. The share capital before the completion of the Acquisition reflects the issued share capital of the Solar Group adjusted for the exchange ratios set out in the acquisition agreements as described in note 1.

(ii) Pursuant to the relevant laws in the PRC, each of the subsidiaries established in the PRC is required to transfer 5%–10% (2009: 5-10%) of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve fund (including the general reserve fund and enterprise development fund, where appropriate). The general reserve fund is discretionary when the balance of general reserve fund has been reached 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholder.

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited) (Restated)
NET CASH FROM OPERATING ACTIVITIES		**758,612**	324,943
INVESTING ACTIVITIES			
Additions of property, plant and equipment		**(2,436,153)**	(296,524)
Additions of prepaid lease payments		**(118,142)**	–
Acquisition of subsidiaries	*26*	**(703,364)**	–
Deposits paid for acquisition of property, plant and equipment		**(635,627)**	(819,288)
Increase in pledged and restricted deposits		**(417,885)**	133,848
Interest received		**16,903**	14,315
Advances to related companies		**(63,953)**	–
Repayment from related companies		**79,343**	–
(Increase) decrease in entrusted loan receivables		**(9,112)**	45,400
Proceeds from disposal of property, plant and equipment		**326**	858
NET CASH USED IN INVESTING ACTIVITIES		**(4,287,664)**	(921,391)
FINANCING ACTIVITIES			
New bank borrowings raised		**5,572,496**	1,169,046
Repayment of bank borrowings		**(3,046,423)**	(629,923)
Interest paid		**(273,687)**	(11,092)
Advances from related companies		**227,801**	23,464
Repayment to related companies		**(136,680)**	(8,024)
Interest paid on convertible loan notes		**–**	(15,451)
Net proceeds from sale and finance lease back		**192,492**	–
Exercise of share options		**132**	–
Dividend paid to non-controlling shareholders		**(2,597)**	–
NET CASH FROM FINANCING ACTIVITIES		**2,533,534**	528,020
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(995,518)**	(68,428)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**5,311,337**	1,979,632
Effect of foreign exchange rate changes		**17,956**	2,771
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash		**4,333,775**	1,913,975

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

The Company and its subsidiaries (collectively referred to as the "Group") had net current liabilities of approximately HK$2,040.8 million as at 30 June 2010. The Directors are of the opinion that, taking into account the unutilised banking facilities of approximately HK$2,142 million as at 30 June 2010 and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

On 31 July 2009, the Company completed the acquisition of 100% of the equity interest in 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") through the acquisitions of 100% of the issued share capital and entire preference shares of GCL Solar Energy Technology Holdings Inc. ("GCL Solar") and 100% of the issued share capital of Sun Wave Group Limited and Greater Joy International Limited (collectively, the "Solar Group") (the "Acquisition"). Under International Financial Reporting Standard ("IFRS") 3, Business Combinations, as the Acquisition resulted in the selling shareholders of the Solar Group becoming, as a group, the controlling shareholders of the Company, the Acquisition is accounted for as a reverse acquisition. For accounting purpose, the Solar Group is the accounting acquirer and the Company (the accounting acquiree) is deemed to have been acquired by the Solar Group.

As described in the Company's annual consolidated financial statements for the year ended 31 December 2009, the consolidated financial statements have been prepared as a continuation of the Solar Group, with adjustments to the equity structure of the Company using the exchange ratio established in the acquisition agreements to reflect the number of shares of the Company issued under the acquisition agreements. As a result, comparative information presented in the condensed consolidated statements of comprehensive income, statement of change in equity and statement of cash flows for the six months ended 30 June 2009 have been restated to present those of the Solar Group but adjusted to reflect the legal capital of the Company.

Change of Presentation Currency

The functional currency of the Group is Renminbi as the principal operations of the Group are carried out in the People's Republic of China (the "PRC") in which those transactions are predominantly denominated in RMB. During the current interim period, the Directors of the Company considered it is more appropriate to use Hong Kong dollars as the presentation currency of the Company because the Company is listed on the Stock Exchange in Hong Kong. As a result, the comparative figures have been restated and resulted in accumulated translation loss of approximately HK$8,574,000 recognised in translation reserve of equity as at 31 December 2009 and translation gain of approximately HK$120,801,000 recognised in the other comprehensive income for the current interim period (six months ended 30 June 2009: translation loss of HK$604,000).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

For the current period, the Group has applied, for the first-time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee ("IFRIC").

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC-Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the new and revised IFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

IFRS 3 (Revised 2008) "Business Combinations"

IFRS 3 (Revised 2008) has been applied prospectively from 1 January 2010. Its application has affected the accounting for the acquisition of 70.19% of the equity interest in Konca Solar Cell Co., Ltd. ("Konca Solar"), a joint stock limited liability company incorporated in the PRC during the current period.

The impact of adoption of IFRS 3 (Revised 2008) has been:

- It allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority" interests). In the current period, in accounting for the acquisition of 70.19% of the issued capital of Konca Solar, the Group has elected to measure the non-controlling interests at the proportionate share of net identifiable assets of the acquiree. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the excess of the consideration over the Group's share of the fair value of the identifiable net assets of the acquiree acquired;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

IFRS 3 (Revised 2008) "Business Combinations" *(Continued)*

- It changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, whereas under the revised standard the consideration for the acquisition includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against the cost of the acquisition only to the extent that:

  i) they reflect fair value at the acquisition date, and

  ii) they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the standard, adjustments to consideration were always made against the cost of the acquisition; and

- It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised approximately HK$2,623,000 of such costs as an expense in profit or loss for current period and approximately HK$6,000,000 for the year ended 31 December 2009 respectively, whereas previously they would have been accounted for as part of the cost of the acquisition.

IAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under IAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

The revised standard is expected to affect the accounting for changes in ownership interests in future accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendment to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The application of the amendment to IAS 17 has no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

In addition, the Group entered into a finance lease arrangement in relation to sale and leaseback of certain property, plant and equipment as well as change of presentation currency during the current period and applied the following new accounting policies.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the condensed consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Sale and leaseback resulting in a finance lease

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

Translation of functional currency to presentation currency

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs 2010[3]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Right Issues[1]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
IFRS 9	Financial Instruments[5]
IFRIC-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[4] Effective for annual periods beginning on or after 1 January 2011

[5] Effective for annual periods beginning on or after 1 January 2013

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Solar Group carried out manufacturing and sale of polysilicon and related products in the PRC and this operation is considered as a single operating segment. Accordingly, no analysis by segment information for Solar Group was presented for the six months ended 30 June 2009.

Upon the completion of the Acquisition, the power business carried out by the Company and its subsidiaries immediately prior to the Acquisition (the "Power Group") is deemed to be acquired on 31 July 2009 which constitutes a new operating segment of the Group since then. For the purpose of resources allocation and performance assessment, the chief operating decision makers ("CODM") (the presidents of Power Group and Solar Group) review operating results and financial information of the two operating divisions, i.e. Power Group and Solar Group, separately. Each operating division represents an operating segment. Accordingly, as described in the Company's 2009 annual report, the Group's operating segments for the six months ended 30 June 2010 are as follows:

(a) Solar business – manufacture and sale of polysilicon and wafer to companies operating in the solar industry.

(b) Power business – development, construction, management and operation of power plants and sales of coals. The power plants include coal fuelled cogeneration plants, resources comprehensive utilisation cogeneration plants, gas fuelled cogeneration plants, biomass fuelled cogeneration plants, an incineration plant, a wind power plant and a solar farm.

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

Six months ended 30 June 2010

	Solar business	**Power business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue from external customer	3,648,460	2,145,810	5,794,270
Segment profit	769,321	116,011	885,332
Unallocated expenses			(13,817)
Profit for the period			871,515

3. SEGMENT INFORMATION *(CONTINUED)*

Segment profit represents profit earned by each segment excluding amortisation of fair value adjustments arising from acquisitions of subsidiaries and share option expenses incurred by the Group. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment starting from 1 January 2010.

The measurement basis for segment profit is consistent with 2009. Except that during the current interim period, the management has allocated the corporate expenses incurred and management fee income and consultancy fee income earned by the Group's management companies and investment holding companies to the two operating segments provided that such expenses and income are specifically incurred and earned by the respective operating segment.

4. REVENUE

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
An anlaysis of the Group's revenue is as follow:		
Sales of polysilicon	**2,091,023**	1,192,852
Sales of wafer	**1,409,945**	31,921
Sales of electricity	**1,290,202**	–
Sales of steam	**664,451**	–
Sales of coal	**191,157**	–
Sales of others	**147,492**	41,454
	5,794,270	1,266,227

Sales of others comprise the sales of ingot, cells and processing fees.

5. OTHER INCOME

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Government grants *(Note)*	**113,692**	15,481
Consultancy fee income	**27,484**	–
Bank interest income	**16,332**	7,557
Sales of scrap materials	**16,569**	706
Waste processing management fee	**13,582**	–
Management fee income	**8,226**	–
Rental income	**1,523**	–
Interest income from related companies	**2,106**	6,758
Exchange gain, net	**–**	1,926
Others	**8,780**	–
	208,294	32,428

Note: Government grant include subsidies received from the relevant PRC Government for improvement of working capital, finance costs incurred and electricity price subsidy, etc. There were no specific conditions attached to the grants and, therefore, the Group recognised the grants as income upon receipt. The subsidies were granted on a discretionary basis to the Group during the period. The government grant income also includes amortization of subsidies related to property, plant and equipment and value-added tax refund related to depreciable assets which was deferred over the estimated useful lives of the relevant assets.

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6. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest on:		
Bank borrowings	**293,837**	127,145
Discounted bills	**9,814**	–
Loan from related companies	**3,957**	–
Other finance costs	**10,491**	–
Total borrowing costs	**318,099**	127,145
Less: Interest capitalised *(Note)*	**(37,032)**	(116,053)
	281,067	11,092

Note: Borrowing cost capitalised during the six months ended 30 June 2010 arose on the general borrowings pool and are calculated by applying a capitalisation rate of 4.53% (Six months ended 30 June 2009: 4.31%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
PRC Enterprise Income Tax ("EIT")		
Current tax	**175,117**	143
Overprovision in prior periods	**(1,887)**	–
	173,230	143
Dividend withholding tax	**449**	10,215
Deferred tax	**54,786**	12,992
	228,465	23,350

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

7. INCOME TAX EXPENSE *(CONTINUED)*

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

Pursuant to the relevant laws and regulations in the PRC, certain foreign investment enterprises are exempted from PRC EIT for two years starting from their first profit making year, followed by a 50% reduction for the next three years.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No.39) (the "New Law"), those entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period. The tax exemption and reduction from EIT for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Law based on the revised income tax rate.

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

The subsidiaries in jurisdictions other than the PRC have no assessable profits for the period. No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for the period.

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC resident immediate holding company registered in Hong Kong and the British Virgin Islands, respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008. Accordingly, a provision for dividend withholding tax of approximately HK$47,440,000 has been recognised for the six months ended 30 June 2010 (six months ended 30 June 2009: HK$14,682,000, restated).

