Trony Solar Holdings Company Limited

創益太陽能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2468

Interim Report 2010/2011

CONTENTS

CORPORATE INFORMATION

Directors	
Executive Directors	Mr. Yi LI *(Chairman)* Mr. Yixiang CHEN
Non-Executive Director	Mr. Hong YU
Independent Non-Executive Directors	Mr. David Ka Hock TOH Prof. Chia-Wei WOO Mr. Shujian CHE
Registered Office	Walkers Corporate Services Limited Walker House, 87 Mary Street George Town Grand Cayman KY1-9005 Cayman Islands
Head Office in the PRC	Units 2112-2116 Great China International Exchange Square No. 1 Fuhua Road Futian District Shenzhen 518048 PRC
Principal Place of Business in Hong Kong	Unit 103B, 1/F, Enterprise Place No. 5 Science Park West Avenue Hong Kong Science Park Shatin, New Territories Hong Kong
Audit Committee	Mr. David Ka Hock TOH *(Chairman)* Prof. Chia-Wei WOO Mr. Shujian CHE
Nomination Committee	Mr. Yi LI *(Chairman)* Mr. David Ka Hock TOH Prof. Chia-Wei WOO

Remuneration Committee	Mr. Yi LI *(Chairman)* Mr. David Ka Hock TOH Prof. Chia-Wei WOO
Company Secretary	Ms. Stella Yuen Ying CHAN *(HKICS, ACIS, HKIoD)*
Company Website	**www.trony.com**
Authorized Representatives	Ms. Stella Yuen Ying CHAN Mr. Yi LI
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
Compliance Advisor	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
Legal Advisors	Orrick, Herrington & Sutcliffe
Auditor	Deloitte Touche Tohmatsu Certified Public Accountants
Principal Bankers	Industrial and Commercial Bank of China (Asia) Limited Hang Seng Bank Limited China Construction Bank

FINANCIAL HIGHLIGHTS

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Revenue	**900,660**	587,141
Profit before taxation	**316,646**	241,404
Profit and total comprehensive income for the period	**261,932**	179,368
Earnings per share		
– Basic	**RMB0.19**	RMB0.18
– Diluted	**RMB0.19**	RMB0.16

	As at December 31, 2010	As at June 30, 2010
	RMB'000	*RMB'000*
		(Unaudited)
Total assets	**3,340,945**	1,780,707
Cash and restricted bank deposits	**1,257,526**	126,473
Total liabilities	**549,367**	748,355
Net assets	**2,791,578**	1,033,352
Net debt to shareholders' equity	**(42%)**[note]	40%

Note: The negative net debt to shareholders' equity ratio represents the Group's net cash position as at December 31, 2010.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Trony Solar Holdings Company Limited (the "Company" or "Trony Solar", together with its subsidiaries, collectively referred to as the "Group"), I am pleased to report the audited interim results of the Group for the six months ended December 31, 2010 (the "Period"). Global solar applications are expected to continue to expand. More and more public and private users are adopting a wide range of solar applications in the direction of achieving low carbon societies. Lack of infrastructure in many emerging economies call for many off-grid solar applications. Trony Solar will continue our clearly defined strategies and improve our products to address the global solar demand.

During the Period, we achieved strong performance and growth in revenues and profitability. Here are some financial and business highlights for the Period:

- ➢ Revenue for the Period was RMB900.7 million, up approximately 53.4% year-on-year from RMB587.1 million for the corresponding period in 2009.
- ➢ Gross profit for the Period was RMB395.3 million, up approximately 63.8% year-on-year from RMB241.4 million for the corresponding period in 2009.
- ➢ Net profit for the Period was RMB261.9 million, up approximately 46.0% year-on-year from RMB179.4 million for the corresponding period in 2009.
- ➢ Earnings per share was RMB0.19.
- ➢ Overall shipment volume (including sales and processing services) for the Period was 74MW.
- ➢ The annualized production capacity during the Period was 145MW.

We are pleased with the strong results for the Period and in particular our achievement of the highest volume of shipments in our Group's history during the Period. Our 100 MW facilities commenced production in two stages: August 2009 and February 2010. Our strong performance was attributable to our focus on off-grid applications and cost advantages which positioned us to capitalize on favorable industry demand. We expect the strong sales momentum to continue through the end of 2011.

Global solar demand was strong in 2010. While on-grid application still accounts for a majority of the solar applications, off-grid applications have experienced robust growth as well. Our sales coverage has expanded. For the year of 2010, our customer base increased by 41. Our China based sales accounted for 86.7% of our total sales. PV modules for off-grid applications accounted for 84.7% of the total revenue, and PV modules for BIPV accounted for 15.3% of the total revenue. We will continue to work closely with our existing and potential customers to address the different needs for PV applications.

Owing to our continual effort to improve technology and manufacturing process as well as supply chain management initiatives, our Group has been successful in achieving its manufacturing cost at RMB6.66 per watt for the Period. We will continue our effort to further reduce our cost.

On conversion efficiency, we have commenced producing tandem junction panels at greater than 6.5% efficiency, and have achieved 7.3% efficiency at production stage. In the coming year, our main target is to rollout 9% efficiency with microcrystalline technology.

In response to strong market demand, we are in the process of expanding our manufacturing capacity to support our customers' growing demand for our products. We had commenced installation of the production equipment for 60MW in our new plant in December 2010. We will be starting to produce 1.4 sq.m. modules on this production line. We expect to install another two 60MW production lines which should expand our annual capacity to 265MW and 325MW per annum in the third quarter of 2011 and the first quarter of 2012 respectively.

In the coming year, we will continue to focus on expanding our capacity, lowering our production cost and increasing conversion efficiency. We will continue our leadership in the off-grid PV market. Our experienced track record and product development ability in the off-grid PV market will allow us to deliver highly competitive products to existing and new customers. We are also exploring Integrated Solar Application Solutions particularly in certain emerging economies where our products are currently not represented. We will work with NGO's and governments on selected vertical applications, such as solar applications for medical clinics and schools. While off-grid will be the major revenue contributor, we are expanding BIPV module sales. We aim to increase the BIPV sales contribution in the coming years.

We will stride to further reduce our cost. Our silane gas storage facility is planned to be completed this year and it will reduce the cost volatility of silane gas. We are also exploring different strategies to control the cost of glass input.

Lastly, our R&D team will focus on the roadmap of increasing the conversion efficiency. The higher conversion efficiency will have positive impacts on the cost and range of applications.

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 the Period and sound strategies in place, we look forward to driving continued healthy growth for the Group in the future.

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 and contribution. We look forward to creating greater value and return for our shareholders.

Yi LI
Chairman

Hong Kong, February 25, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Public Offer

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on October 7, 2010 (the "Listing Date") following the successful global offer of 345,000,000 new shares at an issue price of HK$4.50 per share, together with the exercise of the over-allotment option of a further 57,750,000 shares issued on October 12, 2010. The Company raised total proceeds of approximately HK$1,812 million.

Total Revenue

Our total revenue increased by 53.4% from RMB587.1 million for the six months ended December 31, 2009 to RMB900.7 million for the Period. The increase was primarily due to a significant increase in sales volume of our PV products, which was due to our ability to increase production volume to satisfy market demand with our newly expanded manufacturing capacity. We sold an aggregate of 74MW of PV modules during the Period. Our total revenue was largely derived from sales to customers in China, who in turn sell our products directly or as part of their final products to their customers worldwide, including manufacturers and end users. Sales to our customers in China accounted for 86.7% of our total revenue for the Period, compared with 78.6% for the six months ended December 31, 2009. Apart from sales to customers in China, we also derived revenue from sales directly to customers in Hong Kong, Thailand, Vietnam and other countries during the Period. There is no single customer contributing 10% or more of our total revenue for the Period. We intend to continue to diversify our customer base in order to achieve balanced and sustainable sales growth.

Cost of Sales

Our cost of sales as a percentage of our total revenue reduced to 56.1% for the Period from 58.9% for the six months ended December 31, 2009. Our cost of sales increased by 46.2% from RMB345.7 million for the six months ended December 31, 2009 to RMB505.4 million for the Period. The increase in our cost of sales was primarily due to the significant increase in the volume of PV modules sold during the Period and an increase in our depreciation expenses during the Period including a full depreciation of the cost of the entire plant and machinery of our 100MW manufacturing line which commenced commercial production in two stages: August 2009 and February 2010.

Gross Profit

Our gross profit increased by 63.8% from RMB241.4 million for the six months ended December 31, 2009 to RMB395.3 million for the Period and our gross profit margin improved from 41.1% for the six months ended December 31, 2009 to 43.9% for the Period. We achieved higher gross profit margin ratio primarily due to the economies of scale as we ramped up our production to 145MW per annum.

Other income

Our other income increased from RMB3.1 million for the six months ended December 31, 2009 to RMB5.5 million for the Period. This increase was primarily due to an increase in government grants and interest income. Government grants are recognized when received and when all the conditions have been met as specified in the grant. Government grants recognized in the consolidated statements of comprehensive income amounted to RMB3.9 million for the Period.

Selling and distribution expenses

Our selling and distribution expenses increased by 32% from RMB2.5 million for the six months ended December 31, 2009 to RMB3.3 million for the Period. Selling and distribution expenses as a percentage of our total revenue remained at about the same level at 0.4% as a result of economies of scale in our sales and marketing activities and our ability to increase our sales level due to strong market demand with limited promotional efforts.

Administrative expenses

Our administration expenses increased from RMB21.4 million for the six months ended December 31, 2009 to RMB36.5 million for the Period. This increase was primarily due to share based payment expense of RMB10 million and an increase in staff costs as a result of increased roadshow and travelling expenses, headcount and salaries. Our administration expenses as a percentage of our total revenue increased from 3.6% for the six months ended December 31, 2009 to 4.1% for the Period.

