卡姆丹克太陽能系統集團有限公司
Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 712

2010
ANNUAL REPORT

Contents

Corporate Information

Directors

Executive Directors

Mr. John Zhang

Mr. Chau Kwok Keung

Mr. Shi Cheng Qi

Non-executive Director

Mr. Phen, Chun Shing Vincent

Independent non-executive Directors

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Mr. Leung Ming Shu

Company secretary

Mr. Chau Kwok Keung (HKICPA, ACCA, CFA)

Authorised representatives

Mr. John Zhang

Mr. Chau Kwok Keung

Audit committee

Mr. Leung Ming Shu *(Chairman)*

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Nomination committee

Mr. John Zhang *(Chairman)*

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Remuneration committee

Mr. John Zhang *(Chairman)*

Mr. Kang Sun

Mr. Leung Ming Shu

Registered office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Headquarter

16 Yuan Di Road

Nanhui Industrial Zone

Shanghai 201314

PRC

Principal place of business in Hong Kong

Suite 28

35/F, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Company's website

www.comtecsolar.com

Compliance adviser

Piper Jaffray Asia Limited

Suite 1308

13/F, Two Pacific Place

88 Queensway

Admiralty

Hong Kong

Auditor

Deloitte Touche Tohmatsu

Legal Advisers as to Hong Kong Law

Orrick, Herrington & Sutcliffe

Principal banks

Agricultural Bank of China

Corporate Information- Continued

Cayman Islands principal share registrar and transfer office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Financial Summary

Results	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
	For the year ended 31 December				
Turnover	135,416	349,064	762,103	506,876	**1,021,371**
Profit before interest expenses and taxation	73,953	162,956	172,860	37,999	**270,492**
Interest expense	(356)	(808)	(6,295)	(6,669)	**(7,401)**
Profit before taxation	73,597	162,148	166,565	31,330	**263,091**
Taxation	(9,762)	(14,797)	(35,086)	(6,389)	**(40,151)**
Profit and total comprehensive income for the year, attributable to the owners of the Company	63,835	147,351	131,479	24,941	**222,940**

Assets and liabilities	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
	As at 31 December				
Total assets	233,682	615,781	817,261	1,410,675	**1,912,392**
Total liabilities	(125,391)	(467,580)	(257,344)	(349,050)	**(401,049)**
Net assets	108,291	148,201	559,917	1,061,625	**1,511,343**

Chairman Statement

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the audited annual results of the Group for the year ended 31 December 2010. During the year, our results were strong by all measures.

Here are some financial and business highlights for the year:

- Revenue for the year was RMB1,021.4 million (equivalent to HKD1,198.9 million), up 101.5 % year-on-year from RMB506.9 million for the year ended 31 December 2009;
- Gross profit for the year was RMB330.6 million (equivalent to HKD388.1 million), up 500.0 % year-on-year from RMB55.1 million for the year ended 31 December 2009;
- Gross profit margin for the year was 32.4%, improved from 10.9% for the year ended 31 December 2009;
- Net profit for the year was RMB222.9 million (equivalent to HKD261.6 million), up 795.2 % year-on-year from RMB24.9 million for the year ended 31 December 2009;
- Net profit margin for the year was 21.8%, improved from 4.9% for the year ended 31 December 2009;
- Our earning per share for the year was RMB21.0 cents (equivalent to HKD24.7 cents), up 556.3% year-on-year from RMB3.2 cents for the year ended 31 December 2009;
- We recorded a share-based compensation of approximately RMB38.0 million for the vesting of restricted shares granted before our listing of the Company's shares on the main board of the Stock Exchange (the "IPO") during the year ended 31 December 2010. Excluding this non-cash and one-off expense, our adjusted net profit would be approximately RMB260.9 million;
- Excluding the non-cash and one-off share-based compensation of approximately RMB38.0 million for the vesting of restricted shares, our adjusted earning per share would be RMB24.6 cents (equivalent to HKD28.9 cents).
- Overall shipment (including both sales and processing services) for the year was 175.3MW;
- Sales of our 156mm by 156mm monocrystalline solar wafer for the year represented 88.2% of total revenues, up from 46.3% for the corresponding period in 2009;
- The annualized production capacity has been expanded to approximately 600MW by the end of 2010; and
- The Group has been ranked by Green World Investor, a reputable green funds' blog, on 1 March 2011 as one of the world's top 10 solar wafer companies.

For the year ended 31 December 2010, we delivered record revenue as strong demand on our quality wafers coupled with improved pricing environment in the industry. Comtec's industry-leading brand recognition enabled us to capitalize on favorable industry demand and to deliver robust performance.

We pioneered to launch the 156 mm by 156 mm monocrystalline wafers since early 2007. For the year ended 31 December 2010, demand from our customers for our quality 156 mm by 156 mm wafers was strong. Sales of our 156 mm by 156 mm monocrystalline solar wafers in 2010 represented 88.2% of our total revenues, up from 46.3% for the corresponding period in 2009. We also obtained pilot orders for our 210 mm by 210 mm solar wafers during the year. In an increasingly competitive market of solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. The Comtec Solar brand is synonymous with quality. We maintain the strength of our brand by executing a stringent manufacturing process, tailoring our products to accommodate our customers' needs and leveraging on our extensive track record on superior product quality.

During 2010, our sales to PRC and Taiwan-based customers represented approximately 99.0% of our total revenue, comparing to 92.9% in the same period last year. We believe that the leading solar cell enterprises in Greater China region enjoy superior cost effectiveness compared to other market players, and thus it is our strategy to strengthen our business relationships with such leading solar cell companies with a view to create substantial value for the long-term development of the Group.

We also benefited from our continuous cost reduction efforts and efficient execution to improve the profitability in 2010. Our gross profit in 2010 was RMB330.6 million, up 500.0% year-on-year from RMB55.1 million for the corresponding period in 2009. Our gross margin in 2010 also improved to over 32.4% from 10.9% in the corresponding period in 2009. Our net profit in 2010 was RMB222.9 million, up approximately 795.2% year-on-year from RMB24.9 million for the corresponding period in 2009. Our net profit margin in 2010 expanded to over 21.8% from 4.9% in the corresponding period in 2009.

Owing to our continual efforts to improve technology and manufacturing process as well as supply chain management initiatives, the Group has been successful in reducing its cost of production. Our origin as a manufacturer of semiconductor ingots and wafers since 1999 provides us with a strong technical background which we have been able to utilize to attain high quality standards in the production of monocrystalline solar wafers. It enables us to keep improving the cost effectiveness of our production. Through the Company's diversified range of short, medium, and long-term supply contracts, our silicon costs during 2010 stayed competitive relative to the prevailing market spot price.

In response to strong market demand and customer requests on our premium products, which have high value-added features and are technically advanced, such as our 156 mm by 156 mm solar wafers, we are in the process of expanding our manufacturing capacity to support our customers' growth and their growing demand for our products. We have expanded our annualized production capacity to 600MW by the end of 2010. During the first half of 2011, we would gradually ramp up the newly installed capacity. Due to the strong demand on our quality wafers, we will further expand to approximately 1GW in the second half of 2011. The capital expenditures for expansion from 600MW to 1GW would be approximately RMB500 million.

In September 2010, the Company successfully closed a top up placement to issue 100 million new shares and raised a gross proceed of HK$230 million. The proceeds has contributed as funding for the Group's expansion and has further strengthened our financial position. Coupled with the strong cash flow from our operating activities and our disciplined capital expenditures, we maintained a net cash balance of approximately RMB123.7 million by the end of 2010.

At present, solar energy is still a relatively high cost method for generating power, compared to traditional sources. However, the cost of generating power of solar energy per watt had reduced substantially due to the decrease of polysilicon costs, continuous upgrading of production techniques and enhancement of operational effectiveness in the industry. The said reduction in polysilicon prices has accelerated the industry's progress towards grid-parity and created opportunities for the Group. We believe the demand on solar product is highly price-elastic. The continuous decrease on selling price driven by the cost reduction would sustain the strong prospects of the solar energy industry.

Currently, countries including Germany, Italy and Japan are the major end-markets. These countries are promoting solar generation by implementing proactive policies, such as government grants, leading to the fast development of the PV manufacturing industry. The PRC and the United States, being the largest energy consuming countries in the world, together with Greece, France, Australia and the Middle East are promising solar energy markets with substantial potential in the future. Regardless of the reduction of FiT (Feed-in Tariff) by various governments, the continuous cost reduction would fuel the robust growth of demand on solar products.

With our high-quality products, successful brand penetration, strong customer loyalties, powerful research and development capabilities and fast expanding capacity, we are confident in solidifying our leading position in the rapidly growing industry and further increasing our market shares. Looking ahead, we will remain focused on our core wafer business where we have demonstrated solid track records and established competitive advantages. We believe such focus will best position our Group in the fast growing and increasingly competitive market of solar products. With strong performance achieved in 2010 and solid strategies in place, we are confident to capture enormous opportunities in the upcoming era of clean and economical power of solar energy, to driving continued healthy growth for the Group in the future.

On 1 March 2011, the Group was ranked by Green World Investors, a reputable green funds' blog, as one of top 10 wafer companies in the world. We would fully focus on our core business to further strengthen our competitive advantage in the industry.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their support and trust in us, and also to our management and employees for their hard work. We look forward to creating greater value and return for our shareholders.

John Zhang
Chairman

Shanghai, 17 March 2011

Management Discussion and Analysis

Business Review

For the year ended 31 December 2010, we delivered record revenue as strong demand on our quality wafers coupled with improved pricing environment in the industry. During the year, our sales volume was approximately 165.5 MW (total shipment of approximately 175.3 MW, including both sales and processing services), increased from 81.6MW in 2009 by 102.9%, which was the highest shipments in our Group's history. Comtec's industry-leading brand recognition enabled us to capitalize on favorable industry demand and to deliver robust performance.

We pioneered to launch the 156 mm by 156 mm monocrystalline wafers since early 2007. For the year ended 31 December 2010, demand from our customers for our quality 156 mm by 156 mm wafers was strong. Sales of our 156 mm by 156 mm monocrystalline solar wafers in 2010 represented 88.2% of our total revenues, up from 46.3% for the corresponding period in 2009. We also obtained pilot orders for our 210 mm by 210 mm solar wafers during the year. In an increasingly competitive market of solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. The Comtec Solar brand is synonymous with quality. We maintain the strength of our brand by executing a stringent manufacturing process, tailoring our products to accommodate our customers' needs and leveraging on our extensive track record on superior product quality.

Our top five customers in 2010 represented approximately 60.5% of our total revenues, comparing to approximately 58.0% in the corresponding period last year. Our largest customer accounted for approximately 21.9% of our total revenues in 2010 while the largest customer represented approximately 17.2% in 2009. During 2010, our sales to PRC and Taiwan-based customers represented approximately 99.0% of our total revenue, comparing to 92.9% in the same period last year. We believe that the leading solar cell enterprises in Greater China region enjoy superior cost effectiveness compared to other market players, and thus it is our strategy to strengthen our business relationships with such leading solar cell companies with a view to create substantial value for the long-term development of the Group.

We also benefited from our continuous cost reduction efforts and efficient execution to improve the profitability in 2010. Our gross profit in 2010 was RMB330.6 million, up 500.0% year-on-year from RMB55.1 million for the corresponding period in 2009. Our gross margin in 2010 also improved to over 32.4% from 10.9% in the corresponding period in 2009. Our net profit in 2010 was RMB222.9 million, up approximately 795.2% year-on-year from RMB24.9 million for the corresponding period in 2009. Our net profit margin in 2010 expanded to over 21.8% from 4.9% in the corresponding period in 2009.

Owing to our continual efforts to improve technology and manufacturing process as well as supply chain management initiatives, the Group has been successful in reducing its cost of production. Our origin as a manufacturer of semiconductor ingots and wafers since 1999 provides us with a strong technical background which we have been able to utilize to attain high quality standards in the production of monocrystalline solar wafers. It enables us to keep improving the cost effectiveness of our production. Through the Company's diversified range of short, medium, and long-term supply contracts, our silicon costs during 2010 stayed competitive relative to the prevailing market spot price. Our average unit cost for polysilicon was approximately RMB351.5 per kg for the year ended 31 December 2010, as compared to approximately RMB501.2 per kg for the year ended 31 December 2009.

In response to strong market demand and customer requests on our premium products, which have high value-added features and are technically advanced, such as our 156 mm by 156 mm solar wafers, we are in the process of expanding our manufacturing capacity to support our customers' growth and their growing demand for our products. We have expanded our annualized production capacity to 600MW by the end of 2010. We will further expand to approximately 1GW in the second half of 2011.

In September 2010, the Company successfully closed a top up placement to issue 100 million new shares and raised a gross proceed of HK$230 million. The proceeds has contributed as funding for the Group's expansion and has further strengthened our financial position. Coupled with the strong cash flow from our operating activities and our disciplined capital expenditures, we maintained a net cash balance of approximately RMB123.7 million by the end of 2010.

At present, solar energy is still a relatively high cost method for generating power, compared to traditional sources. However, the cost of generating power of solar energy per watt had reduced substantially due to the decrease of polysilicon costs, continuous upgrading of production techniques and enhancement of operational effectiveness in the industry. The said reduction in polysilicon prices has accelerated the industry's progress towards grid-parity and created opportunities for the Group. We believe the demand on solar product is highly price-elastic. The continuous decrease on selling price driven by the cost reduction would sustain the strong prospects of the solar energy industry.

Currently, countries including Germany, Italy and Japan are the major end-markets of solar energy. These countries are promoting solar generation by implementing proactive policies, such as government grants, leading to the fast development of the PV manufacturing industry. The PRC and the United States, being the largest energy consuming countries in the world, together with Greece, France, Australia and the Middle East are promising solar energy markets with substantial potential in the future. Regardless of the reduction of FiT (Feed-in Tariff) by various governments, the continuous cost reduction would fuel the robust growth of demand on solar products.