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For the six months ended 30 June 2010

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**479,757**	112,727
Amortisation of prepaid lease payments	**7,728**	712
Amortisation of other intangible assets (included in administrative expenses)	**423**	–
Total depreciation and amortisation	**487,908**	113,439
Add/(less): Change in amounts included in inventories	**6,969**	(9,264)
Total depreciation and amortisation charged to profit or loss	**494,877**	104,175
Cost of inventories recognised as expenses	**3,937,396**	739,740
Loss on disposal of property, plant and equipment	**374**	–
Exchange loss (gain), net	**29,799**	(1,926)
Research and development cost recognised as expenses (included in other expenses)	**2,265**	2,935

9. DIVIDENDS

The directors of the Company do not recommend the payment of interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Earnings for the purpose of calculation of basic earnings per share for the period attributable to owners of the Company	**787,635**	399,950
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible redeemable preferred shares	**–**	8,320
Earnings for the purpose of calculation of diluted earnings per share	**787,635**	408,270

	Six months ended 30 June	
	2010	2009
	'000	*'000*
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**15,471,655**	9,505,177
Effect of dilutive potential ordinary shares on:		
Convertible redeemable preferred shares	**–**	161,931
Share options	**27,310**	485,785
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**15,498,965**	10,152,893

10. EARNINGS PER SHARE *(CONTINUED)*

	Six months ended 30 June	
	2010	2009
	HK	*HK*
	(Unaudited)	(Unaudited)
		(Restated)
Basic earnings per share	**5.09 cents**	4.21 cents
Diluted earnings per share	**5.08 cents**	4.02 cents

The weighted average number of shares used for the purpose of calculating earnings per share for the six months ended 30 June 2009 reflected the Solar Group's weighted average number of ordinary shares during the period multiplied by the exchange ratio established in the Acquisition.

The computation of diluted earnings per share for the period ended 30 June 2009 based on the assumption that there is no conversion of the convertible loan notes since the number of shares to be converted cannot be estimated reliably by management of GCL Solar as the conversion could take place only upon occurrence of a qualifying initial public offering of GCL Solar's shares.

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying values
	HK$'000
At 1 January 2010 (Restated)	15,573,737
Additions	3,265,470
Acquired on acquisition of subsidiaries *(Note 26)*	791,285
Depreciation for the period	(479,757)
Disposals	(700)
Exchange realignment	168,399
At 30 June 2010 (Unaudited)	19,318,434

During the six months ended 30 June 2010, the Group spent approximately HK$2,952.6 million (six months ended 30 June 2009: HK$2,240.0 million, restated) on construction of polysilicon and wafer production facilities in the PRC in order to enlarge its polysilicon and wafer production capacities.

12. GOODWILL

	Carrying values *HK$'000*
At 1 January 2010 (Restated)	545,485
Acquired on acquisition of subsidiaries *(Note 26)*	529,035
Exchange realignment	9,200
At 30 June 2010 (Unaudited)	1,083,720

Note: The fair values of the consideration and the assets and liabilities of the subsidiaries are measured based on provisional fair values and are subject to change pending finalisation of the identification and valuation of identifiable assets and liabilities of the subsidiaries acquired and the valuation of the consideration. The finalisation of those valuations could affect the amounts of the consideration and the amounts assigned to the assets, liabilities and the related depreciation/amortisation charges for assets and the amount of goodwill on acquisition of these subsidiaries.

13. INTERESTS IN ASSOCIATES

	As at 30 June 2010 ***HK$'000*** **(Unaudited)**	As at 31 December 2009 *HK$'000* (Restated)
Unlisted investments in associates, at cost	**205,102**	221,487
Share of post-acquisition profits, net of dividends received	**10,308**	9,875
Exchange realignment	**2,329**	283
Carrying amounts of interests in associates	**217,739**	231,645

The carrying amounts of interests in associates have been reduced by dividends declared of approximately HK$25,814,000 in the current period, including pre-acquisition dividend of approximately HK$16,385,000 which is deducted from the cost of investment. The dividend receivable is included in amounts due from related companies.

14. DEPOSITS FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

The increase in deposit for acquisitions of property, plant and equipment is due to deposits made for the improvement and expansion of the construction of the Group's production of wafer and polysilicon production facilities.

15. PLEDGED AND RESTRICTED DEPOSITS

Pledged Bank Deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$46,424,000 (31.12.2009: HK$327,385,000, restated) have been pledged to secure bills and notes payables and short-term borrowings granted to the Group and are therefore classified as current assets. Deposits amounting to approximately HK$90,339,000 (31.12.2009: HK$78,730,000, restated) have been pledged to secure long-term borrowings granted to the Group and are therefore classified as non-current assets.

Pledged Deposits

Pledged deposit amounting to approximately HK$28,657,000 (31.12.2009: Nil) has been placed to the lessor under the sale and finance lease back agreement as disclosed in note 20 and is therefore classified as non-current assets.

Restricted Bank Deposits

Restricted bank deposits amounting to approximately HK$1,449,351,000 (31.12.2009: HK$476,327,000, restated) have been restricted to secure short-term letters of credit for purchase of property, plant and equipment and are therefore classified as current assets. Deposits amounting to approximately HK$147,009,000, restated, as at 31.12.2009 (30.06.2010: Nil) had been restricted to guarantee the long-term technical improvement contracts were contractors and were therefore classified as non-current assets.