Other gains and losses

We recorded other losses in the amount of RMB14.1 million for the Period compared with other gains in the amount of RMB1.2 million for the six months ended December 31, 2009. Our other losses for the Period were mainly due to an exchange rate loss of RMB14.1 million, as a result of a majority of our IPO proceeds being deposited with various banks in Hong Kong, which are denominated in Hong Kong dollars and US dollars that depreciated against RMB during the Period.

Research and development expenses

Our research and development expenses increased by 118% from RMB5.5 million for the six months ended December 31, 2009 to RMB12 million for the Period. This increase was primarily due to an increase in the staff costs and an increase in the research materials used in the testing process. Research and development expenses as a percentage of our total revenue increased from 0.9% for the six months ended December 31, 2009 to 1.3% for the Period.

Finance cost

Our finance cost increased from RMB9.4 million for the six months ended December 31, 2009 to RMB18.2 million for the Period primarily due to an imputed interest expense on interest-free loan from a related party which was capitalized for the six months ended December 31, 2009. The effective interest expense on the loan from a shareholder was RMB8.7 million during the Period and the loan was fully repaid upon IPO.

Income tax expenses

Our income tax expenses increased by 64.8% from RMB33.2 million for the six months ended December 31, 2009 to RMB54.7 million for the Period, primarily as a result of a significant increase in our taxable income. Our effective income tax rate increased from 15.6% for the six months ended December 31, 2009 to 17.3% for the Period. Our operating subsidiary in China, Trony Science, was entitled to a 15% preferential tax rate since April 2009 as a 'new high technology enterprise.' Trony Science will continue to be entitled to such a preferential rate until December 2011 under current governmental approvals.

Profit and total comprehensive income

As a result of the cumulative effect of the above factors, profit and total comprehensive income was RMB261.9 million for the Period, compared with RMB179.4 million for the six months ended December 31, 2009. Our net margin was 30.5% for the six months ended December 31, 2009 and 29.1% for the Period.

Working capital management

Our receivable turnover days remained stable at 54 days in the Period compared to 56 days for the six months ended December 31, 2009. This is mainly due to the close monitor on the control over the account receivables. Our payable turnover days declined from 36 days for the six months ended December 31, 2009 to 23 days in the Period. Our inventory turnover days also declined from 15 days in for the six months ended December 31, 2009 to 10 days in the Period . We will continue to exercise effective control in our working capital management.

Liquidity and financial resources and capital structure

As at December 31, 2010, the Group maintained cash and cash equivalent of RMB1,203 million compared with RMB91 million as at June 30, 2010. The significant increase was due to the proceeds from the IPO.

The bank borrowings as at December 31, 2010 amounted to RMB89 million compared with RMB65 million at June 30, 2010. RMB10 million is repayable within one year, RMB15 million is repayable more than one year but not exceeding two years, and RMB63 million is repayable more than two years but not exceeding five years.

The Group adopts a prudent treasury policy, and its current ratio was 9.26 times (June 30, 2010: 1.49 times) and the net gearing ratio (net debt to shareholders' equity) was -42% (June 30, 2010: 40%).

Charge on group assets and contingent liabilities

As at December 31, 2010, the Group has pledged its property with carrying value of RMB39 million (June 30, 2010: RMB40 million) and property under construction to secure certain bank loans granted to the Group.

The Group did not have significant contingent liabilities as at December 31, 2010 and June 30, 2010.

Employee benefit

As at December 31, 2010, the Group had a total of 799 employees (June 30, 2010: 683). The Group's staff costs (including directors' fees) amounted to RMB36 million (June 30, 2010: RMB22 million). The remuneration policy of the Group is reviewed annually by the Remuneration Committee of the Group and is in line with the prevailing market practice.

The Group is required under PRC law to make contributions to its employee benefit plans including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans.

Exposure to Fluctuations in Exchange Rates

Certain bank balances, restricted bank deposits, trade receivables are denominated in currencies other than RMB, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movements of foreign currency rates.

Use of Proceeds Raised from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on October 7, 2010. The Company raised a net proceeds from the global offering of approximately HK$1,716 million (after deducting underwriting commissions and related expenses).

As stated in the prospectus of the Company dated September 24, 2010, we intend to use approximately HK$468 million of the net proceeds to expand our manufacturing capacity by installing a second 60MW line, another amount of approximately HK$468 million is intended to be used to expand our manufacturing capacity by installing a third 60MW line and approximately HK$234 million was used to fully repay our shareholder loan. The remaining proceeds will be used as partly our working capital and for other general corporate purposes.

As at December 31, 2010, the use of net proceeds raised from initial public offering ("IPO") was as follows:

	Net proceeds from IPO	
	Available to utilize *(HK$' million)*	**Utilized (up to 31 December, 2010)** *(HK$' million)*
2nd 60MW production line	468	170
3rd 60MW production line	468	—
Repayment of related party loan at the completion of the IPO	234	234

The remaining net proceeds was applied in the manner as stated in the prospectus of the Company dated September 24, 2010.

The net proceeds pending their usage were held by us in short-term deposits with licensed banks and authorized financial institutions in Hong Kong and/or the PRC.

Significant Investments Held and Material Acquisition

For the six months ended December 31, 2010, save as disclosed in the paragraph headed "Use of Proceeds Raised from the Initial Public Offering" above, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

Future Plans for Material Investments/Capital Assets

Save as disclosed in the paragraph headed "Use of Proceeds Raised from the Initial Public Offering" above, the Group did not have any other plans for material investments or capital assets.

OTHER INFORMATION

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended December 31, 2010.

Corporate Governance Code

The Company has adopted the code provisions set out in the Code on Corporate Governance ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with such code provisions throughout the period from October 7, 2010 to December 31, 2010 except for the deviation from code provision A.2.1 as disclosed below.

Under provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated 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. Li Yi is the chairman and chief executive officer of the Group. He has extensive experience in the solar 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 two executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

Purchase, Sale or Redemption of the Company's Securities

Subsequent to the Listing Date and up to the date of this interim report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions by Directors

The Company adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period from October 7, 2010 to December 31, 2010.

Disclosure of Interests

Directors' Interests in Shares

As at December 31, 2010, the interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, are set out below:

Name of Director	Capacity/Nature of Interest	Long Position/ Short Position	Number of Shares	Approximate Percentage of Shareholding
Mr. Yi Li (Note 1)	Beneficiary of a trust	Long position	620,497,910	39.12%
Mr. Yixiang Chen (Note 2)	Interest in a controlled corporation	Long position	15,000,000	0.95%

Notes:

(1) These 620,497,910 shares are held by Sky Sense Investments Limited ("Sky Sense") and Lakes Invest Limited ("Lakes Invest") which were wholly-owned by Spring Shine International Limited, which was owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee holding such interests in Lakes Invest and Sky Sense on trust for the beneficiaries of the Li Family Trust. Mr. Li is therefore deemed to be interested in all the shares held by each of Sky Sense and Lakes Invest as a beneficiary of the Li Family Trust.

(2) These 15,000,000 shares are held by Wellink Management Limited, which is wholly-owned by Mr. Yixiang Chen.

Save as disclosed herein, none of the Directors or chief executives of the Company or their associates, had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at December 31, 2010.

Substantial Shareholders Interests in Shares

As at December 31, 2010, so far as is known to any Director or chief executive of the Company, 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 to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Capacity/Nature of Interest	Long Position/ Short Position	Number of Shares	Approximate Percentage of Shareholding
Spring Shine International Limited(1)	Interest in a controlled corporation	Long position	620,497,910	39.12%
Credit Suisse Trust Limited(1)	Trustee of a trust	Long position	620,497,910	39.12%
Seletar Limited(1)	Trustee of a trust	Long position	620,497,910	39.12%
Serangoon Limited(1)	Trustee of a trust	Long position	620,497,910	39.12%
Lakes Invest Limited	Beneficial owner	Long position	541,700,000	34.15%
Central Huijin Investment Ltd.(2)	Interest in a controlled corporation	Long position	224,615,568	14.16%
ICBC International Holdings Limited(2)	Interest in a controlled corporation	Long position	224,615,568	14.16%
Industrial and Commercial Bank of China Limited(2)	Interest in a controlled corporation	Long position	224,615,568	14.16%
Yiling Huang(3)	Interest in controlled corporation	Long position	204,200,000	12.87%
Kam Sze Lau(3)	Interest in controlled corporation	Long position	204,200,000	12.87%

Name of Shareholder	Capacity/Nature of Interest	Long Position/ Short Position	Number of Shares	Approximate Percentage of Shareholding
Build Up International Investments Limited(3)	Beneficial owner	Long position	204,200,000	12.87%
ICBC International Fund Management Limited(2)	Beneficial owner, security interest	Long position	166,663,526	10.51%
Sky Sense Investments Limited	Beneficial owner	Long position	78,797,910	4.97%

Notes:

(1) Each of Sky Sense Investments Limited and Lakes Invest Limited is wholly-owned by Spring Shine International Limited, which in turn is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust. Therefore, each of Sprint Shine Trust Limited, Credit Suisse Trust Limited, Seletar Limited, Serangoon Limited is deemed to be interested in all the shares of the Company held by Sky Sense Investments Limited and Lakes Invest Limited.