With our high-quality products, successful brand penetration, strong customer loyalties, powerful research and development capabilities and fast expanding capacity, we are confident in solidifying our leading position in the rapidly growing industry and further increasing our market shares. Looking ahead, we will remain focused on our core wafer business where we have demonstrated solid track records and established competitive advantages. We believe such focus will best position our Group in the fast growing and increasingly competitive market of solar products. With strong performance achieved in 2010 and solid strategies in place, we are confident to capture enormous opportunities in the upcoming era of clean and economical power of solar energy, to driving continued healthy growth for the Group in the future.

On 1 March 2011, the Group was ranked by Green World Investors, a reputable green funds' blog, as one of top 10 wafer companies in the world. We would fully focus on our core business to further strengthen our competitive advantage in the industry.

Financial Review

Revenue

Revenue increased by RMB514.5 million, or 101.5%, from RMB506.9 million for the year ended 31 December 2009 to RMB1,021.4 million for the year ended 31 December 2010, primarily as a result of strong growth in our sales volume and stabilizing in average selling price. Due to the increase in customer demand for our high quality monocrystalline solar products, our sales volume increased by 102.9% from 81.6 MW for the year ended 31 December 2009 to 165.5 MW for the year ended 31 December 2010.

For the year ended 31 December 2010, sales of our 156 mm by 156 mm monocrystalline solar wafers comprised 88.2% of total revenue and sales of our 125 mm by 125 mm monocrystalline solar wafers comprised 11.4% of total revenue. In aggregate, solar wafer sales comprised 99.6% of our total sales, as compared to 92.0% for the year ended 31 December 2009. There is no sales of solar ingots for the year ended 31 December 2010, as compared to 3.8% for the year ended 31 December 2009. Sales of our semiconductor products comprised 0.1% of our total sales in the year ended 31 December 2010, compared to 1.9% in the year ended 31 December 2009.

Sales of monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB666.2 million, or 283.9%, from RMB234.7 million for the year ended 31 December 2009 to RMB900.9 million for the year ended 31 December 2010, primarily as a result of an increase of sales volume by 268.7% from 39.2MW for the year ended 31 December 2009 to 144.7MW for the year ended 31 December 2010, plus a slightly increase in our average unit price for this product by 4.1% from RMB6.0 per watt for the year ended 31 December 2009 to RMB6.2 per watt for the year ended 31 December 2010.

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB115.0 million, or 49.6%, from RMB231.8 million for the year ended 31 December 2009 to RMB116.8 million for the year ended 31 December 2010, primarily due to our change of focus on the sale of 156 mm by 156 mm monocrystalline solar wafers which resulting in a decrease in our sales volume of 125 mm by 125 mm monocrystalline wafers by 46.8% from 39.2 MW for the year ended 31 December 2009 to 20.8 MW for the year ended 31 December 2010. In addition, there was a slight decrease in our average unit price for this product by 5.2% from RMB5.9 per watt for the year ended 31 December 2009 to RMB5.6 per watt for the year ended 31 December 2010.

Sales of solar ingots and semiconductor products and other revenues

There is no revenue from sales of solar ingots for the year ended 31 December 2010, as compared to RMB19.2 million for the year ended 31 December 2009, primarily due to our focus on sales of monocrystalline solar wafers. Thus we internally consumed the solar ingots produced. Revenues from sales of semiconductor products decreased by RMB9.0 million, or 93.8%, from RMB9.6 million for the year ended 31 December 2009 to RMB0.6 million for the year ended 31 December 2010. primarily due to our shift of focus to solar wafer business. Our other revenues decreased by RMB8.5 million, or 73.3%, from RMB11.6 million for the year ended 31 December 2009 to RMB3.1 million for the year ended 31 December 2010, mainly due to the decrease in our sale of recyclable silicon.

In relation to the analysis of our revenue by geographical market, approximately 87.2% of total revenue for the year ended 31 December 2010 was generated from our PRC-based customers (2009: 79.9%). Remaining portion was mainly generated from Taiwan customers.

Cost of sales

Cost of sales increased by RMB239.0 million, or 52.9%, from RMB451.8 million for the year ended 31 December 2009 to RMB690.8 million for the year ended 31 December 2010, primarily as a result of the increase in shipment volume, partially offset by a decrease in the average prices of polysilicon by 29.9% during the year ended 31 December 2010 to RMB351.5 per kg from the average prices of RMB501.2 per kg for the year ended 31 December 2009 as well as the improvement in production efficiency.

Gross profit

Gross profit increased by RMB275.5 million, or 500.0%, from RMB55.1 million for the year ended 31 December 2009 to RMB330.6 million for the year ended 31 December 2010, primarily as a result of the above.

Other income

Other income increased by RMB21.6 million, or 440.8%, from RMB4.9 million for the year ended 31 December 2009 to RMB26.6 million for the year ended 31 December 2010, primarily due to the increase in government grants of approximately RMB19.1 million.

Other gains and losses

Other gains decreased by RMB11.0 million from the gains of RMB1.8 million for the year ended 31 December 2009 to the losses of RMB9.1 million for the year ended 31 December 2010, primarily due to the net foreign exchange losses amounting to approximately RMB6.9 million as well as the losses on disposal of old equipments in the amount of approximately RMB2.2 million.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB0.4 million from RMB2.2 million for the year ended 31 December 2009 to RMB1.8 million for the year ended 31 December 2010. It was mainly due to the strong market environment and tight supply of wafers.

Administrative and general expenses

Administrative and general expenses increased by RMB57.6 million, or 316.5%, from RMB18.2 million for the year ended 31 December 2009 to RMB75.8 million for the year ended 31 December 2010, mainly due to the non-cash, one-off expenses for vesting of restricted shares in December 2010 of approximately RMB38.0 million and the increase in expenses for share-based payments of RMB2.2 million for vesting of share options in 2010 as well as the significant growth in the scale of our operations during the Year.

Other expenses

There is no other expense for the year ended 31 December 2010, as compared to RMB3.4 million for the year ended 31 December 2009 which mainly represented the legal and professional expenses incurred for our IPO.

Interest expenses

Interest expenses in relation to bank loans increased by RMB0.7 million from RMB6.7 million for the year ended 31 December 2009 to RMB7.4 million for the year ended 31 December 2010, primarily as a result of an increase in the amount of bank loans borrowed. The increase of bank borrowings was mainly for working capital purposes.

Profit before taxation

Profit before taxation increased by RMB231.8 million, or 740.6%, from RMB31.3 million for the year ended 31 December 2009 to RMB263.1 million for the year ended 31 December 2010, as a result of the foregoing.

Taxation

Taxation increased from RMB6.4 million for the year ended 31 December 2009 to RMB40.2 million for the year ended 31 December 2010, primarily as a result of the increase in our profit before taxation. Our effective tax rate was 15.3% for the year ended 31 December 2010, decreased from 20.4% for the year ended 31 December 2009. Higher effective tax rate for the year ended 31 December 2009 was primarily due to the material drop of profit before taxation of Comtec Solar (Shanghai) in 2009, which accounted for most of our profit before taxation, and the increase in general and administrative expenses and the expenses for our IPO, which were not deductible against the profit before taxation of Comtec Solar (Shanghai). For the year ended 31 December 2010, no expense in relation to the IPO was incurred, and as a result our effective tax rate for the year was lower as compared to that of the year ended 31 December 2009.

Profit for the year

Net profit increased by RMB198.0 million, or 795.2%, from RMB24.9 million for the year ended 31 December 2009 to RMB222.9 million for the year ended 31 December 2010, as a result of the foregoing. Net profit margin increased from 4.9% for the year ended 31 December 2009 to 21.8% for the year ended 31 December 2010.

Inventory turnover days

The inventories of the Group mainly comprised of raw materials (namely polysilicon, crucibles and other auxiliary materials) for production requirements. The increase in inventories was mainly due to the expansion in the production capacity of the Group and the tight supply of polysilicon by the end of 2010. The inventory turnover days as at 31 December 2010 totalled 131 days (2009: 88 days).

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2010 totaled 26 days (2009: 88 days). The decrease in turnover days was mainly due to the improvement of payment terms under the strong market environment in 2010 and our receivable turnover days was within the credit periods of the Group grants to its customers. The Group normally grants a credit period of 30 to 90 days to its customers.

Trade payable turnover days

The trade payable turnover days as at 31 December 2010 totaled 33 days (2009: 62 days). The decrease in turnover days was mainly due to the change of payment terms upon the strong market environment in 2010.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from the share placement. As at 31 December 2010, the Group's current ratio (current assets divided by current liabilities) was 2.0 (2009: 2.2) and it was in a net cash position. The Group's financial position remains healthy. As at 31 December 2010, the Group was in a net cash position of RMB123.7 million (2009: RMB253.2 million) which included cash and cash equivalent of RMB293.7 million (2009: RMB399.2 million) and short-term bank loans of RMB170.0 million (2009: RMB146.0 million). The Group's borrowings were denominated in RMB while its cash and bank balances were denominated in RMB, US$, HK$, JPY and Euro. The short-term bank loans carry variable interest rates based on the benchmark interest rates issued by the People's Bank of China at 31 December 2010. As at 31 December 2010, RMB100 million of the Group's short-term bank loans was secured by fixed charges on certain of the Group's assets, including buildings and construction in progress having book values of approximately RMB97,164,000 and RMB15,209,000, respectively.

On 9 September 2010, Fonty Holdings Limited ("Fonty"), Mr. John Zhang, the Company and Yuanta Securities (Hong Kong) Company Limited (the "Placing Agent") entered into a placing and subscription agreement pursuant to which the Placing Agent agreed to place, on a best efforts basis, up to 100,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK$2.30 per Share (the "Placing"), and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the Placing at the subscription price of HK$2.30 per Share (the "Subscription"). Details of these transactions are set out in the Company's announcement dated 10 September 2010. The subscription price for the Subscription represents a discount of approximately 9.09% to the closing price of HK$2.53 per Share as stated in the Stock Exchange's daily quotations sheet on 9 September 2010. Approximately HK$222.2 million was raised from the Subscription to fund the Group's capital expenditure and general working capital.

The Group plans to fund its capital expenditures by proceeds from the Placing, our cash flows from operations and/or bank loans.

During 2010, the Group has not entered into any financial instrument to for hedging purposes nor any currency borrowings and other hedging instruments to hedge against foreign exchange rate risks.

We would implement a balanced financing plan to support the expanding capacity and operation of our solar wafer business.

Contingent liabilities

As at 31 December 2010, there was no material contingent liability.

Related Party Transactions

The Group did not have any related party transactions for the year ended 31 December 2010.

Acquisition of subsidiary

No subsidiary of the Company was acquired during the year ended 31 December 2010.

Use of Proceeds

The shares of the Company were listed on the main board of the Stock Exchange on 30 October 2009 with net proceeds from the Global Offering of approximately HK$526.3 million (after deducting underwriting commissions and related expenses).

The use of the net proceeds from the Global Offering as at 31 December 2010 was as follows:

Use	% of net proceeds	Amount of net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining (in HK$ million)
Expansion of production capacity	50%	263.2	263.2	—
Purchase or prepay for polysilicon feedstock	40%	210.5	210.5	—
Research and development	5%	26.3	26.3	—
Working capital	5%	26.3	26.3	—
	100%	526.3	526.3	—

The Company closed a top up placement to issue 100 million new shares in September 2010. The net proceeds from the Subscription is approximately HK$222.2 million. On 9 September 2010, the Company entered into an agreement to issue a total of 100 million shares at a consideration of HK$2.30 per Share, representing:

(i) a discount of approximately 9.09% to the closing price of HK$2.53 per Share quoted on the Stock Exchange on 9 September 2010, being the last trading day of the Shares immediately prior to and including the date of the Placing and Subscription Agreement;

(ii) a discount of approximately 4.17% to the average closing price of the Shares of approximately HK$2.40 per Share as quoted on the Stock Exchange from 3 September 2010 to 9 September 2010, both dates inclusive, being the last five trading days immediately prior to and including 10 September 2010; and

(iii) a premium of approximately 1.32% to the average closing price of the Shares of approximately HK$2.27 per Share as quoted on the Stock Exchange from 27 August 2010 to 9 September 2010, both dates inclusive, being the last ten trading days immediately prior to and including 10 September 2010.

The use of the net proceeds from subscription as at 31 December 2010 was as follows:

Use	% of net proceeds	Amount of net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining (in HK$ million)
Expansion of production capacity	60%	133.3	—	133.3
Working capital	40%	88.9	88.9	—
	100%	222.2	88.9	133.3

Human resources

As at 31 December 2010, the Group had 934 (2009: 741) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. John Zhang, aged 48, is as an executive Director, the chairman of the Board and the chief executive officer of the Company, responsible for the overall strategy and operation of our Group. Mr. Zhang has accumulated over ten years of experience in the semiconductor and solar industries from both his founding and development of the Group and his prior professional experience. Prior to founding the Group, Mr. Zhang joined Silicon Systems Inc. which was a semiconductor technology company in California, U.S., in 1992 as an engineer and was responsible for developing and designing communication firmware used in silicon chips. Mr. Zhang graduated from 清華大學 (Tsinghua University) in July 1985 with a Bachelor's degree in Electrical Engineering and from Utah State University with a Master's degree in Electrical Engineering in August 1988.