16. TRADE AND OTHER RECEIVABLES

The Group generally allows a credit period ranging from 0 to 90 days for trade receivables and 0 to 180 days for bills receivables. The following is an aged analysis of trade receivables and bills receivables (trade), net of allowances for doubtful debts, presented based on the invoice date:

	As at 30 June 2010	As at 31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Trade receivables:		
0 – 90 days	**1,197,031**	802,431
91 – 180 days	**41,436**	169,982
Over 180 days	**69,729**	428
	1,308,196	972,841
Bills receivables – trade:		
0 – 90 days	**240,351**	105,006
91 – 180 days	**449,080**	159,467
	689,431	264,473
Entrusted loan receivables	**129,529**	119,253
Value-added-tax and other tax receivables	**331,398**	48,989
Prepayments	**196,818**	97,750
Other receivables	**184,487**	66,167
	2,839,859	1,569,473

The increase in value-added-tax and other tax receivables are mainly due to the increase in such taxes for the procurement of domestic plant and machineries manufactured in the PRC as disclosed in note 11.

The increase in prepayments is mainly due to the increase in advances to constructors for construction projects.

Included in bills receivables are discounted bills with recourse of approximately HK$243,425,000 (2009: HK$143,376,000, restated).

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17. BALANCES WITH RELATED COMPANIES

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Restated)
Amounts due from related companies:		
Trade-related	8,190	2,941
Non-trade related *(Note)*	44,074	11,917
	52,264	14,858
Loans to related parties:		
Unsecured, interest bearing at 5.31% per annum and repayable on 28 May 2011	61,760	–
Unsecured, interest bearing at 5.841% per annum and repayable on 9 April 2010	–	79,116
	61,760	79,116
Amounts due to related companies:		
Trade-related	113,549	82,098
Non-trade related	52,943	57,288
	166,492	139,386
Loans from related parties:		
Unsecured, interest bearing at 9.5% per annum and repayable on 19 October 2010	229,255	–
Unsecured, interest bearing at 5.481% per annum and repayable on 22 January 2010	–	56,787
	229,255	56,787

Note: The increase in amounts due from related companies is mainly arisen from the increase in dividend receivable from an associate of approximately HK$25.8 million.

The trade-related balances with related companies are unsecured, non-interest bearing and with credit terms of 90 days.

18. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables and bills and notes payables (trade) presented based on the invoice date:

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Restated)
Trade payables:		
0 – 90 days	**597,079**	283,449
91 – 180 days	**33,924**	13,050
Over 180 days	**52,589**	21,116
	683,592	317,615
Bills and notes payables (trade):		
0 – 90 days	**12,263**	–
91-180 days	**13,474**	22,715
	25,737	22,715
Construction payables	**2,170,852**	1,595,176
Other payables and accruals	**528,098**	460,043
	3,408,279	2,395,549

Other payables and accruals mainly represent dividend payables to non-controlling shareholders of subsidiaries, other tax payables, interest payables and accruals.

The increase in construction payables was mainly due to the expansion in polysilicon's capacities and in-house wafer manufacturing plants.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

19. BANK BORROWINGS

	As at 30 June 2010	As at 31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Short-term bank borrowings	**5,157,703**	3,700,665
Long-term bank borrowings		
due within one year	**2,382,153**	1,332,080
due after one year	**4,313,624**	3,539,711
	11,853,480	8,572,456
Less: Amounts due within one year shown under current liabilities	**(7,539,856)**	(5,032,745)
Amounts due after one year	**4,313,624**	3,539,711
Representing:		
Secured	**4,304,691**	4,684,445
Unsecured	**7,548,789**	3,888,011
	11,853,480	8,572,456

Certain borrowings are guaranteed by non-controlling shareholders of subsidiaries and related companies in which the major shareholder of the Company has beneficial interests. Certain borrowings are secured by property, plant and equipment, prepaid lease payments and bank deposits.

The increase in bank borrowings was mainly due to the fund utilised for the expansion of polysilicon's production facilities, in-house wafer manufacturing and solar farm.

20. OBLIGATIONS UNDER FINANCE LEASE

During the six months ended 30 June 2010, the Group entered into a sale and leaseback agreement with a lessor in respect of certain of its manufacturing equipment.

	As at 30 June 2010 *HK$'000* (Unaudited)
Analysed for reporting purposes as:	
Current liabilities	29,560
Non-current liabilities	192,818
	222,378

	As at 30 June 2010	
	Minimum lease payments *HK$'000* (Unaudited)	**Present value of minimum lease payments** *HK$'000* (Unaudited)
Amounts payable under finance leases		
Within one year	37,602	29,560
In more than one year but not more than two years	50,595	41,668
In more than two years but not more than five years	164,778	151,150
	252,975	222,378
Less: future finance charges	(30,597)	N/A
Present value of lease obligations	222,378	222,378
Less: Amount due for settlement within 12 months (shown under current liabilities)		(29,560)
Amount due for settlement after 12 months		192,818

The lease term is 5 years. Interest rate underlying the obligation under finance lease is fixed at contract date of approximately 4.896%. The effective interest rate is 6.126% after considering the effect of initial direct costs.

The Group's obligations under finance leases are secured by a charge over the leased assets and a deposit of approximately HK$28.7 million made to lessor at the inception of the lease.

21. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities mainly represent the deferred tax liabilities recognised on the aggregate amount of temporary differences associated with the undistributed earnings of the PRC subsidiaries. For the six months ended 30 June 2010, an amount of deferred tax expenses of approximately HK$47,440,000 (six months ended 30 June 2009: HK$14,682,000, restated) for provision of dividend withholding tax has been recognised in profit or loss.

22. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Issued and fully paid:		
At 1 January 2010 (Restated)	15,471,549	1,547,155
Exercise of share options *(Note)*	224	22
At 30 June 2010 (Unaudited)	15,471,773	1,547,177

Note: During the six months ended 30 June 2010, share options holders exercised their rights to subscribe for 224,000 ordinary shares in the Company at HK$0.59 per share, with the net proceeds of approximately HK$132,000.

All shares rank pari passu with other shares in issue in all respects.