(2) ICBC International Fund Management and ICBC International Strategic Investment Limited are wholly-owned subsidiaries of ICBC International Holdings Limited. ICBC International Holdings Limited is a wholly owned subsidiary of Industrial and Commercial Bank of China Limited. Industrial and Commercial Bank of China Limited is controlled by Central Huijin Investment Ltd. Therefore Central Huijin Investment Ltd., Industrial and Commercial Bank of China Limited and ICBC International Holdings Limited are deemed to be interested in all shares held by ICBC International Fund Management and all shares held by ICBC International Strategic Investment Limited.

(3) Build Up International Investments Limited is owned as to 50% by Yiling Huang and 50% by Kam Sze Lau. Therefore, each of Yiling Huang and Kam Sze Lau is deemed to be interested in the shares held by Build Up International Investments Limited.

Share option schemes

PRE-IPO Equity Incentive Plan

The purpose of the Pre-IPO Equity Incentive Plan is to aid the Company in recruiting and retaining key employees, directors or consultants to exert their best efforts on behalf of the Company. The principal terms of the Pre-IPO Equity Incentive Plan were adopted by the Company on October 29, 2009 and amended by shareholders' resolution on September 13, 2010.

An aggregate of 5,546,789 share options at an exercise of price of HK$2.475 per share has been granted under the Pre-IPO Equity Incentive Plan to one employee of the Company, who is neither a Director, chief executive nor a substantial shareholder of the Company. A total of 1,386,697 share options were exercised during the Period. Details of the movement in the share options granted under the Pre-IPO Equity Incentive Plan are set out in Note 34 to the financial statements.

Details of the share options granted under the Pre-IPO Equity Incentive Plan are as follows:

	Number of share options		
Exercise Period	**as at the beginning of the Period**	**exercised during the Period**	**as at the end of the Period**
September 30, 2010 to March 15, 2011	1,386,697	1,386,697[1]	Nil
September 30, 2011 to March 15, 2012	1,386,697	Nil	1,386,697
September 30, 2012 to March 15, 2013	1,386,697	Nil	1,386,697
September 30, 2013 to March 15, 2014	1,386,698	Nil	1,386,698
Total	**5,546,789**	**1,386,697**	**4,160,092**

Note:

1 The closing price per Share immediately before 1 November 2010 (the date on which Shares were issued upon the exercise of the options) was HK$4.85 per Share.

Share Option Scheme

The Company adopted the share option scheme (the "Share Option Scheme") on September 13, 2010. The purpose of the Share Option Scheme is to motivate eligible persons to maximize their future contributions to the Group, to attract and retain such eligible persons who are important to and/or whose contributions are or will be beneficial to the performance, growth or success of our 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, 152,704,678 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$1.00 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 Option Scheme are set out in the prospectus of the Company dated September 24, 2010.

No share option has been granted by the Company under the Share Option Scheme since its adoption and up to the date of this report.

Audit Committee

The Company established an audit committee (the "Audit Committee") on September 13, 2010 with written terms of reference in compliance with the CG Code, and currently comprises three independent non-executive Directors, Mr. David Ha Hock TOH (as Chairman), Prof. Chia-Wei WOO and Mr. Shujian CHE. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the audited interim financial statements for the Period before such statements were tabled for the Board's review and approval and are of the opinion that such report complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board
TRONY SOLAR HOLDINGS COMPANY LIMITED
Yi LI
Chairman

Hong Kong, February 25, 2011

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRONY SOLAR HOLDINGS COMPANY LIMITED
創益太陽能控股有限公司
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of Trony Solar Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 76, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 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 the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Without qualifying our opinion, we draw attention to the fact that the corresponding figures set out in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended December 31, 2009 and the relevant explanatory notes disclosed in the consolidated financial statements have not been audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 25, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED DECEMBER 31, 2010

		Six months ended December 31,	
	NOTES	**2010**	2009
		RMB'000	*RMB'000*
			(Unaudited)
Revenue	8	**900,660**	587,141
Cost of sales		**(505,397)**	(345,737)
Gross profit		**395,263**	241,404
Other income	9	**5,497**	3,133
Selling and distribution expenses		**(3,273)**	(2,479)
Administration expenses		**(36,497)**	(21,396)
Other gains and losses	10	**(14,106)**	1,169
Research and development expenses		**(12,028)**	(5,509)
Change in fair value of convertible redeemable preferred shares	28	**—**	5,709
Finance costs	11	**(18,210)**	(9,420)
Profit before tax	12	**316,646**	212,611
Income tax expense	14	**(54,714)**	(33,243)
Profit and total comprehensive income for the period		**261,932**	179,368
Earnings per share	16		
– Basic		**RMB0.19**	RMB0.18
– Diluted		**RMB0.19**	RMB0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30 AND DECEMBER 31, 2010

	NOTES	At December 31, 2010 RMB'000	At June 30, 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**1,313,996**	982,364
Prepaid lease payments	18	**6,237**	6,309
Deferred tax assets	19	**6,604**	4,567
Deposits for purchase of property, plant and equipment	17	**430,816**	434,447
Restricted bank deposits	22	**33,114**	33,747
		1,790,767	1,461,434
CURRENT ASSETS			
Inventories	20	**26,775**	28,236
Trade receivables	21	**269,700**	183,432
Other receivables and prepayments	21	**21,981**	14,570
Prepaid lease payments	18	**143**	143
Amounts due from directors	35(a)	**618**	34
Amounts due from shareholders	35(f)	**6,549**	—
Amount due from a related party	35(e)	**—**	132
Restricted bank deposits	22	**21,590**	1,288
Bank balances and cash	22	**1,202,822**	91,438
		1,550,178	319,273
CURRENT LIABILITIES			
Trade and other payables	23	**121,896**	132,262
Tax payable		**35,269**	28,649
Amount due to a director	35(b)	**—**	40,074
Bank borrowings - due within one year	24	**10,200**	13,388
		167,365	214,373
NET CURRENT ASSETS		**1,382,813**	104,900
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,173,580**	1,566,334

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	NOTES	**At December 31, 2010** *RMB'000*	At June 30, 2010 *RMB'000*
NON-CURRENT LIABILITIES			
Loan from a related party	35(c)	**284,682**	277,038
Loan from a shareholder	35(d)	**—**	196,892
Bank borrowings - due more than one year	24	**78,670**	52,050
Warranty provision	25	**3,650**	3,302
Government grants	26	**15,000**	4,700
		382,002	533,982
		2,791,578	1,032,352
CAPITAL AND RESERVES			
Share capital	27	**1,001**	8
Convertible preferred shares	29	**—**	405,128
Reserves		**2,790,577**	627,216
		2,791,578	1,032,352

The consolidated financial statements on pages 19 to 76 were approved and authorised for issue by the Board of Directors on February 25, 2011 and are signed on its behalf by:

Yi LI
DIRECTOR

Yixiang CHEN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2010

	Share capital RMB'000	Share premium RMB'000	Convertible preferred shares RMB'000	Statutory surplus reserve RMB'000 (Note)	Capital reserve RMB'000	Share-based payment reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At July 1, 2009	8	—	—	1,493	67,952	—	35,159	104,612
Profit and total comprehensive income for the period	—	—	—	—	—	—	179,368	179,368
Deemed contribution in relation to loan from a shareholder (note 35)	—	—	—	—	15,972	—	—	15,972
At December 31, 2009 and January 1, 2010 (unaudited)	8	—	—	1,493	83,924	—	214,527	299,952
Profit and total comprehensive income for the period	—	—	—	—	—	—	320,058	320,058
Issuance of convertible preferred shares	—	—	405,128	—	—	—	—	405,128
Deemed contribution in relation to loan from a shareholder (note 35)	—	—	—	—	7,214	—	—	7,214
At June 30, 2010 and July 1, 2010	**8**	**—**	**405,128**	**1,493**	**91,138**	**—**	**534,585**	**1,032,352**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**261,932**	**261,932**
Issuance of restricted shares (note 27)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Conversion of convertible preferred shares	**12**	**405,116**	**(405,128)**	**—**	**—**	**—**	**—**	**—**
Capitalisation issue (note 27)	**711**	**(711)**	**—**	**—**	**—**	**—**	**—**	**—**
Issuance of shares upon initial public offering (note 27)	**269**	**1,564,699**	**—**	**—**	**—**	**—**	**—**	**1,564,968**
Share issue expenses	**—**	**(80,600)**	**—**	**—**	**—**	**—**	**—**	**(80,600)**
Recognition of equity-settled share based-payment	**—**	**—**	**—**	**—**	**—**	**10,005**	**—**	**10,005**
Restricted shares vested (note 34)	**—**	**4,506**	**—**	**—**	**—**	**(4,506)**	**—**	**—**
Exercise of share option (note 34)	**1**	**5,019**	**—**	**—**	**—**	**(2,099)**	**—**	**2,921**
At December 31, 2010	**1,001**	**1,898,029**	**—**	**1,493**	**91,138**	**3,400**	**796,517**	**2,791,578**

Note:

The statutory surplus reserve is non-distributable and the transfer to the reserve is determined by a resolution passed by the board of directors of Shenzhen Trony Science and Technology Development Co., Ltd. 深圳市創益科技發展有限公司 ("Trony Science") in accordance with its Articles of Association. Statutory surplus reserve can be used to make up for previous years' losses or converted into additional capital of Trony Science.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2010