Mr. Chau Kwok Keung, aged 34, is an executive Director, the chief financial officer of the Group and the company secretary of the Company, responsible for corporate financial and general management. He was appointed in May 2010 as a member of supervisory board of RIB Software AG, a software company in Germany and it was listed in Frankfurt Stock Exchange in February 2011. Prior to joining the Group, Mr. Chau served in various positions at China.com Inc., a company listed on the Stock Exchange (Stock Code: 8006) from October 2005 to October 2007, including vice president of the finance department, chief financial officer, company secretary and authorised representative. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Material and Technology Co., Ltd. from June 2002. Mr. Chau Kwok Keung was employed by Andersen & Co. initially as an experienced staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Andersen & Co. in March 2002. Mr. Chau has been a fellow member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a Chartered Financial Analyst of CFA Institute since September 2003. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in May 1998.

Mr. Shi Cheng Qi, aged 67, is an executive Director and the chief technology officer of the Group, responsible for production, technology and research and development. He is in charge of the production technology and equipment design of the Group. Mr. Shi has over 30 years of experience in semiconductor, solar and materials engineering, which was accumulated from the multiple engineering and management positions held by Mr. Shi in the production, technology and research and development departments of 上海半導體材料廠 (Shanghai Semiconductor Materials Factory) in the PRC from 1969 to 2000. He was accredited by 上海市有色金屬總公司 (Shanghai Non-Ferrous Metals Company) as a senior engineer in March 1993 based on the review and evaluation of 高級評委委員會 (senior appraisal committee) of Shanghai Non-Ferrous Metals Company.

Non-executive Director

Mr. Chun Shing Vincent, **Phen**, aged 34, is a non-executive Director. He has approximately ten years of experience in direct investment and corporate banking. He is currently the investment manager of CMS Capital (HK) Co., Ltd., formerly known as CMTF Asset Management Limited, and has served in such position since 11 May 2009. He worked as an associate in CLSA Capital Partners from 26 February 2007 to 10 May 2009. Prior to that, Mr. Phen worked in the international corporate banking division of various financial institutions for approximately seven years. Mr. Phen obtained a bachelor degree in business administration and marketing from the University of North Texas, the USA, in 1999. Mr. Phen holds a SFC license of asset management.

Independent non-executive Directors

Mr. Leung Ming Shu, aged 35, is an independent non-executive Director. Mr. Leung is currently the chief financial officer and company secretary of China ITS (Holdings) Co., Ltd. He is also the independent non-executive director of 勝利油氣管道控股有限公司(Shengli Oil & Gas Pipe Holdings Limited) , a company listed on the Stock Exchange (code: 1080), since 1 January 2011. Mr. Leung is experienced in the areas of corporate finance and accounting from his various roles detailed below. From November 2006 to January 2008, Mr. Leung served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd, a subsidiary of Beijing Lingtu Software Co., Ltd, a PRC digital mapping and navigation software company. From February 2006 to October 2006, Mr. Leung served as the chief financial officer of Beijing Xinwei Telecom Technology Co., Ltd, a related party of 大唐電信科技股份有限公司(Datang Telecom Technology Co., Ltd, a company listed on the Shanghai Stock Exchange) which is engaged in the development of a telecommunications standard and the manufacturer of telecommunications equipment. Prior to that, Mr. Leung spent approximately three years from February 2003 at CDC Corporation, a NASDAQ-listed company, as a senior manager in the mergers and acquisitions department, and as the chief financial officer of China.com Inc., a subsidiary of CDC Corporation and a company listed on the Stock Exchange. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong in auditing in 1998, and subsequently worked at the global corporate finance division of Arthur Andersen & Co. in Hong Kong, which subsequently merged with PricewaterhouseCoopers, until December 2000. From July 2001 to February 2003, he also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he advised companies on issues of strategy, organisation and operations. Mr. Leung obtained a First Class Honours Bachelor's degree in accountancy from the City University of Hong Kong in June 1998 and a Master's degree in accountancy from the Chinese University of Hong Kong in November 2001. He is a Fellow of the Association of Chartered Certified Accountants since February 2007 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since March 2006.

Mr. Daniel DeWitt Martin, aged 72, is an independent non-executive Director. Mr. Martin is currently the executive vice president of Semiconductor Equipment & Materials International since 1998. Mr. Martin is mainly responsible for the global standards development activity, and leading Semiconductor Equipment & Materials International into the photovoltaic industry. From July 1984 to March 1996, he worked in Siltec Corporation (Mitsubishi Silicon America) as the vice president of operations, mainly responsible for manufacturing, process engineering, facilities engineering, facilities and equipment maintenance,etc. Mr. Martin graduated from Washington State University in June 1961 and received a bachelor degree in Physical Metallurgy.

Mr. Kang Sun, aged 56, is an independent non-executive Director. Mr. Sun is currently the president and chief executive officer of RayTracker Inc., Pasadena, California, USA and a venture partner of WI Harper Group, San Francisco, California USA. Prior to that, Mr. Sun worked from September 2007 to August 2008 as the president and chief operating officer of JA Solar Holding Ltd, China, a company listed on NASDAQ (Code: JASO), managing director of new business development at Applied Materials Inc., USA since 2005. Prior to that, in different periods of time between 1990 and 2005, he had served as the vice president of Microfabrica Inc., the vice president of Honeywell International Inc., USA and the general manager of Optical Devices Business, AlliedSignal Inc., USA, respectively. Mr. Sun received a Ph.D. degree in Materials Science from Brown University, USA in 1988, a M.S. degree in Physical Chemistry from University of Georgia, USA in 1983 and a B.S. degree in Polymer Chemistry from 南京大學 (Nanjing University), China in 1978.

SENIOR MANAGEMENT

Mr. Wu Cheng Xian, aged 63, is the vice general manager and the head of the manufacturing department of the Group. He is mainly responsible for stipulating and implementing manufacturing plan, supervising quality control, coordinating manufacturing and the operations of the other departments in our Group. He joined the Group in October 2008. Mr. Wu has approximately 40 years of experience in the related industry. Prior to joining the Group, Mr. Wu worked as the vice general manager in麥斯克電子材料有限公司(MCL Electronic Materials Co. Ltd.) from October 1999 to September 2008, responsible for daily manufacturing and sales, quality control and human resources management. He worked in洛陽單品硅廠(Luoyang Monocrystalline Silicon Factory), which is now洛陽單品硅有限責任公司(Luoyang Monocrystalline Silicon Co., Ltd.) from August 1968 to September 2008, as the manufacturing department head and then promoted to vice general manager in February 1994, responsible for daily manufacturing and sales of semiconductor materials, quality control and human resources management. Mr. Wu studied in 建德冶金工業學校 (Jiande Metallurgy Industrial School), which is now嘉興學院(Jiaxing Institute) since September 1963, majoring in Statistics and graduated in August 1968 with a secondary technical school degree. Mr. Wu received a junior college degree in Statistics in December 1988 by National self-taught examination. Mr. Wu was appraised as the senior economist in November 2006 by 中國有色金屬工業協會 (China Nonferrous Metals Industry Committee) according to nonferrous metals industry credential requirements.

Ms. Yi Xin, aged 35, is the head of the import and export department of the Group. She is mainly in charge of importing and exporting and keeping communication documents with customers. She joined us in July 2002. Ms. Yi has over five years of experience in the trading industry and she is in charge of our imports and exports. Prior to joining the Group, Ms. Yi Xin worked in the marketing department of上海智率醫療器械有限公司(Shanghai Intelligent Medical Apparatus Company Limited) responsible for market survey and analysis from February 2000 to July 2002. Ms. Yi received a junior college degree in economy and trading from 上海冶金高等專科學校 (Shanghai College of Metallurgy), which is now 上海應用技術學院 (Shanghai Institute of Technology) in July 1997.

Mr. Cheng Yu Wei, aged 59, is the head of the equipment department of the Group. He is mainly responsible for daily operation of electromechanical department and equipment maintenance. He joined us in October 2000. Mr. Cheng has approximately 15 years of experience in the electrical engineering industry. Prior to joining the Group, he worked in 中南地質勘查局實業公司 (Zhongnan Geological Prospecting Bureau Industrial Company) as an electrical engineer in 1992 and as a vice chief engineer in 1993. From June 1994 to December 1996, Mr. Cheng worked as an engineer in 中南金剛石工業公司(Zhongnan Diamond Industry Co., Ltd.). Mr. Cheng majored in electrical engineering of湖北廣播電視大學 (Hubei TV & Radio University) and graduated in July 1987.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the design, development, manufacture and marketing of solar wafers and ingots, with a focus on high quality monocrystalline solar wafers.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2010 are set out in note 33 to the consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 37 to 99 of this annual report.

DIVIDENDS

The Board recommended that since the Company is expanding business rapidly that requires cash for capital expenditures and working capital, no dividend will be declared for the year ended 31 December 2010. The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

RESERVES

Details of movements in reserves of the Group are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,004,667,000.

CHARITABLE DONATIONS

The Company did not make any charitable and other donations during the year under review.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2010 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND PREFERRED SHARE CAPITAL

Details of the movements in share capital and preferred share capital of the Company during the financial year are set out in notes 25 and 26 to the consolidated financial statements.

DIRECTORS

The Directors during the financial year and as of the date of this annual report were:

Executive Directors
Mr. John Zhang *(Chairman)*
Ms. Chau Kwok Keung
Mr. Shi Cheng Qi

Non-Executive Director
Mr. He Xin (resigned on 26 March 2010)
Mr. Phen, Chun Shing Vincent (appointed on 26 March 2010)

Independent Non-Executive Directors
Mr. Daniel DeWitt Martin
Mr. Kang Sun
Mr. Leung Ming Shu

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with article 84 of the Company's articles of association, Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Daniel DeWitt Martin will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 16 to 18 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the "Connected Transaction" section below, there was no contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2010.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial fixed term of two years, which will be renewed automatically at the end of the term, unless otherwise terminated in accordance with the terms of the service contract, including by either party serving not less than three months' notice in writing on the other. The service contract between the Company and Mr. Phen Chun Shing Vincent commenced on 26 March 2010 and the service contract between the Company and each of the other Directors commenced on 30 October 2009. No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Long positions in the Company:

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and interest of children under 18	663,867,550	58.6%
Mr. Chau Kwok Keung	Beneficial owner	9,676,139	0.9%
Mr. Shi Chengqi	Beneficial owner	300,000	0.03%
Mr. Kang Sun	Beneficial owner	249,574	0.02%
Mr. Daniel DeWitt Martin	Beneficial owner	199,659	0.02%
Mr. Leung Ming Shu	Beneficial owner	124,787	0.01%

Notes:

(1) Mr. Zhang legally owns the entire issued share capital of Fonty, which beneficially owns 438,537,844 Shares. Mr. Zhang is therefore deemed to be interested in all the Shares held by Fonty. Mr. Zhang is also deemed to be interested in 225,329,706 Shares for the purposes of the SFO, which are beneficially owned by Mr. Zhang, Mr. Zhang's spouse and child under the age of 18, as beneficiaries of JZ GRAT of 2009 and JZ GRAT of 2010, each of which being an irrevocable grantor retained annuity trust set up by Mr. Zhang for the benefit of himself and his family members and of which J.P. Morgan Trust Company of Delaware is the trustee.

(2) The 300,000 Shares in which Mr. Shi Chengqi is deemed to be interested represent 300,000 Shares which may be issued to him upon the exercise of the Share Options granted to him on 24 May 2010.

(3) The 249,574 Shares in which Mr. Kang Sun is deemed to be interested represent 249,574 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options granted to him on 3 August 2009 and 2 October 2009.

(4) The 199,659 Shares in which Mr. Daniel DeWitt Martin is deemed to be interested represent 199,659 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options granted to him on 3 August 2009 and 2 October 2009.

(5) The 124,787 Shares in which Mr. Leung Ming Shu is deemed to be interested represent 124,787 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options granted to him on 3 August 2009 and 2 October 2009.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company has adopted a share option scheme on 2 June 2008 (the "Pre-IPO Share Option Scheme") for the purpose of giving its employees an opportunity to have a personal stake in the Company and helping motivate its employees to optimize their performance and efficiency, and retaining its employees whose contributions are important to the long-term growth and profitability of the Group. Options to subscribe for an aggregate of 574,020 Shares (the "Underlying Shares") were granted to three independent non-executive Directors on 3 August 2009 and 2 October 2009, in respect of 230,000 Underlying Shares and 344,020 Underlying Shares, respectively. The exercise price per Share is HK$2.51, which is at a 19.5% premium to the final offer price of the Shares in the Global Offering. No further options would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

All options granted under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Options") can only be exercised in the following manner: (a) Shares representing 1/12th of the Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme shall vest on 1 November 2009; (b) from 1 November 2009 onwards, the remaining 11/12th of the Underlying Shares shall vest in equal quarterly instalments of 1/12th of the Underlying Shares at the end of each three-month period subject to continued employment with our Company during that period and all other terms and conditions as described in the Pre-IPO Share Option Scheme; and (c) all outstanding Pre-IPO Share Options shall lapse on the date falling 10 years from the offer date of the Pre-IPO Share Options.

There was no exercise of any Pre-IPO Share Options granted for the year ended 31 December 2010.

Share Option Scheme

The Company has adopted the Share Option Scheme on 2 October 2009 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of Share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 100,000,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

Details of the share options granted under the Share Option Scheme as at 31 December 2010 are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2010	Granted during 2010	Exercised during 2010	Lapsed during 2010	Balance as at 31 December 2010
Director							
Mr. Shi Chengqi	24 May 2010	HK$1.49	0	600,000	300,000	0	300,000
Other participants in aggregate	24 May 2010	HK$1.49	0	4,580,000	1,590,000	700,000	2,290,000
Total			0	5,180,000	1,890,000	700,000	2,590,000

During the year ended 31 December 2010, no options granted under the Share Option Scheme were cancelled.

The closing price per Share immediately before 24 May 2010 (the date on which the option were granted) was HK$1.37.