23. SHARE-BASED PAYMENT TRANSACTIONS

Save as disclosed in the Company's 2009 annual report relating to the share-based payment transactions, there is no material change for the six months ended 30 June 2010, except for the following.

Movements of share options granted during the period are as follows:

			Number of share options			
	Exercise price	Date of grant	Outstanding at 1 January 2010	During the period Exercised	During the period Forfeited	Outstanding at 30 June 2010
Directors	HK$4.1	13.11.2007	7,680,000	–	–	7,680,000
	HK$0.59	16.02.2009	9,880,000	–	–	9,880,000
Employees and others	HK$4.1	13.11.2007	19,280,000	–	(200,000)	19,080,000
	HK$0.59	16.02.2009	29,066,000	(224,000)	(200,000)	28,642,000
	HK$1.054	24.04.2009	3,040,000	–	–	3,040,000
			68,946,000	(224,000)	(400,000)	68,322,000

During the six months ended 30 June 2010, an amount of relevant share option expense of approximately HK$6,537,000 (six months ended 30 June 2009: Nil) has been recognised in profit or loss.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the period was HK$1.82 (six months ended 30 June 2009: Nil) per share.

24. CAPITAL COMMITMENTS

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Restated)
Capital expenditure in respect of acquisitions of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**3,636,791**	1,994,987
Capital expenditure in respect of acquisitions of property, plant and equipment authorised but not contracted for	**394,044**	4,136,209

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25. CONTINGENCIES

As at 30 June 2010, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately HK$36,681,000 (31.12.2009: HK$36,344,000, restated), of which approximately HK$36,681,000 (31.12.2009: HK$36,344,000, restated) has been utilised by the associate. The directors considered that the fair value of the financial guarantees at the date of inception is immaterial.

26. ACQUISITION OF SUBSIDIARIES

On 8 January 2010, the Group entered into the acquisition agreements to acquire an aggregate effective interest of 70.19% of the equity interest in Konca Solar for consideration of RMB854,100,000 (equivalent to approximately HK$971,429,000) through the acquisitions of 91.97% of issued share capital of Konca Enterprises Limited and 100% of registered capital in each of 無錫德祥資產管理有限公司 Wuxi Dexiang Asset Management Co., Ltd.* and 無錫德潤投資有限公司 Wuxi Derun Investment Co., Ltd.* by the Company and its subsidiary (the "Konca Solar Acquisition"). The Konca Solar Acquisition was completed on 30 March 2010. Details of the acquisition were set out in the announcements of the Company dated 8 January 2010 and 28 January 2010 and the circular dated 12 February 2010.

Konca Solar is principally engaged in the development, management and manufacturing of the wafers in the solar industry. It was acquired with the objective of enhancing the Group's in-house wafer production capabilities and strengthens its vertical integral processes by making use of its self-produced polysilicon as raw materials resulting in better quality assurance.

The Konca Solar Acquisition has been accounted for using the purchase method.

* English name for identification only

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets and Liabilities Recognised at the Date of Acquisition

The assets and liabilities recognised at the date of acquisition, and the goodwill arising, are as follows:

	Provisional fair values *HK$'000* (Unaudited)
Non-current assets	
Property, plant and equipment	791,285
Prepaid lease payments	17,975
Deposits for acquisitions of property, plant and equipment	2,627
Current assets	
Inventories	217,023
Trade and other receivables	446,205
Prepaid lease payments	392
Amounts due from related companies	3,406
Pledged and restricted deposits	125,581
Cash and cash equivalents	268,065
Current liabilities	
Trade and other payables	(411,697)
Amounts due to related companies	(68,208)
Loans from related companies	(79,616)
Tax payables	(14,639)
Bank borrowings	(654,207)
Non-current liability	
Deferred tax liabilities	(12,129)
	632,063

The fair values of the assets, liabilities and contingent liabilities of the subsidiary acquired, and the goodwill arising on the acquisition, if any, are measured based on provisional values and are subject to change pending the finalisation of the professional valuations. The finalisation of those valuations, could affect the amounts assigned to the assets, liabilities and the related depreciation and amortisation charges for the assets and the amount of goodwill on acquisition of the subsidiaries.

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets and Liabilities Recognised at the Date of Acquisition *(Continued)*

The receivables acquired (which principally comprised trade receivables) with a fair value of approximately HK$446,205,000 had gross contractual amounts of approximately HK$446,205,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is Nil.

Acquisition related costs amounting to approximately HK$2,623,000 in current period (HK$6,000,000 in the year ended 31 December 2009) have been excluded from the cost of acquisition and have been recognised as an expense included in other expenses in the condensed consolidated statement of comprehensive income.

Non-controlling Interests

The non-controlling interest of 29.81% in Konca Solar recognised at the acquisition date amounted to approximately HK$189,669,000 and was measured at the non-controlling interest's proportionate share of Korea Salar's identifiable net assets.

Goodwill Arising on Acquisition

	HK$'000 (Unaudited)
Consideration transferred	971,429
Plus: non-controlling interest	189,669
Less: fair value of identifiable net assets acquired	(632,063)
Goodwill arising on acquisition	529,035

The amount of goodwill determined provisionally arising as a result of the Konca Solar Acquisition was approximately HK$529,035,000. Goodwill arose on the acquisition of Konca Solar because the cost of the combination included a control premium and the assembled workforce of Konca Solar. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Solar business. These benefits are not recognised separately from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net Cash Outflow Arising on Acquisition

	HK$'000 (Unaudited)
Consideration paid in cash	971,429
Less: cash and cash equivalents	(268,065)
	703,364

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

Impact of Acquisition on the Results of the Group

Included in the profit for the interim period is approximately HK$116.4 million attributable to Konca Solar. Revenue for the period includes approximately HK$795.6 million in respect of Konca Solar.