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**316,646**	212,611
Adjustments for:		
Depreciation of property, plant and equipment	**39,307**	27,004
Release of prepaid lease payments	**72**	72
Loss on disposal of property, plant and equipment	**—**	411
Interest income	**(1,597)**	(1,175)
Change in fair value of convertible redeemable preferred shares	**—**	(5,709)
Finance costs	**18,210**	9,420
Government grant	**(3,100)**	—
Share-based payment expenses	**10,005**	—
Unrealised foreign exchange loss (gain)	**8,162**	(596)
Operating cash flows before movements in working capital	**387,705**	242,038
Decrease in inventories	**1,461**	3,347
Increase in trade receivables	**(86,268)**	(88,579)
Increase in other receivables and prepayments	**(7,411)**	(47,084)
(Increase) decrease in amounts due from directors	**(1,174)**	274
Decrease in amounts due from related parties	**132**	3,797
(Decrease) increase in trade and other payables, warranty and government grant	**(13,092)**	65,655
Cash generated from operations	**281,353**	179,448
Income taxes paid	**(50,131)**	(23,491)
NET CASH FROM OPERATING ACTIVITIES	**231,222**	155,957
INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	**(365,834)**	(363,471)
Increase in restricted bank deposits	**(19,669)**	(9,238)
Interest received	**1,597**	1,175
Proceeds on disposal of property, plant and equipment	**—**	172
Payment of listing and other related expenses on behalf of shareholders	**(6,549)**	—

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
NET CASH USED IN INVESTING ACTIVITIES	**(390,455)**	(371,362)
FINANCING ACTIVITIES		
Proceeds from issuance of new shares pursuant to the public offering	**1,363,896**	—
New borrowings raised	**71,720**	32,000
Government grant received	**15,000**	—
Proceeds from exercise of share options	**2,921**	—
Advances from a director	**814**	—
Payment of transaction costs attributable to issue of new shares	**(80,600)**	—
Repayments of advances from related parties	**(40,298)**	(5,784)
Repayment of borrowings	**(48,288)**	(37,100)
Interest paid	**(3,665)**	(2,035)
Loan from a shareholder	**—**	204,777
Proceeds from issuance of convertible redeemable preferred shares	**—**	68,337
Repayments of advances from shareholders	**—**	(2,244)
Payment of deferred financing cost	**—**	(1,578)
Repayments of advances from a director	**—**	(537)
NET CASH FROM FINANCING ACTIVITIES	**1,281,500**	255,836
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,122,267**	40,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**91,438**	20,962
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(10,883)**	211
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH	**1,202,822**	61,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2010

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on June 23, 2006 as an exempted company with limited liability under the Companies law of the Cayman Islands . The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from October 7, 2010. The address of the registered office is Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands, and the address of the principal place of business is Units 2112-2116, Great China International Exchange Square, No.1 Fuhua Road, Futian District, Shenzhen 518048, Guangdong Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are development, manufacture and sale of solar products. Details of the Company's subsidiaries are set out in note 36.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current period, the Group has applied the following new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB").

IFRSs (Amendments)	Improvement to IFRSs May 2010
IFRSs (Amendments)	Improvements to IFRSs April 2009
IAS 32 (Amendment)	Classification of Rights Issues
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised Standards and Interpretations in the current period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") *(Continued)*

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IFRS 1 (Amendments)	First time Adoption of International Financial Reporting Standards[2]
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 24 (Revised)	Related Party Disclosures[1]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

1 Effective for annual periods beginning on or after January 1, 2011
2 Effective for annual periods beginning on or after July 1, 2011
3 Effective for annual periods beginning on or after January 1, 2013
4 Effective for annual periods beginning on or after January 1, 2012

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the IFRS issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the period 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.

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 expense are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 sales related taxes.

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

Service income is recognised when services are provided.

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 finance assets isaccrued on a time basis, by reference to the principal outstanding and at the effective interest rate 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 or services, or for administration purposes (other than construction in progress and equipment under installation), are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation isrecognised so as to write off the cost of items of property, plant and equipment, other than construction in progress and equipment under installation, less their residual values over their useful lives, using the straight-line method, at the following rates per annum:

Buildings	Over the shorter of lease terms or 5%
Plant and machinery	6.67% to 10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	10%

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.

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.

Equipment under installation represents equipments received by the Group but this is subject to installation and testing. Equipment is not depreciated until it is ready for its 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency on 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 retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value wasdetermined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised 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 cost eligible for capitalisation.

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

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 period in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. 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.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit or loss for the period. 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 periods 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 been enacted or substantively enacted at the end of each 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 those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 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 profits 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 rates (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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of 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.

Inventories

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

Financial instruments

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

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 liabilities at fair value through profit or loss ("FVTPL")) 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 issue of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(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 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.

Interest income is recognised on an effective interest basis for debt instrument.

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 receivables, other receivables, amounts due from directors, amounts due from shareholders, amounts due from related parties, restricted bank deposits 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 or 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 re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other 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 other than those financial liability classified at FVTPL, of which the interest expense is included in change in fair value of financial liabilities designated at FVTPL.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise convertible redeemable preferred shares.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a director, bank borrowings, loan from a related party and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method.

Convertible redeemable preferred shares

Convertible redeemable preferred shares are redeemable and convertible to ordinary shares at the option of the holder. The conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are considered as embedded derivatives not closely related to the host contract.

The Group has elected to designate its convertible redeemable preferred shares with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible redeemable preferred shares contain one or more embedded derivatives. At the end of each reporting period subsequent to initial recognition, the entire convertible redeemable preferred shares are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Equity instrument

Equity instruments issued by the Company are recorded at 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 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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

Provisions

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 each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow 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

The fair value of services received determined by reference to the fair value of share options and restricted shares granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment 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 previously recognised in share-based payment reserve will be transferred to retained profits.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator 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 period. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following are the key assumption concerning the future, and other key source 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.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash inflows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2010, the carrying amounts of trade receivables of the Group are approximately RMB270 million (June 30, 2010: RMB183 million). No allowance for doubtful debts was recognised during the period.

Useful lives and impairment assessment of property, plant, and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assess impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. As at December 31, 2010, the carrying amounts of property, plant and equipment are approximately RMB1,314 million (June 30, 2010: RMB982 million).

Estimated provision for warranty

The Group's solar modules and products are typically sold with a one-year guarantee for defects in materials and workmanship. For selected customers, the Group provides warranties with extended periods of 5 to 25 years. Due to limited warranty claims to date, the Group's management estimate the costs of warranties based on assessment of the competitors' accrual history, taking into consideration the intended applications and specifications of the competitors' products as compared to the Group's product and the periods of the warranties offered by thecompetitors. Such comparability analysis forms part of the basis for belief that the accrual history of competitors provides a reasonable reference for estimation of warranty costs. To the extent that accrual warranty costs differ from the estimates, the Group will prospectively revise the accrual rate for such costs. Accrued warranty costs related to the warranties of approximately RMB3.7 million were provided as at December 31, 2010 (June 30, 2010: RMB3.3 million).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings (note 24), convertible redeemable preferred shares (note 28), loans from a shareholder and a related party (note 35), cash and cash equivalents, and equity comprising issued capital, share premium, convertible preferred shares (note 29) and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure mainly through new share issues, as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,534,393**	310,071
Financial liabilities		
Amortised cost	**445,424**	653,716

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from (to) directors, amounts due from related parties, amounts due from shareholders, restricted bank deposits, bank balances and cash, trade and other payables, loan from a related party, loan from a shareholder and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

Certain bank balances, restricted bank deposits, trade receivables, amounts due from related parties, amounts due from shareholders, trade and other payables, amount due to a director and loan from a shareholder of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Assets		
United States Dollars ("USD")	**111,138**	49,875
Hong Kong Dollars ("HKD")	**426,419**	2,631

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Liabilities		
USD	**7,986**	209,633
HKD	**29**	23,829

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

A positive number below indicates an increase in profit before tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit before tax.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk *(Continued)*

Sensitivity analysis (Continued)

	At December 31, 2010 RMB'000	At June 30, 2010 RMB'000
USD		
– if RMB strengthens against USD	**(5,158)**	7,988
– if RMB weakens against USD	**5,158**	(7,988)
HKD		
– if RMB strengthens against HKD	**(21,320)**	1,060
– if RMB weakens against HKD	**21,320**	(1,060)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from a shareholder (note 35).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (note 24) and bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of benchmark interest rate of People's Bank of China arising from the bank borrowings.

As the bank balances interest rates having limited fluctuation over the period, management of the Company are of the opinion that the Group's exposure to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented on bank balances.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rates.

As of December 31, 2010, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by approximately RMB286,000 (year ended June 30, 2010: RMB327,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at the end of the reporting period, 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 by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the 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 liquid funds is limited because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

The Group has concentration of credit risks as 23% (June 30, 2010: 35%) of the total trade receivables was due from the Group's five largest customers as at December 31, 2010.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilisation of borrowings, and renews the borrowings upon expiry based on the actual operation requirement of the Group.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest risk tables

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

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2010								
Non-derivative financial liabilities								
Trade and other payables	—	—	71,872	—	—	—	71,872	71,872
Loan from a related party	5.40%	—	—	—	305,000	—	305,000	284,682
Borrowings - variable rates	6.22%	—	3,919	11,518	20,021	67,302	102,760	88,870
		—	75,791	11,518	325,021	67,302	479,632	445,424

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At June 30, 2010								
Non-derivative financial liabilities								
Trade and other payables	—	—	74,274	—	—	—	74,274	74,274
Amount due to a director	—	40,074	—	—	—	—	40,074	40,074
Loan from a shareholder	5.54%	—	—	—	215,976	—	215,976	196,892
Loan from a related party	5.40%	—	—	—	305,000	—	305,000	277,038
Borrowings - variable rates	5.15%	—	3,434	13,323	12,929	44,842	74,528	65,438
		40,074	77,708	13,323	533,905	44,842	709,852	653,716

c. Fair value

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

7. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the manufacture and sale of solar products. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews the consolidated results before tax and before fair value adjustment of financial instruments if any when making decisions about allocating resources and assessing performance.