Share options granted under the Share Option Scheme on 24 May 2010 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
24 May 2010	50% of the total number of Share Options granted
30 June 2011	50% of the total number of Share Options granted

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in "Share Option Schemes" above, at no time during the year were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 31 December 2010, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and interest of children under 18	663,867,550	58.6%
Fonty Holdings Limited	Beneficial owner	438,537,844	38.7%
J.P. Morgan Trust Company Limited of Delaware[2]	Trustee of a trust	225,329,706	19.9%
Ms. Carrie Wang[3]	Beneficiary of a trust	225,329,706	19.9%
Mr. Alan Zhang[3]	Beneficiary of a trust	225,329,706	19.9%
China Merchants Securities Company Limited[4]	Interest in a controlled corporation	61,893,203	5.5%
China Merchants Securities International Company Limited[4]	Interest in a controlled corporation	61,893,203	5.5%
China Merchants Securities Investment Management (HK) Co., Limited[4]	Interest in a controlled corporation	61,893,203	5.5%
CMS Capital (HK) Co., Limited[4]	Interest in a controlled corporation	61,893,203	5.5%
CMS Nominees (BVI) Limited[4]	Interest in a controlled corporation	61,893,203	5.5%
CMTF Private Equity One[4]	Beneficial owner	61,893,203	5.5%

Note:

(1) Mr. John Zhang legally owns the entire issued share capital of Fonty, which beneficially owns 438,537,844 Shares. Mr. John Zhang is therefore deemed to be interested in all the Shares held by Fonty. Mr. John Zhang is also deemed to be interested in 225,329,706 Shares for the purposes of the SFO, which are beneficially owned by Mr. John Zhang, Mr. John Zhang's spouse and child under the age of 18, as beneficiaries of JZ GRAT of 2009 and JZ GRAT of 2010, each of which being an irrevocable grantor retained annuity trust set up by Mr. John Zhang for the benefit of himself and his family members and of which J.P. Morgan Trust Company of Delaware is the trustee.

(2) J.P. Morgan Trust Company of Delaware is the legal owners of 75,329,706 Shares as trustee for JZ GRAT of 2009 and 150,000,000 Shares as trustee for JZ GRAT of 2010.

(3) Ms. Carrie Wang is the spouse of Mr. John Zhang and Mr. Alan Zhang is a child of Mr. John Zhang under the age of 18. Each of Ms. Carrie Wang and Mr. Alan Zhang is a beneficiary of JZ GRAT of 2009 and JZ GRAT of 2010 and is deemed to be interested in the 225,329,706 Shares held by J.P. Morgan Trust Company of Delaware as trustee for JZ GRAT of 2009 and JZ GRAT of 2010.

(4) Each of China Merchants Securities Company Limited, China Merchants Securities International Company Limited, China Merchants Securities Investment Management (HK) Co., Limited, CMS Capital (HK) Co., Limited and CMS Nominees (BVI) Limited is interested in the 61,893,203 beneficially held by CMTF Private Equity One, a company controlled by each of them.

Save as disclosed above, as at 31 December 2010, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2010.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-compete undertakings that he/it provided to the Company on 5 October 2009. The independent non-executive Directors have reviewed the status of compliance and confirmed that all of these non-compete undertakings have been complied with by the controlling shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2010 and up to and including the date of this annual report.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTION

On 8 November 2010, the Company entered into a supplemental offer letter (the "Supplemental Offer Letter") with Mr. Chau Kwok Keung, an executive Director, pursuant to which 3,877,058 Shares (the "Restricted Shares") granted to Mr. Chau Kwok Keung which were previously subject to a certain vesting schedule vested on 1 December 2010.

As Mr. Chau Kwok Keung, an executive Director, is a connected person of the Company, the vesting of the Restricted Shares pursuant to the Supplemental Offer Letter between the Company and Mr. Chau Kwok Keung constituted a connected transaction for the Company and was subject to the approval of the Shareholders other than Mr. Chau Kwok Keung and his associates as defined in the Listing Rules (the "Independent Shareholders") at an extraordinary general meeting of the Company. The Supplemental Offer Letter was approved by the Independent Shareholders at the extraordinary meeting held on 29 December 2010. Please refer to the announcements of the Company dated 8 November 2010, 2 December 2010 and the circular of the Company dated 10 December 2010 for further details of the vesting of the Restricted Shares and the supplemental offer letter.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted two share option scheme to motivate and reward its Directors and eligible employees. Details of the scheme are set out in the paragraph headed "Share Option Schemes" above and note 27 to the consolidated financial statements.

None of the directors waived any emoluments during the year.

RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution mandatory provident fund scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 for eligible employees. Contributions by the Group, which are matched by the employees, are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and are invested in funds under the control of independent trustees. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute certain percentages of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the state-managed retirement benefits scheme.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers were approximately 21.9% and approximately 60.5% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 38.1% and approximately 77.3% of the Group's total purchases, respectively.

At no time during the year did a Director, his/her associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the period from the Listing Date to 31 December 2010.

BANK LOANS AND OTHER BORROWINGS

Particulars of short-term bank loans of the Group as at 31 December 2010 are set out in note 24 to the consolidated financial statements. Other than such short-term bank loans, the Group had no other bank loans or borrowings.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the four financial years ended 31 December 2010 is set out on page 4 of this annual report.

On behalf of the Board
John Zhang
Chairman

Shanghai, 17 March 2011

Corporate Governance Report

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Board of Directors of the Company continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort to identifying and formalizing best practice.

CORPORATE GOVERNANCE CODE

The Company was a private company for most of the year under review as it was only listed on the Main Board of the Stock Exchange on 30 October 2009. Upon the listing of the Company, the Company has complied with the vast majority of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

In accordance with the requirement of the Listing Rules, the Company has established an audit committee with defined terms of reference and appointed a chief financial controller to oversee the financial reporting procedures and internal control of the Group. The Company has also established a nomination committee and a remuneration committee with defined terms of reference.

For the year ended 31 December 2010, all code provisions set out in the Code were fulfilled by the Company except for the deviation from code provision A.2.1 as disclosed below.

(A) BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board comprises seven Directors, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors. Biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company advises that (i) Mr. Chau Kwok Keung was appointed in May 2010 as a member of supervisory board of RIB Software AG, a software company in Germany and it was listed in Frankfurt Stock Exchange (stock symbol: RSTA) in February 2011; and (ii) Mr. Leung Ming Shu has become an independent non-executive director of 勝利油氣管道有限公司 (Shengli Oil & Gas Pipe Holdings Limited) , a company listed on the Stock Exchange (stock code: 1080), since 1 January 2011.

Model Code

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to 31 December 2010.

Chairman and Chief Executive Officer

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. John Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Mr. Leung Ming Shu, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(1) and (2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non- executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. The number of the meetings held and the attendance of each Director at these meetings for the year ended 31 December 2010 have been set out as follows:

	Board Meeting
No. of meetings held	14
Executive Directors	
Mr. John Zhang *(chairman)*	14
Mr. Shi Cheng Qi	14
Mr. Chau Kwok Keung	14
Non-Executive Directors	
Mr. He Xin *(Note 1)*	1
Mr. Phen Chun Shing Vincent	13
Independent Non-Executive Directors	
Mr. Leung Ming Shu	14
Mr. Daniel DeWitt Martin	14
Mr. Kang Sun	14

Note:

1. Mr. He Xin resigned as a Director on 26 March 2010. On the same date, Mr. Phen, Chun Shing Vincent was appointed as a Director to fill the vacancy resulted from Mr. He Xin's resignation.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the articles of association of the Company, as well as relevant rules and regulations.

Appointments, Re-election and removal of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term, and is subject to retirement by rotation and reelection at an annual general meeting at least once every three years in accordance with the articles of association of the Company. The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Committees

The Board has established (i) audit committee, (ii) remuneration committee; and (iii) nomination committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available upon request. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 October 2009 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. Their written terms of reference are in line with the Corporate Governance Code provisions. The audit committee consists of three members, namely, Mr. Leung Ming Shu, Mr. Daniel DeWitt Martin and Mr. Kang Sun, all of whom are independent non-executive Directors. Mr. Leung Ming Shu is the chairman of the audit committee.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2010, including the accounting principles and practice adopted by the Group.

The primary duties of the Audit Committee are mainly to review the material investment, capital operation an material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Company.

The Audit Committee held five meetings for the year ended 31 December 2010, each with full attendance.

Remuneration Committee

The Company established a remuneration committee on 2 October 2009 with written terms of reference. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review performance based remuneration, and ensure none of the Directors determine their own remuneration. Their written terms of reference are in line with the Corporate Governance Code provisions. The remuneration committee consists of three members, namely, Mr. John Zhang, Mr. Kang Sun and Mr. Leung Ming Shu. Mr. John Zhang is the chairman of the remuneration committee.

The Remuneration Committee held three meetings for the year ended 31 December 2010, each with full attendance.

Nomination Committee

The Company established a nomination committee on 2 October 2009 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their written terms of reference are in line with the Corporate Governance Code provisions. The nomination committee consists of three members, namely, Mr. John Zhang, Mr. Daniel DeWitt Martin and Mr. Kang Sun. Mr. John Zhang is the chairman of the nomination committee.

On 26 Match 2010, Mr. He Xin resigned as a Director and Mr. Phen, Chun Shing Vincent was appointed as a Director. Such appointment has been considered by the nomination committee.

The Nomination Committee held one meeting for the year ended 31 December 2010, with full attendance.

(B) FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Deloitte Touche Tohmatsu, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

External Auditor's Remuneration

The Company engages Deloitte Touche Tohmatsu as its external auditor. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year ended 31 December 2010 are as follows:

	RMB'000
Audit services	1,292
Non-audit services	580
	1,872

(C) INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

During the year, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

(D) COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.comtecsolar.com. The Board maintain regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees would attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll would be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's correspondence address in Hong Kong.

Independent Auditor's Report

TO THE MEMBERS OF COMTEC SOLAR SYSTEMS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Comtec Solar Systems Group Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 62, which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management of the Company determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2011

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	NOTES	2010	2009
		RMB'000	RMB'000
Revenue	6	1,021,371	506,876
Cost of sales		(690,786)	(451,760)
Gross profit		330,585	55,116
Other income	7	26,573	4,853
Other gains and losses	8(A)	(9,117)	1,846
Distribution and selling expenses		(1,793)	(2,221)
Administrative expenses		(75,756)	(18,185)
Other expenses	8(B)	—	(3,410)
Interest expense	9	(7,401)	(6,669)
Profit before taxation	10	263,091	31,330
Taxation	12	(40,151)	(6,389)
Profit and total comprehensive income for the year, attributable to the owners of the Company		222,940	24,941
		RMB cents	RMB cents
Earnings per share			
- Basic	14	21.03	3.22
- Diluted	14	21.01	3.22

Consolidated Statement of Financial Position

at 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	15	715,847	427,582
Prepaid lease payments – non-current	16	21,473	15,209
Deposits paid for acquisition of property, plant and equipment		118,299	39,672
Advance to suppliers	17	279,499	183,810
Deferred tax assets	18	689	1,451
		1,135,807	667,724
Current assets			
Inventories	19	247,803	108,354
Trade and other receivables	20	155,467	166,128
Bills receivable	20	2,000	32,006
Advance to suppliers	17	77,180	36,903
Prepaid lease payments – current	16	458	322
Bank balances and cash	21	293,677	399,238
		776,585	742,951
Current liabilities			
Trade and other payables	22	193,746	198,537
Customers' deposits received	23	13,770	25
Taxation payable		19,077	714
Short-term bank loans	24	170,000	146,000
		396,593	345,276
Net current assets		379,992	397,675
Total assets less current liabilities		1,515,799	1,065,399
Capital and reserves			
Share capital	25	998	910
Reserves		1,510,345	1,060,715
Total equity		1,511,343	1,061,625
Non-current liability			
Deferred tax liabilities	18	4,456	3,774
		1,515,799	1,065,399

The consolidated financial statements on pages 3 to 62 were approved and authorised for issue by the Board of Directors on 17 March 2011 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Share capital	Preferred share capital	Share premium	Share options reserve	Restricted shares reserve	Special reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(note 27)	*(note a)*	*(note b)*		
At 1 January 2009	239	11	305,097	—	(9,575)	11,012	23,022	230,111	559,917
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	24,941	24,941
Issue of new preferred shares (note 26(b))	—	11	(11)	—	—	—	—	—	—
Issue of unvested Restricted Shares (as defined in note 27(b))	8	—	28,375	—	(28,383)	—	—	—	—
Conversion of preferred shares to ordinary shares of the Company (note 26(c))	22	(22)	—	—	—	—	—	—	—
Capitalisation issue of new shares (note 25(d))	393	—	(393)	—	—	—	—	—	—
Issue of new shares	248	—	514,231	—	—	—	—	—	514,479
Transaction costs attributable to issue of new shares	—	—	(37,780)	—	—	—	—	—	(37,780)
Transfer	—	—	—	—	—	—	25,703	(25,703)	—
Recognition of equity-settled share-based payments	—	—	—	68	—	—	—	—	68
At 31 December 2009	910	—	809,519	68	(37,958)	11,012	48,725	229,349	1,061,625
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	222,940	222,940
Issue of new shares	86	—	197,714	—	—	—	—	—	197,800
Exercise of share options	2	—	3,519	(1,104)	—	—	—	—	2,417
Transaction costs attributable to issue of new shares	—	—	(6,085)	—	—	—	—	—	(6,085)
Dividends recognised as distribution (note 13)	—	—	—	—	—	—	—	(7,532)	(7,532)
Recognition of equity-settled share-based payments	—	—	—	2,220	37,958	—	—	—	40,178
At 31 December 2010	998	—	1,004,667	1,184	—	11,012	48,725	444,757	1,511,343