Had the acquisition of Konca Solar been effected at 1 January 2010, the revenue of the Group for the six months ended 30 June 2010 would have been approximately HK$6,282.0 million, and the profit for the period would have been approximately HK$831.5 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

27. EVENTS AFTER THE END OF REPORTING PERIOD

The Board of Directors of the Company has approved in July 2010 to invest an additional US$300 million in the silicon wafer business with an additional capacity of approximately 1GW in the PRC. The new investment allows the Company to expand further in its silicon wafer business in producing monocrystalline wafers and multicrystalline wafers, which will be sold as semi-finished materials to cells and modules manufacturers. The scope of production will include the pulling of monocrystalline silicon ingots and molding of multicrystalline silicon ingots, as well as the slicing and grinding of the monocrystalline and multicrystalline silicon wafers. The new production facility with approximately 1 GW of capacity will be constructed in Jiangsu Province, the PRC and is expected to be fully ramped up by end of this year. The new US$300 million investment will be funded by the Group's or internal resources or new banking facilities.

In August 2010, the Company has entered into a facility agreement with a bank in relation to the facility in an aggregate amount of US$300 million for a term of three years to the Company for the purpose of general corporate funding requirements of the Group.

28. RELATED PARTY TRANSACTIONS

During the period, the major related party transactions of the Group are as follow:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Transactions with related companies in which directors of the Company have beneficial interests:		
Sales of coal	**88,773**	–
Consultancy service fee expense	**–**	5,675
Management fee income	**7,546**	–
Management fee expenses	**4,005**	16,423
Rental expense	**1,895**	–
Construction related services expense	**83,147**	282,614
Purchase of coal	**1,568**	–
Purchase of steam	**183,865**	122,862
Purchase of property, plant and equipment	**2,689**	–
Interest income	**1,177**	6,758
Interest expenses	**3,928**	–
Transactions with associates:		
Sales of coal	**16,819**	–
Transactions with shareholders of subsidiaries:		
Rental expense	**1,993**	–

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

As at 30 June 2010, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") adopted by the Company:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of director/ chief executive	Number of ordinary shares held			Number of underlying shares	Total	Approximate percentage of issued share capital
	Beneficiary of a trust	Corporate interests	Personal interests			
Zhu Gong Shan	5,015,343,327 *(note 1)*	–	–	–	5,015,343,327	32.42%
Sha Hong Qiu	–	–	1,000,000	3,360,000 *(note 2)*	4,360,000	0.03%
Ji Jun	–	–	–	3,000,000 *(note 2)*	3,000,000	0.02%
Shu Hua	–	–	1,200,000	3,000,000 *(note 2)*	4,200,000	0.03%
Yu Bao Dong	–	19,832,032 *(note 3)*	1,112,000	3,000,000 *(note 2)*	23,944,032	0.15%
Sun Wei	–	–	2,843,000	3,000,000 *(note 2)*	5,843,000	0.04%
Tong Yee Ming	–	–	-	1,200,000 *(note 2)*	1,200,000	0.01%
Zhu Yu Feng	5,015,343,327 *(note 1)*	–	–	1,000,000 *(note 2)*	5,016,343,327	32.42%

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

Notes:

(1) An aggregate of 5,015,343,327 shares of the Company are collectively held by Highexcel Investments Limited and Happy Genius Holdings Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust by Credit Suisse Trust Limited for Mr. Zhu Gong Shan and his family, including Mr. Zhu Yu Feng, a Director and the son of Mr. Zhu Gong Shan.

(2) These are share options granted by the Company to the Directors, pursuant to the pre-IPO share option scheme and the share option scheme, both adopted by the shareholders of the Company on 22 October 2007. Such granted share options can be exercised by the Directors at various intervals during the period from 1 April 2009 to 15 February 2019 at an exercise price of HK$4.10 or HK$0.59.

(3) Mr. Yu Bao Dong is the ultimate beneficial owner of Bonus Billion Group Limited ("Bonus Billion") and Joy Big Holdings Limited ("Joy Big"). Each of Bonus Billion and Joy Big holds 6,108,934 shares and 13,723,098 shares of the Company respectively as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept under Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OPTION SCHEMES

(i) Pre-IPO share option scheme

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

Details of the pre-IPO share options outstanding and movements during the six months ended 30 June 2010 (the "Period") are as follows:

				Number of options				
Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Outstanding as at 01.01.2010	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2010
Directors/chief executive								
Sha Hong Qiu	13.11.2007	13.11.2010 to 12.11.2017	4.10	336,000	–	–	–	336,000
		13.11.2011 to 12.11.2017	4.10	504,000	–	–	–	504,000
		13.11.2012 to 12.11.2017	4.10	840,000	–	–	–	840,000
Ji Jun	13.11.2007	13.11.2010 to 12.11.2017	4.10	300,000	–	–	–	300,000
		13.11.2011 to 12.11.2017	4.10	450,000	–	–	–	450,000
		13.11.2012 to 12.11.2017	4.10	750,000	–	–	–	750,000
Shu Hua	13.11.2007	13.11.2010 to 12.11.2017	4.10	300,000	–	–	–	300,000
		13.11.2011 to 12.11.2017	4.10	450,000	–	–	–	450,000
		13.11.2012 to 12.11.2017	4.10	750,000	–	–	–	750,000