Geographical information

All of the Group's non-current assets, production facilities and capital expenditure are located or utilised in the PRC.

The following table summarises the Group's revenue from customers by geographical locations:

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Thailand	**34,914**	33,757
PRC (country of domicile)	**780,744**	461,582
Hong Kong	**62,352**	91,749
Vietnam	**21,999**	—
Others	**651**	53
Total revenue	**900,660**	587,141

Information about major customers

Revenues from customers of the period contributing over 10% of the total revenue of the Group are as follows:

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Customer A	**	84,941

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective period.

8. REVENUE

Revenue represents revenue arising on sale of solar products for the period.

9. OTHER INCOME

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Government grants (note 26)	**3,900**	1,958
Interest income	**1,597**	1,175
	5,497	3,133

10. OTHER GAINS AND LOSSES

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Exchange loss (gain)	**14,106**	(1,580)
Loss on disposals of property, plant and equipment	**—**	411
	14,106	(1,169)

11. FINANCE COSTS

	Six months ended December 31, 2010 RMB'000	2009 RMB'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	**2,933**	1,872
Imputed interest expense on non-current interest-free loan from a related party	**7,644**	7,243
Effective interest expense on loan from a shareholder	**8,663**	8,615
Total borrowing costs	**19,240**	17,730
Less: amounts capitalised	**(1,030)**	(8,310)
	18,210	9,420

Borrowing costs capitalised during the period arose from borrowings specifically for the purpose of obtaining qualifying assets.

12. PROFIT BEFORE TAX

	Six months ended December 31, 2010 RMB'000	2009 RMB'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Staff costs, including directors' remuneration (Note 13)		
Salaries, wages and other benefits	**34,706**	17,113
Retirement benefits scheme contributions	**1,230**	871
	35,936	17,984
Auditor's remuneration	**1,695**	2,400
Cost of inventories recognised as expenses	**505,397**	345,737
Depreciation of property, plant and equipment	**39,307**	27,004
Offering expenses	**1,965**	—
Release of prepaid lease payments	**72**	72

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors for the periods are as follow:

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Directors' fee	**608**	—
Other emoluments		
– salaries and other benefits	**328**	270
– discretionary bonus (note)	**88**	48
– contributions to retirement benefits scheme	**7**	7
	1,031	325

Note: Discretionary bonus was about one month's basic salary and was determined based on the financial and individual performance.

The emoluments of the directors on a named basis are as follows:

For the six months ended December 31, 2010

	Mr. Yi Li ("Mr. Li")	**Mr. Yixiang Chen**	**Mr. Hong Yu**	**Mr. David Ka Hock Toh**	**Mr. Chia-Wei Woo**	**Mr. Shujian Che**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors' fee	232	168	—	70	69	69	608
Other emoluments							
– salaries and other benefits	171	157	—	—	—	—	328
– discretionary bonus	46	42	—	—	—	—	88
– contributions to retirement benefits scheme	5	2	—	—	—	—	7
	454	369	—	70	69	69	1,031

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

For the six months ended December 31, 2009 (unaudited)

	Mr. Yi Li	**Mr. Yixiang Chen**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fee	—	—	—
Other emoluments			
– salaries and other benefits	140	130	270
– discretionary bonus	25	23	48
– contributions to retirement benefits scheme	5	2	7
	170	155	325

The five highest paid individuals of the Group for the six months ended December 31, 2010 include two directors (2009: one). The remunerations of the remaining three (2009: four) individuals for the six months ended December 31, 2009 and 2010 are as follows:

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Employees		
– salaries and other benefits	**1,506**	2,281
– discretionary bonus	**99**	102
– Share-based payments	**10,005**	—
– contributions to retirement benefits scheme	**—**	—
	11,610	2,383

One of the highest paid individual (2009: Nil) in the Group were between HK$12,000,001 and HK$12,500,000 for the six months ended December 31, 2010 and 2009 and each of the remaining two (2009: four) highest paid individuals in the Group for the six months ended December 31, 2010 and 2009 were below HK$1,000,000.

During the period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the period.

14. INCOME TAX EXPENSE

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Current tax		
PRC Enterprise Income Tax ("PRC EIT")	**56,751**	34,296
Deferred tax - current (Note 19)	**(2,037)**	(1,053)
	54,714	33,243

The Company is tax exempt under the laws of the Cayman Islands. Trony Solar Holdings (Hong Kong) Limited ("Trony HK") is subject to Hong Kong Profits Tax rate of 16.5% on profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The new enterprise income tax law in the PRC (the "New EIT Law") became effective on January 1, 2008. Enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC territory are considered PRC resident enterprises and will be subject to the PRC enterprise income tax at the rate of 25% of worldwide income. According to the implementation regulations, during the transition period, the PRC EIT rate for Trony Science is 18%, 20%, 22%, 24% and 25% in the calendar years of 2008, 2009, 2010, 2011 and 2012, respectively.

While the New EIT Law equalises the tax rates for Foreign Investment Enterprises ("FIEs") and domestically-owned companies, preferential tax treatment (i.e. tax rate of 15%) would continue to be given to companies in certain encouraged sectors and to entities classified as high technology companies, whether domestically-owned enterprises or FIEs. Trony Science was recognised as a state-encouraged "New High Technology" company and was entitled to a 15% preferential rate from April 2009 to December 2011. The Company calculated its deferred tax assets based on the enacted and substantively enacted tax rates expected to apply to future taxable income in the period in which the deferred tax assets is expected to be realised.

Under the New EIT Law and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiary from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary reported in accordance with local accounting principles amounting to approximately RMB1,057,395,000 at December 31, 2010 (June 30, 2010: RMB742,147,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

14. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the period can be reconciled to the profit before tax as follows:

	Six months ended December 31, 2010 RMB'000	Six months ended December 31, 2009 RMB'000 (Unaudited)
Profit before tax	**316,646**	212,611
PRC EIT rate	**25%**	25%
Tax at PRC EIT rate	**79,162**	53,153
Tax effect of expenses (income) not deductible for tax purpose:		
– offering expenses	**491**	—
– effective interest expense on loan from a shareholder and a related party	**4,077**	1,887
– legal and professional fee	**—**	164
– share-based payment	**2,501**	—
– exchange difference	**3,527**	—
– others	**2,419**	2,414
Tax effect of income not taxable	**(346)**	(1,902)
Effect of income under tax concessions	**(36,887)**	(22,610)
Others	**(230)**	137
Income tax expense for the period	**54,714**	33,243

15. DIVIDENDS

No dividend was paid or proposed during the six months ended December 31, 2009 and 2010 nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

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

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share	**261,932**	179,368
Effect of dilutive potential ordinary shares		
Change in fair value of convertible redeemable preferred shares	**N/A**	(5,709)
Earnings for the purpose of diluted earnings per share	**261,932**	173,659
Number of shares:		
Weighted average number of ordinary shares and convertible preferred shares for the purpose of basic earnings per share (in thousands)	**1,363,527**	1,000,000
Effect of dilutive potential ordinary shares (in thousands)		
– convertible redeemable preferred shares	**—**	60,272
– share options and restricted shares	**1,320**	—
Weighted average number of ordinary shares and convertible preferred shares for the purpose of diluted earnings per share (in thousands)	**1,364,847**	1,060,272

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the periods has been retrospectively adjusted for the issue of nominal shares and share subdivision as disclosed in note 27, and assuming that the capitalisation issue had been effective on July 1, 2009.

Except for the liquidation preference and the convertible features of the Series B Preferred Shares as mentioned in note 29, the Series B Preferred Shares share similar characteristics of ordinary shares of the Company. Such Series B Preferred Shares are considered as ordinary shares for the purpose of calculation of basic earnings per share for the period ended December 31, 2010.

The calculation of diluted earnings per shares for the period ended December 31, 2009 did not take into account the restricted shares or share options granted (note 34), since the restricted shares or share options granted were contingently issuable upon the completion of the initial public offering ("IPO") and the contingency had not been met as at December 31, 2009.

17. PROPERTY, PLANT AND EQUIPMENT/DEPOSITS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Equipment under installation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At July 1, 2009	45,938	255,029	271	2,017	18,653	538,240	860,148
Additions	—	19,319	1,230	583	64,601	151,008	236,741
Transfer	18,917	701,193	—	—	(30,862)	(689,248)	—
Disposal	—	(1,737)	(96)	—	—	—	(1,833)
At June 30, 2010	64,855	973,804	1,405	2,600	52,392	—	1,095,056
Additions	—	400	—	46	74,103	296,390	370,939
Transfer	—	18,528	—	—	(18,528)	—	—
At December 31, 2010	64,855	992,732	1,405	2,646	107,967	296,390	1,465,995
ACCUMULATED DEPRECIATION							
At July 1, 2009	3,469	44,298	176	386	—	—	48,329
Provided for the year	2,927	62,306	107	218	—	—	65,558
Eliminated on disposal	—	(1,108)	(87)	—	—	—	(1,195)
At June 30, 2010	6,396	105,496	196	604	—	—	112,692
Provided for the period	1,621	37,481	96	109	—	—	39,307
At December 31, 2010	8,017	142,977	292	713	—	—	151,999
CARRYING VALUES							
At December 31, 2010	56,838	849,755	1,113	1,933	107,967	296,390	1,313,996
At June 30, 2010	58,459	868,308	1,209	1,996	52,392	—	982,364

The properties shown above are situated on land use rights in the PRC which are held by the Group under medium-term leases. The said land use rights cannot be freely transferable unless with the approval from relevant authorities.