Consolidated Statement of Changes in Equity - Continued

for the year ended 31 December 2010

Note:

a. This reserve arises on a group reorganisation which took place in the year ended 31 December 2007. The difference between the nominal value of the shares acquired and the acquisition consideration is treated as special reserve arising on group reorganisation and recorded in special reserve.

b. Statutory surplus reserve

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

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	263,091	31,330
Adjustments for:		
Interest income	(1,095)	(1,147)
Interest expenses	7,401	6,669
Loss (Gain) on disposal of property, plant and equipment	2,171	(3)
Depreciation of property, plant and equipment	39,605	22,941
Share-based payment expenses	40,178	68
Release of prepaid lease payments	390	322
Impairment losses recognised in respect of trade receivables	2,744	—
Operating cash flows before movements in working capital	354,485	60,180
Increase in inventories	(139,449)	(49,170)
Decrease (increase) in trade and other receivables	7,917	(73,304)
Decrease (increase) in bills receivable	30,006	(32,006)
Increase in advance to suppliers	(135,966)	(17,971)
(Decrease) increase in trade and other payables	(18,305)	41,905
Increase (decrease) in customers' deposits received	13,745	(177)
Cash generated from (used in) operations	112,433	(70,543)
Tax paid	(36,516)	(5,155)
Tax refunded	16,172	6,470
Net cash from (used in) operating activities	92,089	(69,228)
Investing activities		
Interest received	1,095	1,147
Proceeds from disposals of property, plant and equipment	1,986	294
Deposits paid and purchase of property, plant and equipment	(397,140)	(172,613)
Prepaid lease payments	(6,790)	—
Net cash used in investing activities	(400,849)	(171,172)
Financing activities		
Proceeds from issue of new shares	200,217	514,479
Bank loans raised	180,000	36,000
Interest paid	(7,401)	(8,152)
Repayment of bank loans	(156,000)	(30,000)
Dividends paid	(7,532)	—
Payment of transaction costs attributable to issue of new shares	(6,085)	(37,780)
Net cash from financing activities	203,199	474,547
(Decrease) increase in cash and cash equivalents	(105,561)	234,147
Cash and cash equivalents at beginning of the year	399,238	165,091
Cash and cash equivalents at end of the year, represented by bank balances and cash	293,677	399,238

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

1. GENERAL

The Company is a public limited company incorporated in the Cayman Island, and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2009. Its parent company and ultimate holding company is Fonty Holdings Limited ("Fonty") incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Zhang ("Mr. Zhang"). The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are the manufacturing and sales of solar wafers, semiconductors and related products. The details of the Company's subsidiaries are set out in note 33.

The consolidated financial statements are presented in Renminbi ("RMB"), the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied a number of new and revised standards, amendments to standards and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB"). Except as described below, the adoption of the new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group applies IFRS3 (Revised 2008) "*Business Combinations*" prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

As there was no transaction during the current year in which IFRS3 (Revised 2008) is applicable, the application of IFRS3 (Revised 2008) and the consequential amendments to other IFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS3 (Revised 2008) and the consequential amendments to the other IFRSs are applicable.

The application of IAS 27 (revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. Specifically, IAS 27 (revised 2008) has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. 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, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")/CHANGES IN ACCOUNTING POLICIES - *continued*

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, IAS 27 (revised 2008) requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. The application of IAS 27 (revised 2008) has no material impact on the consolidated financial statements for the year ended 31 December 2010.

Change in presentation of consolidated statement of comprehensive income

In the current year, the directors of the Company decided to change the classification of certain line items in the consolidated statement of comprehensive income by presenting net exchange difference and gain or loss arising on the disposal of an item of property, plant and equipment as part of the Group's other gains and losses to better reflect the relevance of financial information of the Group's activities. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for 2009.

The effect of changes in presentation for the prior year by line items presented in the consolidated statement of comprehensive income is as follows:

	Year ended 31 December 2009 RMB'000
Decrease in other income	(1,846)
Increase in other gains and losses	1,846
Change in loss for the year	–

No consolidated statement of financial position as at 1 January 2009 has been presented as the change in accounting policy and re-classifications disclosed above have no effects on the financial position of the Group presented in the consolidated statement of financial position in respect of the end of the previous financial year.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")/CHANGES IN ACCOUNTING POLICIES - *continued*

At the date of this report, the IASB has issued the following new and revised IFRSs which are not yet effective. The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

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

3 Effective for annual periods beginning on or after 1 July 2011

4 Effective for annual periods beginning on or after 1 January 2013

5 Effective for annual periods beginning on or after 1 January 2012

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 February 2010

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")/CHANGES IN ACCOUNTING POLICIES - *continued*

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of IFRS 9 and other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

The directors anticipate that the application of the above new and revised standards, amendments or interpretations will not have material impact on the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost convention and in accordance with the accounting policies set out below which are in conformity with IFRS.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired (other than those acquired under business combinations involving entities under common control) or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Basis of consolidation - *continued*

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

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

The business combinations under common control are accounted for in accordance with merger accounting. In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

Revenue recognition

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

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

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

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

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

Property, plant and equipment

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

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

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Property, plant and equipment - *continued*

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

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Prepaid lease payments

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

Government grants

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

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

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss in the period in which they arise.

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Taxation - *continued*

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment losses

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

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

Inventories

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

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phaseof an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as loans and receivables.

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and short-term bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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

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

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

Provision for onerous contracts

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Share-based payment transactions

Equity-settled share-based payment transactions

Share options and restricted shares granted

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

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

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

At the time when the terms of share options and restricted shares are modified during the vesting period, the incremental fair value granted, which represents the excess of fair value of the share options and restricted shares immediately after modification over those of immediately before modification, is expensed over the remaining vesting period of the share options and restricted shares, in addition to the amount based on the grant date fair value of the original share options and restricted shares. At the time when the terms of share options and restricted share are modified after the vesting period, the incremental fair value granted is recognised immediately in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

At 31 December, 2010, the carrying amount of property, plant and equipment amounted to approximately RMB 715,847,000 (2009: RMB 427,582,000).

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

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

At 31 December 2010, the carrying amount of advance to suppliers amounted to approximately RMB 356,679,000 (2009: RMB220,713,000).

5. FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, bills receivable, bank balances and cash, trade and other payables and short-term bank loans. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

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

	2010	2009
	RMB'000	*RMB'000*
Financial assets		
Trade and other receivables	82,460	122,257
Bills receivables	2,000	32,006
Bank balances and cash	293,677	399,238
Total loans and receivables	378,137	553,501
Financial liabilities		
Trade and other payables	180,948	180,940
Short-term bank loans	170,000	146,000
Total liabilities measured at amortised costs	350,948	326,940

Currency risk

The primary economic environment which most of the principal subsidiaries of the Company operate is the PRC and their functional currency is RMB. However, these principal subsidiaries sometimes collect their trade receivables and settle their purchases of materials, machinery and equipment supplies and certain expenses in foreign currencies.

Details of the Group's bank balances and cash, trade and other receivables and trade and other payables that are denominated in foreign currencies, mainly in Hong Kong dollars ("HK$"), United States dollars ("USD"), Japanese yen ("JPY") and European dollars ("Euro") as at 31 December 2010 and 31 December 2009 are set out in respective notes.

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

5. FINANCIAL INSTRUMENTS - *continued*

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in each relevant foreign currency against functional currency, RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year and a negative number below indicates a decrease in post-tax profit for the year where the relevant foreign currencies fluctuate 5% against RMB.

	2010	2009
	RMB'000	*RMB'000*
Euro impact		
- Euro strengthens against RMB by 5%	154	44
- Euro weakens against RMB by 5%	(154)	(44)
HK$ impact		
- HK$ strengthens against RMB by 5%	104	506
- HK$ weakens against RMB by 5%	(104)	(506)
USD impact		
- USD strengthens against RMB by 5%	(248)	11,048
- USD weakens against RMB by 5%	248	(11,048)
JPY impact		
- JPY strengthens against RMB by 5%	9	—
- JPY weakens against RMB by 5%	(9)	—

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and short-term bank loans (see notes 21 and 24 for details of these bank balances and short-term bank loans). The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

5. FINANCIAL INSTRUMENTS - *continued*

Sensitivity analysis

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

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

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

	2010	2009
	RMB'000	*RMB'000*
Increase in post-tax profit for the year	220	299

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

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

	2010	2009
	RMB'000	*RMB'000*
Decrease in post-tax profit for the year	(1,275)	(1,095)

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

Credit risk

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

5. FINANCIAL INSTRUMENTS - *continued*

Credit risk - *continued*

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

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

The credit risk of the Group is concentrated on receivables from five (2009: five) of the Group's customers, all of which were the Group's major customers engaged in the sales and manufacturing of solar cells and modules in the PRC at 31 December 2010 and 31 December 2009 which amounted to approximately RMB60,655,000 and RMB76,317,000 and accounted for 82.7% and 62.8% of the Group's total trade receivables, respectively. These customers have good repayment history and credit quality with reference to the track records under internal assessment by the Group. In addition, the Grop's credit risk on bills receivable was concentrated on counterparties which were reputable banks in the PRC. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers and banks to ensure that prompt actions will be taken to lower exposure.

Liquidity risk management

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

5. FINANCIAL INSTRUMENTS - *continued*

Liquidity risk management - *continued*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the discounted amount is derived from interest rate curve at the end of the reporting period:

	Weighted average effective interest rate	Less than 6 months	6 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010					
Financial liabilities					
Non-interest bearing instruments		180,948	—	180,948	180,948
Variable interest bearing instruments	5.06	70,770	103,468	174,238	170,000
		251,718	103,468	355,186	350,948
At 31 December 2009					
Financial liabilities					
Non-interest bearing instruments		180,940	—	180,940	180,940
Variable interest bearing instruments	5.28	13,853	135,575	149,428	146,000
		194,793	135,575	330,368	326,940

Note: At 31 December 2010 and 31 December 2009, the weighted average effective interest rates were based on the variable interest rates of the bank loans outstanding at the end of each reporting period.

The amount for variable interest rate instruments for non-derivative financial liabilities is subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

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

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

5. FINANCIAL INSTRUMENTS - *continued*

Capital risk management

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

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

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

6. SEGMENT INFORMATION

The Group is mainly operating in manufacturing and sales of solar wafers and related products. Mr. Zhang, the chief operating decision maker of the Group, regularly reviews revenue analysis by major products and the profit of the Group as a whole for the purposes of performance assessment and making decisions about resources allocation. Accordingly, the Group has only one operating segment for financial reporting purpose.

Entity-wide disclosures

Revenue analysed by major products

The following table sets forth a breakdown of the Group's revenue from manufacturing and sales of solar wafers, related products and other products for the year:

	2010 *RMB'000*	2009 *RMB'000*
Manufacturing and sales of solar products:		
Monocrystalline solar wafers	1,017,723	466,511
Monocrystalline solar ingots	—	19,214
Sub-total	1,017,723	485,725
Others:		
Semiconductor products	558	9,586
Others *(note)*	3,090	11,565
Total revenue	1,021,371	506,876

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

Revenue reported above represents revenue generated from external customers. There were no sales between the solar products and the semiconductors operating units during both years.

6. SEGMENT INFORMATION - *continued*

Revenue and assets analysed by place of domicile of group entities

The analysis of the Group's revenue based on geographical location of external customers attributed to the country of domicile of the relevant group entities, which is the PRC, and to other foreign countries during the year is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Place of domicile of group entities:		
Mainland China	890,708	404,968
Other countries/places:		
Taiwan	119,877	65,950
Germany	4,183	29,030
Thailand	—	5,859
Other countries *(note)*	6,603	1,069
Total revenue	1,021,371	506,876

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

Note: The customers located in other countries/places are mainly from other Asian countries and the United States.

Information about major customers

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

	2010 *RMB'000*	2009 *RMB'000*
Customer A	223,718	*
Customer B	134,526	*
Customer C	*	87,333
Customer D	*	70,214

* *Less than 10%*

7. OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Government grant *(note 1)*	19,097	—
Interest income	1,095	1,147
Processing service fees *(note 2)*	3,727	3,292
Other	2,654	414
	26,573	4,853

Notes:

1. The government grant represented the amount received from the local government by operating subsidiaries of the Group to compensate interest expense incurred in prior years and to encourage activities carried out by the Group in solar business. No specific conditions are attached to the grant.

2. Revenue from processing service represented amounts received and receivable for wafer processing services provided to outside customers.

8. (A) OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Net foreign exchange (losses) gains	(6,946)	1,843
(Loss) gain on disposal of property, plant and equipment	(2,171)	3
	(9,117)	1,846

(B) OTHER EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Share-based payments expense	—	68
Legal and professional fees *(note)*	—	3,342
	—	3,410

Note: The amount mainly represented the legal and professional expenses incurred for the IPO in the year ended 31 December 2009.