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

				Number of options				
Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Outstanding as at 01.01.2010	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2010
Yu Bao Dong	13.11.2007	13.11.2010 to 12.11.2017	4.10	300,000	–	–	–	300,000
		13.11.2011 to 12.11.2017	4.10	450,000	–	–	–	450,000
		13.11.2012 to 12.11.2017	4.10	750,000	–	–	–	750,000
Sun Wei	13.11.2007	13.11.2010 to 12.11.2017	4.10	300,000	–	–	–	300,000
		13.11.2011 to 12.11.2017	4.10	450,000	–	–	–	450,000
		13.11.2012 to 12.11.2017	4.10	750,000	–	–	–	750,000
Non-director employees (in aggregate)	13.11.2007	13.11.2010 to 12.11.2017	4.10	3,856,000	–	(40,000)	–	3,816,000
		13.11.2011 to 12.11.2017	4.10	5,784,000	–	(60,000)	–	5,724,000
		13.11.2012 to 12.11.2017	4.10	9,640,000	–	(100,000)	–	9,540,000
Total				**26,960,000**	**–**	**(200,000)**	**–**	**26,760,000**

Note: the consideration for the pre-IPO Share Options granted to each participant is HK$1.00.

During the Period, a total of 200,000 option shares were lapsed and no option was forfeited nor exercised.

(ii) Share option scheme

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

During the Period, no options was granted by the Company, a total of 200,000 option shares were lapsed, 224,000 option shares were exercised and there were 41,562,000 option shares outstanding as at 30 June 2010.

				Number of options				
Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Outstanding as at 01.01.2010	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2010
Directors/chief executive								
Sha Hong Qiu	16.2.2009	01.04.2009 to 15.02.2019	0.59	336,000	–	–	–	336,000
		16.02.2010 to 15.02.2019	0.59	336,000	–	–	–	336,000
		16.02.2011 to 15.02.2019	0.59	336,000	–	–	–	336,000
		16.02.2012 to 15.02.2019	0.59	336,000	–	–	–	336,000
		16.02.2013 to 15.02.2019	0.59	336,000	–	–	–	336,000

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

Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Number of options: Outstanding as at 01.01.2010	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2010
Ji Jun	16.2.2009	01.04.2009 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2010 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2011 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2012 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2013 to 15.02.2019	0.59	300,000	–	–	–	300,000
Shu Hua	16.2.2009	01.04.2009 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2010 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2011 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2012 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2013 to 15.02.2019	0.59	300,000	–	–	–	300,000
Yu Bao Dong	16.2.2009	01.04.2009 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2010 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2011 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2012 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2013 to 15.02.2019	0.59	300,000	–	–	–	300,000

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

Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Number of options: Outstanding as at 01.01.2010	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2010
Sun Wei	16.2.2009	01.04.2009 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2010 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2011 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2012 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2013 to 15.02.2019	0.59	300,000	–	–	–	300,000
Tong Yee Ming	16.2.2009	16.02.2010 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2011 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2012 to 15.02.2019	0.59	300,000	–	–	–	300,000
		16.02.2013 to 15.02.2019	0.59	300,000	–	–	–	300,000
Zhu Yu Feng	16.2.2009	01.04.2009 to 15.02.2019	0.59	200,000	–	–	–	200,000
		16.02.2010 to 15.02.2019	0.59	200,000	–	–	–	200,000
		16.02.2011 to 15.02.2019	0.59	200,000	–	–	–	200,000
		16.02.2012 to 15.02.2019	0.59	200,000	–	–	–	200,000
		16.02.2013 to 15.02.2019	0.59	200,000	–	–	–	200,000

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

Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Number of options: Outstanding as at 01.01.2010	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2010
Non-director employees (in aggregate)	16.2.2009	01.04.2009 to 15.02.2019	0.59	5,226,000	–	(40,000)	(80,000)	5,106,000
		16.02.2010 to 15.02.2019	0.59	5,960,000	–	(40,000)	(144,000)	5,776,000
		16.02.2011 to 15.02.2019	0.59	5,960,000	–	(40,000)	–	5,920,000
		16.02.2012 to 15.02.2019	0.59	5,960,000	–	(40,000)	–	5,920,000
		16.02.2013 to 15.02.2019	0.59	5,960,000	–	(40,000)	–	5,920,000
	24.4.2009	01.05.2009 to 23.04.2019	1.054	608,000	–	–	–	608,000
		24.04.2010 to 23.04.2019	1.054	608,000	–	–	–	608,000
		24.04.2011 to 23.04.2019	1.054	608,000	–	–	–	608,000
		24.04.2012 to 23.04.2019	1.054	608,000	–	–	–	608,000
		24.04.2013 to 23.04.2019	1.054	608,000	–	–	–	608,000
Total				**41,986,000**	**–**	**(200,000)**	**(224,000)**	**41,562,000**

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

Interests and Short Positions of Substantial Shareholders

As at 30 June 2010, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as record in the register kept pursuant to Section 336 of the SFO:

Name	*Note*	Capacity/ nature of interest	Number of shares/ underlying shares	Approximate percentage of issued share capital of the Company
Asia Pacific Energy Fund Limited	*1*	Interest in a controlled corporation	5,015,343,327	32.42
Mandra Materials Limited	*2*	Beneficial interest	857,693,644	5.54
Chengdong Investment Corporation	*3*	Beneficial interest	3,108,163,054	20.09

Notes:

1. Highexcel Investments Limited and Happy Genius Holdings Limited collectively hold 5,015,343,327 shares of the Company, both of which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust by Credit Suisse Trust Limited for Mr. Zhu Gong Shan (a Director and Chairman of the Company) and his family, including Mr. Zhu Yu Feng, a Director and the son of Mr. Zhu Gong Shan.