Deposits paid for purchase of property, plant and equipment mainly represented the amount paid for the acquisition of the new production line.

17. PROPERTY, PLANT AND EQUIPMENT/DEPOSITS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT *(Continued)*

In addition, at December 31, 2010, 88.5% (June 30, 2010: 96.8%) of the deposits paid for purchase of property, plant and equipment was due from the Group's largest equipment supplier.

Application for property ownership certificate of the staff quarters located in the PRC with aggregate carrying value of approximately RMB17,813,000 is still in progress at December 31, 2010. Notwithstanding this, the directors of the Company are of the opinion that the Group has acquired the beneficial title to these properties.

As at December 31, 2010, the Group pledged buildings with carrying values of approximately RMB38,867,000 (June 30, 2010: RMB40,005,000) to secure bank borrowings granted to the Group.

18. PREPAID LEASE PAYMENTS

Prepaid lease payments comprise medium-term leasehold land in the PRC.

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Current asset	**143**	143
Non-current asset	**6,237**	6,309
	6,380	6,452

The land use rights are amortised on a straight-line basis over lease terms of 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

19. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the period:

	Accrued warranty cost	Accelerated tax depreciation	Government grant	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At July 1, 2009	644	1,106	897	2,647
Credit to profit or loss	182	1,465	273	1,920
At June 30, 2010 and At July 1, 2010	826	2,571	1,170	4,567
Credit to profit or loss	87	1,050	900	2,037
At December 31, 2010	913	3,621	2,070	6,604

20. INVENTORIES

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Raw materials	**8,071**	12,211
Finished goods	**18,704**	16,025
	26,775	28,236

21. TRADE RECEIVABLES/OTHER RECEIVABLES AND PREPAYMENTS

	At December 31, 2010 *RMB'000*	At June 30, 2010 *RMB'000*
Trade receivables	**269,700**	183,432
Other receivables and prepayments		
Prepayment to suppliers	**10,629**	4,625
Prepaid offering costs	**—**	7,154
Deposit and prepaid expenses	**9,099**	1,966
Others	**2,253**	825
	21,981	14,570

Trade receivables are mainly arisen from sales of solar products. No interest is charged on the trade receivables.

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period.

	At December 31, 2010 *RMB'000*	At June 30, 2010 *RMB'000*
0 to 60 days	**263,330**	183,426
61 to 90 days	**5,402**	—
91 to 180 days	**—**	6
Over 180 days	**968**	—
	269,700	183,432

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB6,370,000 at December 31, 2010 (June 30, 2010: RMB6,000), which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

21. TRADE RECEIVABLES/OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Aging of past due but not impaired trade receivables

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Age:		
61 to 90 days	**5,402**	—
91 to 180 days	**—**	6
Over 180 days	**968**	—
	6,370	6

22. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits

Restricted bank deposits of approximately RMB36,811,000 (June 30, 2010: RMB35,035,000) represent deposits pledged to banks to secure both short-term and long-term bank borrowings and short-term bills payables. The restricted bank deposits will be released upon the settlement of relevant bank borrowings and bills payables.

Restricted bank deposits of approximately RMB17,893,000 (June 30, 2010: RMB Nil) represent deposits withheld by the sponsor of the Company for payment of expenses incurred during the IPO process. The amount was fully released before the date of approval of these financial statements.

The restricted bank deposits, other than the deposits withheld by the sponsor of the Company, carry interest at market rates which range from 1.39% to 2.25% as at December 31, 2010 (June 30, 2010: 0.36% to 1.25%).

Bank balances and cash

The Group's bank balances carry interest at market rates which range from 0.1% to 0.82% as at December 31, 2010 (June 30, 2010: 0.01% to 1.17%).

23. TRADE AND OTHER PAYABLES/ACCRUALS

	At December 31, 2010 *RMB'000*	At June 30, 2010 *RMB'000*
Trade payables	**61,380**	61,250
Bills payables (note)	**3,600**	7,290
	64,980	68,540
Payables on acquisition of property, plant and equipment	**404**	930
Value-added tax payables	**15,957**	11,843
Accrued expenses	**8,713**	37,436
Salaries and staff welfare payables	**5,600**	3,576
Government grants (note 26)	**13,800**	3,100
Receipt in advance from customers	**7,986**	3,855
Amounts due to staff	**—**	189
Other tax payables	**3,568**	1,754
Others	**888**	1,039
	121,896	132,262

Note:

Bills payables represent bank drafts that are non-interest bearing and due within six months. Such bank drafts have been arranged with third-party financial institutions to settle the purchases of equipment and inventory.

The credit period granted by suppliers to the Group ranged from 90 to 180 days. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of each reporting period:

	At December 31, 2010 *RMB'000*	At June 30, 2010 *RMB'000*
0 - 90 days	**64,980**	67,912
91 - 180 days	**—**	628
	64,980	68,540

24. BANK BORROWINGS

	At December 31, 2010 *RMB'000*	At June 30, 2010 *RMB'000*
Carrying amount of bank borrowings repayable:		
Within one year	**10,200**	13,388
More than one year, but not exceeding two years	**15,487**	10,200
More than two years, but not exceeding five years	**63,183**	41,850
	88,870	65,438
Less: Amounts due within one year shown under current liabilities	**(10,200)**	(13,388)
	78,670	52,050

	Notes	At December 31, 2010 *RMB'000*	At June 30, 2010 *RMB'000*
Secured long-term bank loan, carrying variable interest rate in average at 6.22% (June 30, 2010: 5.76%)	(a)	**57,150**	62,250
Secured long-term bank loan, carrying variable interest rate in average at 6.22%	(b)	**31,720**	—
Secured short-term bank loans, carrying variable interest rate in average at 3.97%	(c)	**—**	3,188
Total		**88,870**	65,438

Note:

(a) The secured long-term bank loan is secured by a restricted bank deposit of approximately RMB33,114,000 as at December 31, 2010 (June 30, 2010: RMB33,747,000) and a pledge of the Group's property which has a carrying value of approximately RMB38,867,000 as at December 31, 2010 (June 30, 2010: RMB40,005,000). The loan is repayable in installments over the following 3 years, of which, the first installment of RMB850,000 was due in January 2009.

(b) The secured long-term bank loan is secured by a pledge of the Group's property in which the property is still under the construction as of December 31, 2010. The loan period is from June 2010 to June 2015 and is repayable starting from June 2012 equally over the remaining loan period with the monthly installment of RMB881,000.

(c) The secured short-term bank loan was secured by a restricted bank deposit of approximately RMB486,000 and was repaid in full in November 2010.

As at December 31, 2010, all the borrowings are denominated in RMB.

25. WARRANTY PROVISION

	RMB'000
As at July1, 2009	2,574
Additional provision in the year	728
As at June 30, 2010	3,302
Additional provision in the period	348
As at December 31, 2010	3,650

The Group's solar modules and products are typically sold with a one-year guarantee for defects in materials and workmanship. Due to the short duration of the one-year guarantee for defects in materials and workmanship and the limited guarantee claims to-date, the Group does not expect future costs related to the one-year guarantee to be material. As such, the related provision was insignificant during the period.

For selected customers, the Group provides 2 to 10-year guarantee for defects in materials and workmanship. In addition, the Group provides one customer with 10-year and 25-year warranties against declines of more than 10% and 20% of initial power generation capacity, respectively. The Group has the right to repair or replace solar modules, at its option, under the terms of the warranty policy. The Group maintains warranty reserves to cover potential liabilities that could arise under these guarantees and warranties.

26. GOVERNMENT GRANTS

Government grants include cash subsidies received from PRC government by Trony Science. Except for RMB15 million (2009: Nil) which was specific for purchase of plant and machineries, other subsidies are generally provided in relation to the research and development of solar energy products. The Group recognised income of approximately RMB3,900,000 during the six months ended December 31, 2010 (2009: RMB1,958,000). Certain government grants are related to long-term research and development projects and have granting periods over one year or for financing of acquisition of plant and machineries are therefore classified as non-current in the consolidated statement of financial position.

27. SHARE CAPITAL

Movement of the share capital during the yearended June 30, 2010 and period ended December 31, 2010 is set out below:

	Number of shares	Amount
		US$
Ordinary shares		
Authorised:		
At July 1, 2009 at US$0.0001 each	493,972,809	49,397
Cancellation of Series A Preferred Shares (note a)	6,027,191	603
Redesignation and reclassification into Series B Preferred Shares (note b)	(17,650,000)	(1,765)
At June 30, 2010 at US$0.0001 each	482,350,000	48,235
Addition (note e)	4,500,000,000	450,000
Conversion of Series B Preferred Shares (note d)	17,650,000	1,765
At December 31, 2010 at US$0.0001 each	5,000,000,000	500,000

Issued and fully paid:

	Number of shares	Amount	Shown in the consolidated financial statements as
		US$	*RMB'000*
Issued at July 1, 2009 and June 30, 2010 at US$0.0001 each	100,000,000	10,000	69
Unpaid share capital	—	(9,000)	(61)
Issued and fully paid at July 1, 2009 and June 30, 2010	100,000,000	1,000	8
Issuance of restricted shares (note c)	554,678	55	—
Conversion of Series BPreferred Shares (note d)	17,650,000	1,765	12
Capitalisation issue (note e)	1,063,842,111	106,384	711
Issuance of new shares upon initial public offering (note f)	402,750,000	40,275	269
Share options exercised (note 34)	1,386,697	139	1
At December 31, 2010 at US$0.0001 each	1,586,183,486	149,618	1,001

27. SHARE CAPITAL *(Continued)*

	Number of shares	Amount
		US$
Series A Preferred Shares		
Authorised, issued and fully paid:		
At July1, 2009 at US$0.0001 each (note 28)	6,027,191	603
Redemption and cancellation of Series A preferred Shares (note a)	(6,027,191)	(603)
At June 30, 2010	—	—
Series B Preferred Shares		
Authorised, issued and fully paid:		
At date of issuance (April 28, 2010) and at June 30, 2010 at US$0.0001 each (note 29) (note b)	17,650,000	1,765
Automatic conversion into ordinary shares (note d)	(17,650,000)	(1,765)
At December 31, 2010	—	—

Notes:

(a) On April 28, 2010, the Company redeemed and cancelled 6,027,191 Series A Preferred Shares with details set out in note 28.