9. INTEREST EXPENSE

	2010 *RMB'000*	2009 *RMB'000*
Interest on bank loans wholly repayable within five years	7,624	8,152
Less: amounts capitalised	(223)	(1,483)
	7,401	6,669

Borrowing costs capitalised during the year arose on the general borrowing pool are calculated by applying a capitalisation rate of 5.082% (2009: 5.071%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	2010 *RMB'000*	2009 *RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note (i))*	23,065	2,410
Other staff costs	23,570	13,913
Other staff's retirement benefits scheme contributions	4,045	2,303
Share-based payments expense for other staff *(note (i))*	20,665	—
Total staff costs	71,345	18,626
Auditor's remuneration	1,292	959
Non-audit service	580	634
	1,872	1,593
Cost of inventories recognised as expense	690,786	451,760
Depreciation of property, plant and equipment	39,605	22,941
Impairment loss recognised in respect of trade receivables	2,744	—
Release of prepaid lease payments	390	322
Research and development expenses	8,223	3,544
Operating lease rentals in respect of rented premises	1,420	966

Note i: Directors' remuneration and share-based payments expense for other staff included share-based payments expense recognised during the year and included in administrative expenses of (a) approximately RMB2,220,000 (2009: nil) in respect of share options of the Company recognised during the year; and (b) approximately RMB37,958,000 (2009: nil) in respect of the restricted shares of the Company recognised during the year. Details of transactions are set out in note 27.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2010 *RMB'000*	2009 *RMB'000*
Non-executive directors	—	—
Independent non-executive directors		
- fees	880	323
- basic salaries and allowance	—	—
- share-based payments expense in relation to share options vested	207	68
Executive directors		
- fees	—	—
- basic salaries and allowance	2,672	2,019
- share-based payments expense in relation to		
(i) share options	270	—
(ii) Restricted Shares	19,036	—
	23,065	2,410

The emoluments paid or payable to each of the directors of the Company during the year were as follows:

	Fees *RMB'000*	Basic salaries and allowance *RMB'000*	Share-based payments expense *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
For the year ended 31 December 2010					
Executive directors:					
Mr. Zhang	—	600	—	—	600
Mr. Chau Kwok Keung ("Mr. Chau")	—	1,920	19,036		20,956
Mr. Shi Cheng Qi ("Mr. Shi")	—	152	270	—	422
Non-executive directors:					
Mr. He Xin *(Note 3)*	—	—	—	—	—
Mr. Vincent Phen Chun Shing *(Note 4)*	—	—	—	—	—
Independent non-executive directors:					
Mr. Leung Ming Shu	200	—	45	—	245
Mr. Daniel DeWitt Martin	340	—	72	—	412
Mr. Kang Sun	340	—	90	—	430
	880	2,672	19,513	—	23,065

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - *continued*

	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2009					
Executive directors:					
Mr. Zhang	—	250	—	—	250
Mr. Chau	—	1,470	—	—	1,470
Mr. Shi	—	299	—	—	299
Non-executive directors:					
Mr. He Xin *(Note 3)*	—	—	—	—	—
Mr. Vincent Phen Chun Shing *(Note 4)*	—	—	—	—	—
Independent non-executive directors:					
Mr. Leung Ming Shu	83	—	15	—	98
Mr. Daniel DeWitt Martin *(Note 1)*	120	—	23	—	143
Mr. Kang Sun *(Note 1)*	120	—	30	—	150
Mr. Lawrence Lee *(Note 2)*	—	—	—	—	—
Dr. Wu Po Chi *(Note 2)*	—	—	—	—	—
	323	2,019	68	—	2,410

The five highest paid individuals included two directors of the Company for the year ended 31 December 2010 (2009: one director), details of whose emoluments are set out above. The emoluments of the remaining individuals during the year are as follows:

	2010	2009
	RMB'000	*RMB'000*
Employees		
- basic salaries and allowance	1,037	2,091
- retirement benefits scheme contributions	55	50
- share-based payments expense	19,059	—
	20,151	2,141

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - *continued*

Their emoluments were within the following bands:

	2010	2009
Nil to HK$1,000,000	1	3
HK$1,000,001 to HK$1,500,000	—	1
HK$10,500,001 to HK$11,000,000	1	—
HK$11,000,001 to HK$11,500,000	1	—

During the years ended 31 December 2010 and 31 December 2009, no bonus was paid or payable to the directors nor the other five highest paid individuals.

During the years ended 31 December 2010 and 31 December 2009, no emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 December 2010 and 31 December 2009.

Notes:

1. The directors were appointed on 31 July 2009.
2. The directors were resigned on 5 May 2009.
3. The director was resigned on 26 March 2010.
4. The director was appointed on 26 March 2010.

12. TAXATION

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax		
- Current year	38,707	—
- Underprovision in prior years	—	766
	38,707	766
Deferred taxation *(note 18)*:		
- Current year	1,444	5,623
	40,151	6,389

No Hong Kong Profits Tax has been provided as the group entities either have no relevant assessable profits or incurred tax losses for the years.

PRC income tax is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC. The tax rate of the PRC subsidiaries is 25%.

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

12. TAXATION - *continued*

Upon the Enterprise Income Tax Law of the People's Republic of China promulgated on 16 March 2007 (the "EIT Law"), dividends paid out of the net profits derived by the Company's PRC operating subsidiaries to non-PRC residents in financial years since 1 January 2008 are subject to applicable PRC withholding tax in a rate of 10% or lower rates as provided in tax treaties in accordance with relevant tax laws in the PRC. Withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities to non-PRC residents which is around 5% of the earnings of these entities.

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

The taxation for the year is reconciled to profit before taxation as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	263,091	31,330
Tax at domestic income tax rate (25%)	65,773	7,833
Tax effect of expenses not deductible for tax purpose	12,514	384
Tax effect of income not taxable for tax purpose	—	(380)
Effect of a 50% tax reduction granted to PRC subsidiaries	(38,818)	(2,737)
Withholding income tax provision on dividends from the PRC	682	523
Underprovision in prior years	—	766
Taxation for the year	40,151	6,389

13. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Final paid of RMB0.73 cent per ordinary share for 2009 (2009: nil)	7,532	—

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: 0.73 cent).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2010	2009
	RMB'000	*RMB'000*
Profits		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	222,940	24,941
Number of shares		
Weighted average number of ordinary and preferred shares for the purpose of basic earnings per share	1,059,931,759	773,650,415
Effect of dilutive potential ordinary shares:		
Options	964,674	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,060,896,433	773,650,415

The outstanding share options of the Company did not have a dilutive effect to the Company's earnings per share during the year ended 31 December 2009 because the exercise prices of the Company's share options were higher than the average market prices of the Company's shares during that year.

In calculating the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2010 and 31 December 2009:

— the shares that were issued on 30 October 2009 pursuant to capitalisation issue of shares are treated as if they had been in issue throughout the year ended 31 December 2009; and

— preference shares outstanding during the year ended 31 December 2009 which shared similar characteristics of the ordinary shares, except for the liquidation preference and mandatorily convertible feature automatically upon the IPO, were considered as ordinary shares for the purpose of calculation of basic earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2009	33,536	210,340	1,088	3,052	35,296	283,312
Additions	829	17,544	173	593	186,060	205,199
Transfers	51,865	125,923	—	—	(177,788)	—
Disposals/write-off	—	—	—	(711)	—	(711)
At 31 December 2009	86,230	353,807	1,261	2,934	43,568	487,800
Additions	8,386	126	401	1,138	321,976	332,027
Transfers	20,754	75,883	—	—	(96,637)	—
Disposals/write-off	—	(13,607)	—	(85)	—	(13,692)
At 31 December 2010	115,370	416,209	1,662	3,987	268,907	806,135
DEPRECIATION						
At 1 January 2009	1,872	34,788	387	650	—	37,697
Provided for the year	1,853	20,433	100	555	—	22,941
Eliminated on disposals/write-off	—	—	—	(420)	—	(420)
At 31 December 2009	3,725	55,221	487	785	—	60,218
Provided for the year	5,070	33,770	139	626	—	39,605
Eliminated on disposals/write-off	—	(9,469)	—	(66)	—	(9,535)
At 31 December 2010	8,795	79,522	626	1,345	—	90,288
CARRYING VALUES						
At 31 December 2010	106,575	336,687	1,036	2,642	268,907	715,847
At 31 December 2009	82,505	298,586	774	2,149	43,568	427,582

15. PROPERTY, PLANT AND EQUIPMENT - *continued*

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

Buildings	Over the shorter of the period of the respective lease or 20 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

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

As at 31 December 2010, the Group pledged its buildings and construction in progress having net book values of approximately RMB97,164,000 (2009: RMB79,691,000) and RMB15,209,000 (2009: RMB10,804,000), respectively, to a bank to secure banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

	2010 *RMB'000*	2009 *RMB'000*
Carrying values		
At beginning of the year	15,531	15,853
Additions during the year	6,790	—
Charged to profit or loss	(390)	(322)
At end of the year	21,931	15,531
Less: Amount to be amortised within one year	(458)	(322)
Non-current portion	21,473	15,209

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

17. ADVANCE TO SUPPLIERS

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

In November 2006, April 2008, July 2009, December 2009, July 2010, August 2010 and October 2010, the Group entered into several purchase agreements with two major suppliers, independent parties not connected or related to the Group, whereby the Group is committed to purchase a minimum quantity of raw materials, mainly polysilicon virgins, (to be used in the manufacture of its products) each year during the period from 1 January 2009 to 31 December 2016 (the "Supply Period") at pre-determined prices. According to the terms of the agreements, the Group made advances to these suppliers during the years ended 31 December 2010 and 31 December 2009. At 31 December 2010 and 31 December 2009, the Group had outstanding aggregate advance payments of approximately RMB347,648,000 and RMB199,174,000 with these suppliers, respectively. The advances are unsecured, interest-free and will be offset with part of the invoiced amounts in the manner as discussed below, on an annual basis before expiry of the agreements in 2016.

Pursuant to the terms of the agreements, during each year of the Supply period, the amount of advances made in respect of the agreed contract quantity in that particular year would be utilised to reduce the invoice amount of purchases up to those annual agreed quantities. The total minimum amount of raw materials to be purchased by the Group from the two major suppliers during the Supply Period is approximately RMB 4,422,047,000(2009: RMB1,475,491,000).

For the arrangement with one of the major suppliers, if the minimum purchase requirement is not met in a particular year, the advance made to that supplier in relation to the minimum purchase commitment would be forfeited. In addition, pursuant to terms of this purchase agreement, the Group granted to this supplier a continuing security interest in the raw materials supplied by such supplier and the proceeds of sale or insurance of such raw materials with the entire purchase of such raw materials and if applicable, all late payments, interest and expenses necessary to enforce such security interest. The supplier has the right to take all necessary measures to create, perfect, preserve and enforce the security interest. At 31 December 2010 and 31 December 2009, the Group did not have any outstanding trade payable with this supplier.

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

17. ADVANCE TO SUPPLIERS - *continued*

These purchase agreements do not expressly stipulate that the Group will be subject to any other liabilities should the Group fail to meet the minimum purchase commitment. The Group's minimum annual purchase commitment during the remaining Supply Period is as follows:

Year ending 31 December	Amount equivalent to RMB'000
2011	393,336
2012	587,550
2013	707,244
2014	1,165,627
2015	854,670
2016	570,564
	(Note) 4,278,991

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

Note: The Group entered into these long-term purchase agreements with major suppliers for expected quantity of raw materials to be consumed in the future. The estimated quantity of raw materials contracted for is based on the Group's planned annualised production capacity and assumed significant growth in demand of the Group's products in the Supply Period. The Group performs ongoing evaluation of anticipated consumption of the raw materials to be used after taking into consideration changes of market conditions and planned annualised production capacity of the Group. The Group may suffer losses in those future period when the raw materials contracted for may not be consumed as planned and the respective minimum purchase requirement may not be met as the advance made to supplier(s) will be forfeited or the Group may need to make payment to supplier(s) for the shortfall of any minimum purchase commitment in the relevant period.

18. DEFERRED TAX

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

	Write-down of inventories	Allowance for doubtful debts	Allowance for advance to suppliers	Tax losses	Withholding tax on undistributed dividends	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	5,428	—	1,123	—	(3,251)	3,300
(Charge) credit to profit or loss	(5,301)	—	(1,123)	1,324	(523)	(5,623)
At 31 December 2009	127	—	—	1,324	(3,774)	(2,323)
Credit (charge) to profit or loss	—	562	—	(1,324)	(682)	(1,444)
At 31 December 2010	127	562	—	—	(4,456)	(3,767)

The following is the analysis of the deferred tax balance for financial report presentation purposes.

	2010	2009
	RMB'000	*RMB'000*
Deferred tax assets	689	1,451
Deferred tax liabilities	(4,456)	(3,774)
	(3,767)	(2,323)

At 31 December 2010 and 31 December 2009, except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately RMB89,110,000 and RMB75,480,000, respectively, deferred tax liabilities of approximately RMB21.8million and RMB8.8 million, respectively, have not been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of the PRC operating subsidiaries of approximately RMB435.1 million and RMB176.1 million, respectively, as the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse nor be subject to withholding tax in the foreseeable future.

19. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	216,400	83,587
Work-in-progress	13,373	11,783
Finished goods	18,030	12,984
	247,803	108,354

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	73,326	121,601
Utility deposits	1,873	656
Value-added-tax recoverable	71,040	39,162
Other receivables and prepayments	9,228	4,709
	155,467	166,128
Bills receivable	2,000	32,006

The Group requested prepayment from customers before delivery of goods and allows a credit period of 7 to 180 days on case-by-case basis.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the year:

	2010	2009
	RMB'000	*RMB'000*
Age		
0 to 30 days	49,317	79,525
31 to 60 days	22,431	21,595
61 to 90 days	1,575	9,783
91 to 180 days	3	8,043
Over 180 days	—	2,655
	73,326	121,601

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE - *continued*

The following is an aged analysis of bills receivable presented based on the invoice date at the end of the year:

	2010	2009
	RMB'000	*RMB'000*
Age		
31 to 60 days	2,000	6,893
91 to 180 days	—	25,113
	2,000	32,006

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

At the end of each reporting period, the Group's trade receivables and bills receivable are neither past due nor impaired for which the Group has not provided for as the debtors have no default history and of good credit quality.