2. Mr. Zhang Songyi is deemed to have an interest in 906,746,347 shares of the Company held by Mandra Materials Limited and Mandra Esop Limited. Mandra Materials Limited and Mandra Esop Limited are beneficially owned by Mr. Zhang Songyi and his family. Each of Mandra Materials Limited, Mandra Esop Limited and Mandra Silicon Limited holds 857,693,644, 49,052,703 and 187,025,199 shares of the Company respectively, are deemed to be parties acting in concert with Mr. Zhu Gong Shan. Mandra Silicon Limited is a wholly-owned company of Woo Foong Hong Limited, which is in turn wholly-owned by Moonchu Foundation for Culture & Education Limited (a tax exempt charity established, but not beneficially owned, by Mr. Zhang Songyi and his family).

3. China Investment Corporation ("CIC") is interested in approximately 3,111,103,054 shares of the Company, out of which Chengdong Investment Corporation (a wholly-owned subsidiary of CIC) owns 3,108,163,054 shares. Mr. Chau Kwok Man, Cliff and Ms. Bai Xiao Qing, both the non-executive directors of the Company, are currently employees of CIC.

4. The total number of ordinary shares of the Company in issue as at 30 June 2010 is 15,471,773,268.

Save as disclosed above that Mr. Zhu Gong Shan and Mr. Zhu Yu Feng are members of the beneficiaries of a discretionary trust which is a controlling shareholder of the Company, and Mr. Chau Kwok Man, Cliff and Ms. Bai Xiao Qing are employees of CIC, as at the date of this report, none of the Directors was a director or employee of a company or a beneficiary of a trust which has an interest or a short position in the shares or underlying shares that would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report of the Board has been set out in the Company's 2009 Annual Report. During the six months ended 30 June 2010, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules with the exception of the following areas:

(i) Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhu Gong Shan (the Chairman and a Director of the Company) was appointed as the Chief Executive Officer with effect from 1 September, 2009. As Mr. Zhu has more than ten years' experience in power business and is the founder of our Xuzhou polysilicon and wafer production base, the Board considers that it is appropriate to elect Mr. Zhu as the Chief Executive Officer. In view of the strong support and assistance given to Mr. Zhu by the Company's experienced and dedicated management team and executives, the Board is of the opinion that Mr. Zhu is able to discharge his responsibilities to manage the Board as well as the Group's businesses. The Board will continuously monitor and make new appointments when appropriate.

(II) Code Provision E.1.2

Code Provision E.1.2 states that the chairman of the board should attend the annual general meeting. As Mr. Zhu Gong Shan, Chairman of the Board, was out of town and unable to attend the annual general meeting of the Company held on 17 May, 2010, Mr. Tong Yee Ming (an executive Director and Chief Financial Officer of the Company) represented Mr. Zhu to chair the annual general meeting accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the model code for securities transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITOR'S AND AUDIT COMMITTEE'S REVIEW

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2010 have been reviewed by Deloitte Touche Tohmatsu (the auditor of the Company) and the audit committee of the Company, which consists of three independent non-executive Directors, namely Mr. Yip Tai Him, Ir. Dr. Raymond Ho Chung Tai and Mr. Qian Zhi Xin. The audit committee expressed no disagreement with the accounting policies and principles adopted by the Group.

CHANGES IN INFORMATION ON DIRECTORS

Changes in information on the Directors of the Company subsequent to the date of the 2009 Annual Report that are required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules are as follows:–

After the remuneration committee carried out a review of the annual base compensation of the executive Directors with reference to the market remuneration in retaining high-calibre individuals and their respective scope of work, the committee approved an adjustment in the annual base remuneration of certain Directors with effect from 1 January 2010. There has been no change to the basis of determining Directors' remuneration. Details of the approved annual remuneration was set out below:

Name of Director	Adjusted Annual Base Remuneration	Previous Annual Base Remuneration
Mr. Zhu Gong Shan	HK$5,000,000	HK$3,000,000
Mr. Sha Hong Qiu	HK$2,300,000	HK$1,878,000
Mr. Shu Hua	HK$2,000,000	HK$1,200,000
Mr. Yu Bao Dong	HK$1,500,000	HK$1,378,000

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

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

The Company (as borrower) entered into a facility agreement (the "Facility Agreement") dated 19 August 2010 with China Development Bank Corporation Hong Kong Branch (the "Bank", as lender) in relation to the provision of a facility in an aggregate amount equal to US$300 million for a term of three years (the "Facility") to the Company.

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

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

Corporate Information

CHAIRMAN & CHIEF EXECUTIVE OFFICER
Zhu Gong Shan

EXECUTIVE DIRECTORS
Zhu Gong Shan
Sha Hong Qiu
Ji Jun
Shu Hua
Yu Bao Dong
Sun Wei
Tong Yee Ming
Zhu Yu Feng

NON-EXECUTIVE DIRECTORS
Chau Kwok Man, Cliff
Bai Xiao Qing

INDEPENDENT NON-EXECUTIVE DIRECTORS
Qian Zhi Xin
Raymond Ho Chung Tai
Xue Zhong Su
Yip Tai Him

COMPOSITION OF BOARD COMMITTEES

Audit Committee
Yip Tai Him *(Chairman)*
Qian Zhi Xin
Raymond Ho Chung Tai

Remuneration Committee
Raymond Ho Chung Tai *(Chairman)*
Yip Tai Him
Qian Zhi Xin

Strategic Planning Committee
Raymond Ho Chung Tai *(Chairman)*
Zhu Gong Shan
Sha Hong Qiu
Ji Jun
Xue Zhong Su
Qian Zhi Xin

COMPANY SECRETARY
Chan Yuk Chun

AUTHORIZED REPRESENTATIVES
Yu Bao Dong
Tong Yee Ming

AUDITOR
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Certified Public Accountants
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Butterfield Fulcrum Group (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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