(b) On April 28, 2010, the Company redesignated and reclassified 17,650,000 shares into Series B Preferred Shares with details set out in note 29.

(c) Pursuant to the Pre-IPO Equity Incentive Plan ("the Plan") and a restricted share award agreement between the Company and an executive officer, the Company issued and allotted 554,678 shares to the executive officer on the IPO price determination date. These restricted shares are subject to a vesting schedule set out in note 34.

(d) Pursuant to Series B Preferred Shares purchase agreement, the Series B Preferred Shares were automatically converted into ordinary shares upon a qualified initial public offering with details set out in note 29.

(e) Pursuant to written resolution of the shareholders and holders of Series B Preferred Shares passed on September 13, 2010, inter-alia, the authorised share capital of the Company was increased from US$50,000 to US$500,000 by the creation of an additional 4,500,000,000 shares of US$0.0001 each and the directors are authorised to credit share premium account for issuance of 1,063,842,111 shares by way of capitalisation on the date of listing of the Company on the Stock Exchange.

(f) On October 7, 2010, 345,000,000 shares of US$0.0001 each of the Company, amounting to US$34,500 (approximately RMB231,000), were issued at HK$4.5 per share by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange. On October 15, 2010, 57,750,000 shares of US$0.0001 each of the Company, amounting to US$5,775 (approximately RMB39,000), were issued at HK$4.5 per share pursuant to an overallotment option.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES

In September 2008, the Company entered into a share purchase agreement with independent investors ("Share Purchase Agreement") and issued 6,027,191 Series A Preferred Shares for a total consideration of US$45 million.

The conversion price is subject to adjustments based on a qualified initial public offering ("Qualified IPO"), defined as a public offering of the Group with a public offering price which values the Company for not less than US$1 billion immediately following such public offering and which results in aggregate proceeds to the Company of not less than US$200 million, and adjusted for according to the IPO Pre-money Valuation adjustment as later described.

The terms related to the Series A Preferred Shares are as follows:

Conversion:

The Series A Preferred Shares are convertible into ordinary shares at any time at the option of the holder. The initial conversion price shall be the preferred shares issue price ("Conversion Price"). The number of ordinary shares to be converted is determined by dividing the issue price by the Conversion Price at the time in effect.

Additionally each Series A Preferred Share shall automatically be converted into ordinary shares upon the earlier of (i) closing of the Company's Qualified IPO, or (ii) the date specified by written consent or agreement of holders of at least two-thirds of the then outstanding Series A Preferred Shares, voting as a separate class.

Conversion price adjustments:

Issuance of additional shares below original purchase price: If the Company issues shares below the original purchase price, the Conversion Price shall automatically and concurrently be adjusted with such issuance.

Share Splits and Dividend: The Conversion Price shall be appropriately decreased so that the number of ordinary shares issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of ordinary shares outstanding.

Reverse Share Splits: The Conversion Price shall be appropriately increased so that the number of ordinary shares issuable on conversion of each share of such series shall be decreased in proportion to such decrease of the aggregate of ordinary shares outstanding.

IPO Pre-Money Valuation adjustment:

If the valuation of the Group immediately prior to the Qualified IPO ("Pre-IPO Valuation") is less than or equal to US$1.7 billion, then the Series A Preferred Shares shall be convertible into that number of ordinary shares of the Company which represents a percentage of the as-converted fully diluted outstanding equity securities of the Company immediately prior to the Qualified IPO while the percentage shall be equal to the result of 200% multiplied by the result of US$45 million divided by the amount of the Pre-IPO Valuation.

If the valuation of the Group immediately prior to the qualified IPO is greater than US$1.7 billion, then the Series A Preferred Shares shall be convertible into that number of ordinary shares of the Company which represents a percentage of the as-converted fully diluted outstanding equity securities of the Company immediately prior to the Qualified IPO while the percentage shall be equal to (i) the Series A Percentage Interest (as defined below) multiplied by (ii) the sum of (a) 70% multiplied by the Pre-IPO Valuation and (b) 30% multiplied by US$1.7 billion divided by (iii) the amount of the Pre-IPO Valuation. "Series A Percentage Interest" means the percentage of the Company's equity securities (viewed on a fully diluted and as-if converted basis) that the holders of Series A Preferred Shares hold immediately prior to the effectiveness of the Qualified IPO.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Voting rights:

Each Series A Preferred Share shall be entitled to such number of votes as equals to the whole number of ordinary shares into which such Series A Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Group's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Group's members is first solicited. Except as otherwise provided in the Memorandum and Articles of Association, or as required by law, the members holding Series A Preferred Shares shall vote together with the members holding ordinary shares, and not as a separate class or series, on all matters put before them.

Dividends:

The Series A Preferred Share holders are entitled to a non-cumulative dividend of 8% of the original purchase price per annum and participate in cash and non-cash dividends on a pro rata basis to all ordinary shares on an as-converted basis.

Liquidation preference:

The Series A Preferred Shares carry liquidation preference to receive, prior to the holders of ordinary shares, an amount per share equal to 120% of the preferred shares issue price (as adjusted for any share splits, share dividends, reclassifications), plus an amount equal to all declared or accumulated but unpaid dividends on such shares. If the Group has insufficient assets, it is required to distribute its assets ratably to the preferred shareholders. The preferred shareholders, after receiving their proportional amount are entitled to further participate in the distribution of the remaining assets of the Group rateably among all the holders of outstanding ordinary shares and preferred shares on an as-converted basis.

Put options:

At any time after (1) one year anniversary of the share issue date, (2) the date on which Mr. Li ceases to be the Chairman or Chief Executive Officer of the Company, or he or his immediate family members, whether directly or indirectly, holds less than 50% of the equity interest in the Company, (3) there has been a material breach of the Share Purchase Agreement, including without limitations the representations, warranties, covenants and agreements provided by the warrantors under the Share Purchase Agreement, (4) the occurrence of a sale transaction (Note) or (5) the Company's failure to satisfy the financial metrics set forth in the Share Purchase Agreement for the release of US$10 million withheld by an escrow agent, the holders have the right to put their preferred share and yield in the aggregate 20% of the Series A Preferred Share issue price for cash, compounded annually from the date on which the first Series A Preferred Share was issued until the date of redemption, after taking into account any dividends paid on such shares.

As of June 30, 2009, US$35 million has been received by the Company and the remaining US$10 million is being withheld by an escrow agent as it was determined that the Group failed to satisfy one of its financial metrics discussed above. The Company subsequently obtained a waiver from the Series A Preferred Share holders cancelling their rights to redeem the securities due to the breach of such financial metrics. In addition, the Series A Preferred Share holders also covenanted on August 14, 2009 that they will not exercise the remaining put options on the Series A Preferred Shares until the earlier of (i) such date the Company has ceased to be actively preparing for the IPO and (ii) January 29, 2010; provided that the Company may, by written notice to each of them prior to January 29, 2010, extend such date until March 29, 2010. The Company has submitted written notice to Series A Preferred Shares holders on January 28, 2010 to extend such date until March 29, 2010. On March 29, 2010, the Series A Preferred Share holders have submitted written notice to the Company to exercise its put options on the Series A Preferred Shares and the redemption was completed on April 28, 2010.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Share pledge:

To secure the performance of the obligations of redemption, 13,398,780 ordinary shares of the Company owned by Sky Sense Investments Limited ("Sky Sense"), a company in which Mr. Li has beneficial interest, 13.25% of the issued and outstanding share of Trony HK and 13.25% of the paid-up registered capital of Trony Science are required to be pledged to the Series A Preferred Share holders.

Note:

Sale transaction means (i) a sale, license or other disposition of all or substantially all of the assets or business of the Group; (ii) a merge, amalgamation, reorganisation, consolidation, transfer of voting control or other business combination or transaction in which the existing shareholders of the Company owning a majority of the voting interest of the Company prior to such transaction do not own such a majority of the surviving entity, or (iii) any sale or transfer of more than fifty percent of the voting interest of the Company by any existing shareholder or shareholders of the Company in any transaction or series of related transactions to a third party.

The Series A Preferred Shares contain liability component, conversion option derivative and redemption option derivative. The Company elected to designate the entire hybrid contract as financial liability at FVTPL. The movement of the Series A Preferred Shares is set out below:

	Original currency *US$'000*	**Shown in the consolidated financial statements as** *RMB'000*
At July 1, 2009	66,201	452,166
Amount released by escrow agent on August 19, 2009	10,000	68,337
Change in fair value recognised in profit or loss	(836)	(5,709)
Exchange gain	—	(360)
At December 31, 2009	75,365	514,434
Change in fair value recognised in profit or loss	(15,243)	(104,064)
Redemption of Series A Preferred Shares	(60,122)	(410,387)
Exchange loss	—	17
At June 30, 2010	—	—

The Series A Preferred Shares were valued at fair value by the directors with reference to valuation reports carried out by an independent qualified professional valuer, American Appraisal China Limited, on June 30, 2009 and December 31, 2009, at approximately US$66,201,000 (approximately RMB452,166,000) and US$75,365,000 (approximately RMB514,434,000), respectively.American Appraisal China Limited has appropriate qualifications and recent experiences in the valuation of similar instruments. The address of American Appraisal China Limited is Unit 3602, Bund Centre, 222 Yan An Road East, Shanghai, the PRC.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

The change in fair value of approximately RMB5,709,000 (unaudited) has been recognised in the consolidated statement of comprehensive income for the six months ended December 31, 2009. The change in fair value was mainly due to the change in market risk factors. The fair value attributable to change in its credit risk is considered immaterial.