Included in the Group's trade receivables at 31 December 2009 was debtor for with a carrying amount approximately RMB 2,655,000 which was past due for which the Group did not provide impairment for as the Group recovered such amount subsequent the end of the reporting period. As at 31 December 2010, the Group did not have trade receivables that were past due but not provided for.

Included in the Group's allowance for doubtful debts are individually impaired trade receivables with an aggregate carrying amount of approximately RMB2,744,000 (2009: nil) which are past due as at 31 December 2010 for which the Group has provided in full (2009: nil) for during the year ended 31 December 2010 as the debtor has been placed under liquidation and in severe financial difficulties. The impairment recognised represented the difference between the carrying amount of this specific trade receivable and the present value of the expected recoverable amount. The Group did not hold any collateral over the balance.

Movement in the allowance for doubtful debts

	RMB'000
At 1 January 2009, 31 December 2009 and 1 January 2010	—
Impairment losses recognised during the year	2,744
At 31 December	2,744

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE - *continued*

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

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

	2010	2009
	RMB'000	*RMB'000*
Trade and other receivables denominated in USD	5,099	12,193
Trade and other receivables denominated in Euro	—	6,196

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.10% to 0.36% per annum and 0.10% to 1.35% per annum at 31 December 2010 and 31 December 2009, respectively.

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

	2010	2009
	RMB'000	*RMB'000*
Bank balances and cash denominated in:		
Euro	4,101	1,479
HK$	2,771	13,507
USD	106,120	378,204
JPY	232	—

Certain bank balances and cash of approximately RMB180,453,000 and RMB6,048,000 at 31 December 2010 and 31 December 2009, respectively, were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

22. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	63,174	76,680
Value-added tax payables	403	792
Payables for acquisition of property, plant and equipment	117,774	104,260
Other payables and accrued charges	12,395	16,805
	193,746	198,537

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2010	2009
	RMB'000	*RMB'000*
Age		
0 to 30 days	44,940	50,598
31 to 60 days	15,866	18,318
61 to 90 days	441	2,067
91 to 180 days	547	3,547
Over 180 days	1,380	2,150
	63,174	76,680

The average credit period on purchases of goods is 30 days to 90 days and certain suppliers grant longer credit period on case-by-case basis.

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

	2010	2009
	RMB'000	*RMB'000*
Trade and other payables denominated in:		
Euro	—	6,494
USD	117,852	78,781
	117,852	85,275

23. CUSTOMERS' DEPOSITS RECEIVED

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

24. SHORT-TERM BANK LOANS

	2010	2009
	RMB'000	*RMB'000*
Short-term bank loans		
- secured	100,000	86,000
- unsecured	70,000	60,000
	170,000	146,000

The short-term bank loans carry variable interest rates based on the benchmark interest rates issued by the People's Bank of China at 31 December 2010 and 31 December 2009.

The amounts are based on scheduled repayment dates set out in the loan agreements.

25. SHARE CAPITAL

The share capital of the Group at 31 December 2010 and 31 December 2009 represented the issued and fully paid capital of ordinary shares of the Company.

Authorised:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 1 January 2009	1,000,000,000	1,000
Redesignation and reclassification from preferred shares of HK$0.001 each *(notes 25(c), 26(b))*	26,000,000	26
Increase in authorised share capital of the Company *(note 25(c))*	6,574,000,000	6,574
Ordinary shares of HK$0.001 each at 31 December 2009,1 January 2010 and 31 December 2010	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 1 January 2009	266,959,468	267
Issue of ordinary shares of HK$0.001 each on 3 August 2010 *(note 25(a))*	8,752,770	9
Issue of new shares upon conversion of preferred share capital *(note 25(b), 26(c))*	24,799,513	25
Capitalisation issue of shares *(note 25(d))*	449,488,249	449
Issue of new shares upon listing of the Company's shares on the Stock Exchange *(note 25(e))*	250,000,000	250
Issue of new shares upon exercise of the over-allotment option *(note 25(f))*	31,738,000	32
Ordinary shares of HK$0.001 each at 31 December 2009	1,031,738,000	1,032
Issue of new shares *(note 25(g))*	100,000,000	100
Exercise of share options *(note 25(h))*	1,890,000	2
Ordinary shares of HK$0.001 each at 31 December 2010	1,133,628,000	1,134

25. SHARE CAPITAL - *continued*

	2010	2009
	RMB'000	*RMB'000*
Presented as RMB:		
Ordinary shares	998	910

The movements in the Company's authorised and issued ordinary share capital during the year ended 31 December 2010 and 31 December 2009 are as follows:

(a) On 3 August 2009, the Company issued 8,752,770 new shares of ordinary shares upon the issuance of restricted shares which the owner has the same rights as holding of ordinary shares of the Company except that the restricted shares may not be sold, transferred by gift, pledged, transferred or disposed prior to the date when the restricted shares become vested pursuant to the vesting schedule set out in 27(b), to a director and certain key management personnel of the Company, credited as fully paid. Details of the restricted shares are set out in note 27(b).

(b) On 25 September 2009, 24,799,513 preferred share capital of HK$ 0.001 each of the Company were converted to 24,799,513 ordinary share capital of HK$ 0.001 each of the Company on the basis of one preferred share for one ordinary share.

(c) On 2 October 2009, the authorised share capital of the Company of HK$1,026,000 divided into 1,000,000,000 ordinary shares of HK$0.001 each and 26,000,000 preferred share capital of HK$0.001 each was reclassified and redesignated to 1,026,000,000 ordinary shares of HK$0.001 each. On the same date, the authorised share capital was further increased to HK$7,600,000 by creation of an additional 6,574,000,000 ordinary shares of HK$0.001 each which rank pari passu in all respects with the existing shares of HK$0.001 each.

(d) On 30 October 2009, the directors of the Company allocated and issued at par 449,488,249 ordinary shares to the shareholders of the Company on the register of members of the Company at the close of business on 8 October 2009 in proportion to their respective existing shareholders in the Company by capitalisation of total amount of approximately HK$449,000 (equivalent to RMB 393,000) standing to the credit of the share premium account of the Company ("Capitalisation Issue of Shares").

(e) On the same day, 250,000,000 ordinary shares of HK$ 0.001 each of the Company were then issued at HK$ 2.10 per share by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange.

(f) On 26 November 2009, an over-allotment option was exercised and a further 31,738,000 shares of HK$ 0.001 each were issued at HK$ 2.10 per share.

25. SHARE CAPITAL - *continued*

(g) On 9 September 2010, arrangements were made for a private placement whereby 100,000,000 ordinary shares of HK$ 0.001 each of the Company held by Fonty were subscribed by independent private investors at a price of HK$ 2.30 per share representing a discount of 9.09% to the closing market price of the Company's shares on 9 September 2010.

Pursuant to a subscription agreement between Fonty and the Company on the same date, Fonty subscribed for 100,000,000 new shares of HK$ 0.001 each in the Company at a price of HK$ 2.30 per share. The proceeds were used to provide additional working capital of the Group and to provide funds for the expansion of the Group's production capacity. The new shares were issued pursuant to the general mandate granted to the directors of the Company pursuant to a resolution passed by the shareholders at the annual general meeting held on 24 May 2010 and rank pair passu with other shares in all respects.

(h) During the year ended 31 December 2010, the Company issued 1,890,000 new shares upon exercise of share options at the exercise price of HK$ 1.49 per share.

All the shares issued by the Company during the year ended 31 December 2010 and 31 December 2009, except for the preferred shares and restricted shares, rank pari passu with the then existing shares in all respects. Preferred shares carry same rights as ordinary shares except for preference at liquidation and the restrictions as set out in the articles of association of the Company. Restricted shares carry the same right as ordinary shares except for the restrictions and cancellation option as detailed in note 27(b).

26. PREFERRED SHARE CAPITAL

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

Authorised:	Number of shares	Amount
		HK$'000
Preferred shares		
At 1 January 2009	12,000,000	12
Increase in authorised preferred shared capital of the Company *(note 26(b))*	14,000,000	14
Redesignation and reclassification to ordinary shares of HK$0.001 each *(note 25(c))*	(26,000,000)	(26)
Preferred shares of HK$0.001 each at 31 December 2009, 1 January 2010 and 31 December 2010	—	—

Issued and fully paid:	Number of shares	Amount
		HK$'000
Preferred shares		
On 1 January 2009	11,212,019	11
Issue of preferred shares of HK$0.001 each on 30 March 2009 *(note 26(b))*	13,587,494	14
Conversion to ordinary shares of HK$0.001 each on 25 September 2009 *(note 26(c))*	(24,799,513)	(25)
Preferred shares of HK$0.001 each at 31 December 2009, 1 January 2010 and 31 December 2010	—	—

	2010	2009
	RMB'000	*RMB'000*
Presented as RMB:		
Preferred shares	—	—

26. PREFERRED SHARE CAPITAL - *continued*

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

(ii) Each preferred share would be converted automatically into one ordinary share upon the IPO, unless the preferred shares were converted into ordinary shares of the Company before the IPO.

(iii) The preferred shares were not redeemable.

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

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

(vi) The owner of the preferred shares had a right of first offer over the ordinary shares proposed to be sold by the Company in the future. Such right of first offer however did not apply to the ordinary shares issued pursuant to the IPO.

The movements in the Company's authorised and issued preferred share capital during the year are as follows:

(a) At 1 January 2009, 11,212,019 preferred shares of HK$0.001 each were held by CMTF Private Equity One ("CMTF"), which is an exempted limited partnership established under the laws of the Cayman Islands and independent party not connected nor related to the Group, as a result of a mutual agreement entered into by the Company and CMTF in 2008.

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

(c) On 25 September 2009, 24,799,513 preferred share capital of HK$ 0.001 each of the Company were converted to 24,799,513 ordinary share capital of HK$ 0.001 each of the Company on the basis of one preferred share for one ordinary share.

27. SHARE-BASED COMPENSATION

(a) Share options to employees and others

Pre-IPO Share Option Scheme

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

The total number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is not permitted to exceed 3% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Option granted must be taken up within 30 days from the date of grant, upon payment of HK$1.00. Subject to the vesting as detailed below, options may be exercised at any time from the grant date of the share options to the 10th anniversary of the date of grant. The exercise price of the shares in the Company shall be a price determined by the board of directors of the Company with reference to future earnings potential of the Company and notified to the eligible participants.

Pursuant to a board resolution dated 3 August 2009, the Company granted 230,000, representing 0.08% of the shares of the Company in issue at that date, share options to certain directors of the Company under the Pre-IPO Share Option Scheme. Set out below are details of the outstanding options granted under the Pre-IPO share Option Scheme on 3 August 2009:

(1) All options granted on 3 August 2009 are at an exercise price of HK$6.27 per share.

(2) All holders of options granted on 3 August 2009 may only exercise their options in the following manner:

(i) 1/12th of the share options vested on 1 November 2009 and become exercisable; and

(ii) from 1 November 2009 onwards, for the remaining 11/12th share options, every 1/12th of the granted share options will vest at the end of each three-month period on a quarterly basis.

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

27. SHARE-BASED COMPENSATION - *continued*

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

Pre-IPO Share Option Scheme - *continued*

The estimated fair values of share options granted on 3 August 2009 was RMB619,000. These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Fair value of ordinary share	HK$5.76
Exercise price	HK$6.27
Expected volatility	78.7%
Suboptimal exercise multiple	3.5
Staff turnover rate	30%
Risk-free rate	2.256%
Expected dividend yield	1.00%

The risk-free rate was based on market yield rate of Hong Kong Government Bond with maturity on 10 June 2019 as of the date of valuation on 3 August 2009. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Pursuant to a board resolution dated 2 October 2009, the Company modified details of the outstanding share options previously granted on 3 August 2009. The exercise price of 230,000 outstanding options was reduced from HK$6.27 per share to HK$2.51 per share. In addition, the Company increased the number of outstanding share options by 344,020 in proportion to their respective existing grantees of the Company upon the completion of Capitalisation Issue of Shares on 30 October 2009. The directors of the Company confirmed that the increment on the number of outstanding share options and reduction on the exercise price would not have occurred without the completion of Capitalisation Issue of Shares.

The fair values of the share options of the Company immediately before and after modification at 30 October 2009 were calculated using the Binomial Model. The inputs into the model were as follows:

	Before modification	After modification
Fair value of ordinary share	HK$5.241	HK$2.10
Exercise price	HK$6.27	HK$2.51
Expected volatility	76.9%	76.9%
Suboptimal exercise multiple	3.5	3.5
Staff turnover rate	30%	30%
Risk-free rate	2.252%	2.252%
Expected dividend yield	0.4%	0.4%

27. SHARE-BASED COMPENSATION - *continued*

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

Pre-IPO Share Option Scheme - *continued*

The risk-free rate was based on market yield rate of Hong Kong Government Bond with maturity on 10 June 2019 as of the date of valuation on 30 October 2009. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair values of the share options of the Company immediately before modification at 30 October 2009 were the same as those after modification at 30 October 2009 without any material incremental changes.

No further options were offered or granted under the Pre-IPO Share Option Scheme after the IPO.

Set out below are details of movements of the outstanding options granted under the Pre-IPO share Option Scheme during the years ended 31 December 2010 and 31 December 2009:

	Number of options				
	Outstanding as at 1 January 2010	Exercised during the year	Forfeited during the year	Lapsed in the year	Outstanding as at 31 December 2010
Directors:					
Mr. Leung Ming Shu	125,000	—	—	—	125,000
Mr. Daniel DeWitt Martin	200,000	—	—	—	200,000
Mr. Kang Sun	249,020	—	—	—	249,020
	574,020	—	—	—	574,020
Exercisable at the end of the year					321,861

27. SHARE-BASED COMPENSATION - *continued*

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

Pre-IPO Share Option Scheme - *continued*

	Number of options				
	Outstanding as at 1 January 2009	Issue during the year	Modified during the year	Lapsed in the year	Outstanding as at 31 December 2009
Directors:					
Mr. Leung Ming Shu	—	50,000	75,000	—	125,000
Mr. Daniel DeWitt Martin	—	80,000	120,000	—	200,000
Mr. Kang Sun	—	100,000	149,020	—	249,020
	—	230,000	344,020	—	574,020
Exercisable at the end of the year					63,780

No share options previously granted by the Company on 3 August 2009 were exercised in the years ended 31 December 2010 and 31 December 2009.

At 31 December 2010, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 574,020 (31 December 2009: 574,020), representing 0.05% (31 December 2009: 0.06%) of the shares of the Company in issue at that date.

The Group recognised the total expense of approximately RMB206,000 (2009: RMB68,000) for the year ended 31 December 2010 in relation to share options granted by the Company on 3 August 2009.

27. SHARE-BASED COMPENSATION - *continued*

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

Share Option Scheme

The Company has adopted its share option scheme (the "Share Option Scheme") on 2 October 2009. The purpose of the Share Option Scheme is to motivate eligible persons to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 0.1% of the number of shares in issue unless approved by shareholders in general meeting.

The subscription price of a share in respect of option granted under the Share Option Scheme will be determined by the board of directors provided that is shall not be less than the higher of : (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the 5 business day immediately preceding the date of grant, and (iii) the nominal value of the shares.

Pursuant to a board resolution dated 24 May 2010, the Company granted 5,180,000, representing 0.50% of the shares of the Company in issue at that date, share options to certain employees of the Company under the Share Option Scheme. Set out below are details of the outstanding options granted under the Share Option Scheme on 24 May 2010:

(1) All options granted on 24 May 2010 are at an exercise price of HK$ 1.49 per share.

(2) All holders of options granted on 24 May 2010 may only exercise their options in the following manner:

(i) half of the share options vested on 24 May 2010 and become exercisable; and

(ii) the remaining balance of share options will become vested and exercisable at 30 June 2011.

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

27. SHARE-BASED COMPENSATION - *continued*

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

Share Option Scheme - *continued*

The estimated fair values of share options granted on 24 May 2010 was RMB3,054,000. These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Share price on grant date	HK$ 1.37
Exercise price	HK$1.49
Expected volatility	68.0%
Suboptimal exercise multiple	3.5
Staff turnover rate	18%
Risk-free rate	2.467%
Expected dividend yield	0.60%

The risk-free rate was based on market yield rate of Hong Kong Government Bond with maturity on 22 June 2015 and 7 December 2015 as of the date of valuation on 24 May 2010. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Set out below are details of movements of the outstanding options granted under the Pre-IPO share Option Scheme during the year ended 31 December 2010:

	Number of options				
	Outstanding as at 1 January 2010	Issue during the year	Exercised during the year	Forfeited in the year	Outstanding as at 31 December 2010
Director:					
Mr. Shi	—	600,000	(300,000)	—	300,000
Employees	—	4,580,000	(1,590,000)	(700,000)	2,290,000
	—	5,180,000	(1,890,000)	(700,000)	2,590,000
Exercisable at the end of the year					1,717,692

27. SHARE-BASED COMPENSATION - *continued*

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

Share Option Scheme - *continued*

In respect of the share options exercised during the year ended 31 December 2010, the weighted average share price at the date of exercise is HK$ 3.00 per share (2009: N/A)

During the year ended 31 December 2010, 700,000 share options previously granted by the Company were forfeited before vesting due to departure of employees.

At 31 December 2010, the number of shares in respect of which options under the Share Option Scheme remained outstanding was 2,590,000, representing 0.23% of the shares of the Company in issue at that date.

The Group recognised the total expense of approximately RMB2,014,000 (2009: N/A) for the year ended 31 December 2010 in relation to share options granted by the Company on 24 May 2010.

27. SHARE-BASED COMPENSATION - *continued*

(b) Restricted Shares to a director and certain key management personnel

	Number of shares	Fair values of unvested Restricted Shares (as defined below) *RMB'000*
At 1 January 2009	959,468	9,575
Granted on 3 August 2009	8,752,770	28,383
Capitalisation Issue of Shares	14,527,009	—
At 31 December 2009	24,239,247	37,958
Vested on 1 December 2010	(24,239,247)	(37,958)
At 31 December 2010	—	—

A total of 959,468 and 8,752,770, restricted shares ("Restricted Shares") representing 0.36% and 3.17% of the shares of the Company in issue on 2 June 2008 and 3 August 2009, respectively, were granted to Mr. Chau, in 2008 and Mr. Chau and certain key management personnel on 3 August 2009 at nil consideration. The terms of the grant are as follows:

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

27. SHARE-BASED COMPENSATION - *continued*

(b) Restricted Shares to a director and certain key management personnel - *continued*

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

Granted on 2 June 2008

(i) 2/12th of the Restricted Shares should vest immediately after the closing of the IPO ("First Vesting"); and

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

In the event of the IPO did not complete on or before one year from 2 June 2008, the Company would immediately cancel all the Restricted Shares held by the grantee which have not yet been vested ("Unvested Shares") unless the board of the directors in its discretion otherwise determined in which event the Restricted Shares should not be forfeited. Pursuant to a board resolution passed on 1 June 2009, the board of directors determined that the Restricted Shares would not be forfeited till 1 June 2010. In the opinion of the directors of the Company, there were no material incremental differences when comparing the fair values of the Restricted Shares immediately after modification to those immediately before modification.

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

Granted on 3 August 2009

(i) 1/4th of the Restricted Shares shall vest immediately after the Group's audited net profit after taxation achieved RMB500 million or more for any financial year ("First Vesting"); and

(ii) the remaining 3/4th of the Restricted Share shall vest thereinafter in equal quarterly instalments of 1/4th the of the Restricted Shares at the end of each quarter after the First Vesting.

Pursuant to a board resolution of the Company dated 3 August 2009, the vesting conditions of the 959,468 Restricted Shares previously granted on 2 June 2008 set out above were changed and details of revised vesting conditions were the same as those granted on 3 August 2009. In the opinion of the directors of the Company, the fair values of the 959,468 Restricted Shares immediately after modification were the same as those immediately before modification.

27. SHARE-BASED COMPENSATION - *continued*

(b) Restricted Shares to a director and certain key management personnel - *continued*

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

(4) The fair values of the Restricted Shares granted on 2 June 2008 and 3 August 2009 of approximately RMB9,575,000 and RMB28,383,000, respectively, were estimated with reference to the fair value of the ordinary shares after taking into account the weighted average fair values of put option. The put option represents the marketability discount of the Restricted Shares and will give the holder of the Restricted Shares the right to sell the underlying shares at any time during the term of the option up to the expiry as mentioned in (2) above. The fair value of the ordinary shares was determined with reference to the valuation of the Group's business carried out on the grant date by American Appraisal China Limited, an independent valuer not connected nor related to the Group. The valuation was determined by reference to the Income Approach using the discounted cash flow method. The weighted average fair value of the Restricted Shares of approximately HK$9.98 and HK$3.65, approximately 27% and 37% , respectively, of marketability discount of each ordinary share, was calculated using the Black-Scholes pricing model with the inputs below:

	Granted on 3 August 2009	Granted on 2 June 2008
Fair value of ordinary share	HK$5.76	HK$13.67
Expected volatility	110.2%	60.3% to 76.0%
Expected life	0.74 years	0.47 to 2.97 year
Risk-free rate	0.095%	3.300% to 3.740%
Expected dividend yield	1.00%	nil

The risk-free rate was based on market yield of China International Government Bond with maturity at 10 December 2009, 17 April 2009, 6 June 2009, 23 August 2009, 6 December 2009, 19 February 2010, 26 April 2010, 20 August 2010, 19 November 2010, 14April 2011 and 25 May 2011 at the valuation date on 2 June 2008 and market yield of Hong Kong Government Board with maturity on 17 May, 2010 as of the valuation date on 3 August 2009. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The expected life used in the model had been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

27. SHARE-BASED COMPENSATION - *continued*

(b) Restricted Shares to a director and certain key management personnel - *continued*

Pursuant to supplementary agreements entered between the Company and the holders of the Restricted Shares on 8 November 2010, the Restricted Shares became vested, i.e. freely transferrable, since 1 December 2010. As a result, the Group recognised an aggregate amount of expenses of approximately RMB37,958,000 in relation to the fair values of the Restricted Shares granted by the Company in the consolidated statement of comprehensive income in the year ended 31 December 2010. During the year ended 31 December 2009, the Group did not recognise any expenses in relation to the Restricted Shares granted by the Company since the directors of the Company did not anticipate that the Group would achieve the net profit after taxation of RMB500 million or more in the near future.

28. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	218,176	181,557
Amount due from subsidiaries	772,723	269,084
	990,899	450,641
Current assets		
Other receivables	2,900	195
Amounts due from subsidiaries	4,291	4,424
Bank balances and cash	6,095	389,415
	13,286	394,034
Current liability		
Other payables	2,750	8,805
Net current assets	10,536	385,229
Total assets less current liabilities	1,001,435	835,870
Capital and reserves		
Share capital	998	910
Reserves *(note i)*	1,000,437	834,960
Total equity	1,001,435	835,870

28. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY - *continued*

Note i: Reserves

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

	The Company				
	Share premium *RMB'000*	Share options reserve *RMB'000*	Restricted shares reserve *RMB'000* *(note 27)*	Retained profits (Accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2009	305,097	—	(9,575)	65,461	360,983
Profit and total comprehensive expense for the year	—	—	—	(2,130)	(2,130)
Issue of new preferred shares *(note 26(b))*	(11)	—	—	—	(11)
Issue of unvested Restricted Shares *(note 27(b))*	28,375	—	(28,383)	—	(8)
Capitalisation issue of new shares *(note 25(d))*	(393)	—	—	—	(393)
Issue of new shares	514,231	—	—	—	514,231
Transaction costs attributable to issue of new shares	(37,780)	—	—	—	(37,780)
Recognition of equity-settled share-based payments	—	68	—	—	68
At 31 December 2009	809,519	68	(37,958)	63,331	834,960
Loss and total comprehensive expense for the year	—	—	—	(68,745)	(68,745)
Issue of new shares	197,714	—	—	—	197,714
Exercise of share options	3,519	(1,104)	—	—	2,415
Transaction costs attributable to issue of new shares	(6,085)	—	—	—	(6,085)
Dividends recognised as distribution *(note 13)*	—	—	—	(7,532)	(7,532)
Recognition of equity-settled share-based payments	—	2,220	37,958	—	40,178
At 31 December 2010	1,004,667	1,184	—	(5,414)	1,000,437

29. OPERATING LEASE COMMITMENTS

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

	2010	2009
	RMB'000	*RMB'000*
Within one year	781	525
In the second to fifth year inclusive	1,720	1,720
After five years	3,046	3,476
	5,547	5,721

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

30. CAPITAL COMMITMENTS

	2010	2009
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	68,469	52,674
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment *(Note)*	505,423	1,361,502
	573,892	1,414,176

Note: Included in the commitment for the years ended 31 December 2009 represented amount of approximately RMB 950,000,000 related to development of a production plant in Nanchang Economy and Technology Development Zone which the Group suspended the plan pursuant to a board resolution in March 2010.

31. RETIREMENT BENEFITS SCHEMES

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

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

32. RELATED PARTY TRANSACTIONS

In the opinion of the directors of the Company, the Group did not have any outstanding balances with related parties at 31 December 2010 and 31 December 2009.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2010 *RMB'000*	2009 *RMB'000*
Basic salaries and allowances	5,623	5,350
Retirement benefits scheme contributions	188	152
Share-based payments expense	39,301	68
	45,112	5,570

The remuneration of key management is determined with reference to the performance to individuals and market trends.

33. SUBSIDIARIES

Details of the wholly-owned Company's subsidiaries at 31 December 2010 and 31 December 2009 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Principal activities
Comtec Semiconductor (Cayman) Limited*	Cayman Islands 23 April 2007	US$2 *(Note 1)*	Investment holding
Comtec Semiconductor (Hong Kong) Limited	Hong Kong 12 October 2007	HK$2 *(Note 1)*	Investment holding
Comtec Solar (Cayman) Limited*	Cayman Islands 23 April 2007	US$2 *(Note 1)*	Investment holding
Comtec Solar (HK)	Hong Kong 12 October 2007	HK$2 *(Note 1)*	Investment holding, provision of sourcing, invoicing and support services
Comtec Solar (Jiangxi) #	PRC 22 March 2006	USD6,064,000 *(Note 1)*	Inactive
Comtec Semi #	PRC 21 December 1999	US$4,040,000 *(Note 1)*	Manufacturing and sales of semiconductors, solar wafers and related products
Comtec Solar #	PRC 5 July 2005	US$18,500,000 *(Note 1)*	Manufacturing and sales of solar wafers and related products
Comtec New energy (Shanghai) Limited#	PRC 7 January 2010	US$16,000,000 *(Note 2)*	Provision of sourcing, invoicing and support services
Comtec Solar (Jiangsu) Co., Limited#	PRC 11 February 2010	US$35,500,000 *(Note 2)*	Manufacturing and sales of solar wafers and related products

* *Directly held by the Company*

\# *Wholly foreign-owned enterprise*

Notes:

1. The issued and fully paid share capital of the entity remained unchanged as at 31 December 2010 and 31 December 2009.

2. The entity was incorporated during the year ended 31 December 2010.

None of the subsidiaries has issued any debt securities at the end of the reporting period.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Global Offering" or "IPO"	the listing of the Shares on the Hong Kong Stock Exchange on 30 October 2009
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commence on the Stock Exchange
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"PRC" or "China"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	Shareholder(s) of the Company