The assumptions adopted for the valuation of the Series A Preferred Shares as of December 31, 2009 is as follows:

	At December 31, 2009
Estimated probability of the Series A Preferred Shares	
- for redemption	45%
- for automatic conversion	45%
- for liquidation	10%
Time to redemption	0.24 year
Time to automatic conversion	0.75 year
Risk-free rate	4.64%
Weighted average cost of capital ("WACC")	18.5%

The risk-free rates used were by reference to United States of America treasury bonds with duration close to the time to expiration.

29. CONVERTIBLE PREFERRED SHARES

In April 2010, the Company entered into a share purchase agreement with independent investors ("Share Purchase Agreement") and issued 17,650,000 Series B Preferred Shares for a total consideration of US$60.01 million (equivalent to RMB409.6 million), with the issuance cost of approximately RMB4,494,000. The subscription of Series B Preferred Shares was completed on April 28, 2010.

Pursuant to the automatic conversion arrangement upon a quantified initial public offering with details below, all the Series B Preferred Shares were automatically converted into ordinary shares on October 7, 2010.

The principal terms related to the Series B Preferred Shares are as follows:

Conversion:

The Series B Preferred Shares are convertible into ordinary shares at any time at the option of the holder. The initial conversion price shall be the preferred shares issue price ("Series B Conversion Price"). The number of ordinary shares to be converted is determined by dividing the issue price by the Series B Conversion Price at the time in effect.

Additionally each Series B Preferred Share shall automatically be converted into ordinary shares upon the earlier of (i) closing of the Company's first sale of its shares in a firm commitment underwritten initial public offering that results in such securities being listed or registered on the Stock Exchange with the public offering price of which values the Company for not less than US$700 million or (ii) the date specified by written consent or agreement of holders of at least two-thirds of the then outstanding Series B Preferred Shares, voting as a separate class.

29. CONVERTIBLE PREFERRED SHARES *(Continued)*

Conversion price adjustments:

Share Splits and Dividend: The Series B Conversion Price shall be appropriately decreased so that the number of ordinary shares issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of ordinary shares outstanding.

Reverse Share Splits: The Series B Conversion Price shall be appropriately increased so that the number of ordinary shares issuable on conversion of each share of such series shall be decreased in proportion to such decrease of the aggregate of ordinary shares outstanding.

Redemption:

Series B Preferred holders are not entitled to redeem the Series B Preferred Shares, except for the purpose of effecting a conversion of the Series B Preferred Shares into ordinary shares.

Voting rights:

Except as otherwise provided in the Memorandum and Articles of Association, or as required by law, the members holding Series B Preferred Shares shall have the same voting rights as the members holding ordinary shares and shall be entitled to notice of any meeting of the members in accordance with the Memorandum and Articles of Association, and the Series B Preferred Shares holders shall vote together with the members holding ordinary shares, and not as a separate class or series, on all matters put before them.

Each Series B Preferred Share shall be entitled to such number of votes as equals to the whole number of ordinary shares into which such Series B Preferred Shares are converted at the Series B Conversion Price then in effect as of the applicable record date.

Dividends:

No dividend shall be declared or paid on any other class or series of shares of the Company, unless and until an equal amount of dividends has been paid or declared and set apart on Series B Preferred Shares. In the event that the Company shall have declared but unpaid dividends outstanding immediately prior to, and in the event of, a conversion of the Series B Preferred Shares, the Company shall at the option of each holder, paid in cash to each holder of Series B Preferred Share subject to conversion the full amount of any such dividends or allow such dividends to be converted into ordinary shares.

Liquidation preference:

The Series B Preferred Shares carry liquidation preference to receive, prior to the holders of ordinary shares, an amount per share equal to 136% of the preferred shares issue price (as adjusted for any share splits, share dividends, reclassifications), plus an amount equal to all declared or accumulated but unpaid dividends on such shares. If the Group has insufficient assets, it is required to distribute its assets ratably to the preferred shareholders. The preferred shareholders, after receiving their proportional amount are entitled to further participate in the distribution of the remaining assets of the Group rateably among all the holders of outstanding ordinary shares and preferred shares on an as-converted basis. A liquidation, dissolution or winding up of the Company is defined to be occasioned by, and to include, a sale transaction (note).

29. CONVERTIBLE PREFERRED SHARES *(Continued)*

Note:

Pursuant to the Share Purchase Agreement, sale transaction means (i) a sale, license or other disposition of all or substantially all of the assets or business of the Group; (ii) a merge, amalgamation, reorganisation, consolidation, transfer of voting control or other business combination or transaction in which the existing shareholders of the Company owning a majority of the voting interest of the Company prior to such transaction do not own such a majority of the surviving entity, or (iii) any sale or transfer of more than fifty percent of the voting interest of the Company by any existing shareholder or shareholders of the Company in any transaction or series of related transactions to a third party.

30. MAJOR NON-CASH TRANSACTIONS

(i) During the six months ended December 31, 2010, construction costs and acquisition of property, plant and equipment amounted to approximately RMB404,000 (2009: RMB1,980,000 (unaudited)) were unsettled and included in other payables.

(ii) During the six months ended December 31, 2010, the Company settled the loan from a shareholder amounting to approximately RMB201,072,000 (US$30 million) through netting off of the proceeds from the issuance of its new shares. Such proceeds were directly released from the escrow agents to the shareholder.

31. OPERATING LEASES

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Minimum lease payments paid under operating leases in respect of rented premises during the period	**1,295**	996

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating lease in respect of premises which fall due as follows:

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Within one year	**2,446**	2,128
In the second to fifth years inclusive	**4,286**	5,205
	6,732	7,333

Operating lease payments represent rentals payable by the Group for certain properties. Leases are negotiated and rentals are fixed for terms ranging from one to five years.

32. CAPITAL COMMITMENTS

	At December 31, 2010 *RMB'000*	At June 30, 2010 *RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**278,427**	69,659

33. RETIREMENT BENEFITS SCHEME

The employees of Trony Science are members of a state-managed retirement benefits scheme operated by the PRC government. Trony Science is required to contribute 10% of the total monthly basic salaries of the current 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 specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately RMB1,230,000 for the six months ended December 31, 2010 (2009: RMB871,000 (unaudited)), represent contributions payable to the scheme for the period.

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Background

The Plan was adopted pursuant to a resolution passed on October 29, 2009 for the primary purpose of providing incentives to directors and eligible employees, and will expire on October 28, 2019. Under the Plan, 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 or other share-based awards.

The total number of shares in respect of which options or other share-based awards granted under the Plan is not permitted to exceed 10,000,000 shares.

No consideration is payable on the grant of an option. The exercise price is determined by the directors of the Company.

Pursuant to the written resolutions of the shareholders and holders of Series B Preferred Shares on September 13, 2010, no further options will be granted under the Plan on or after the date the Company's shares being listed on the Stock Exchange.

On the same date, a new share option scheme (the "Scheme") was approved by a written resolution of the shareholders and holders of Series B Preferred Shares and adopted by a resolution of the board of directors. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Summary of options/restricted shares granted

The Company has entered into an option agreement with an executive officer on November 6, 2009 in which the Company has agreed, among other things, to grant the executive officer options to purchase 0.35% of the outstanding ordinary shares upon completion of the IPO of its ordinary shares in the form of American depositary share on the New York Stock Exchange ("US IPO"), taking into account the shares pursuant to the over-allotment option with an exercise price at 55.0% of the US IPO price. One fourth of the options will vest upon the listing and each of the three subsequent anniversaries thereafter. Options may be exercised (i) at any time 10 years from the US IPO date; (ii) one year following the date of the employee's employment termination due to death or disability; (iii) the date of the employee's employment termination by the Company or employee for any reason other than death or disability. The estimated fair values of the options at the date of grant and the inputs into the Black-Scholes pricing model were as follows:

	At December 9,			
Expected vesting date	**2009**	**2010**	**2011**	**2012**
Estimated fair value per share (note)	US$4.872	US$4.872	US$4.872	US$4.872
Expected exercise price	US$3.667	US$3.667	US$3.667	US$3.667
Expected volatility	77.1%	74.9%	73.2%	73.4%
Expected life	5.05 years	5.55 years	6.05 years	6.55 years
Risk-free rate	2.459%	2.616%	2.819%	2.978%
Expected dividend yield	0%	0%	0%	0%
Expected fair value per option	US$3.3578	US$3.4077	US$3.4657	US$3.5599
Expected fair value per option (after adjustment of capitalisation issue)	US$0.3358	US$0.3408	US$0.3466	US$0.3560

On February 4, 2010, the Company cancelled the prior option grant to the executive officer with the replacement of a new share option agreement and a restricted share award agreement. Certain terms of the options was modified which include the options that will be effective upon the first pricing date of the IPO on either the Stock Exchange or New York Stock Exchange. Moreover, the option is then exercisable from the vesting date to March 15 of the following year in which the options become vested.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Summary of options/restricted shares granted *(Continued)*

The estimated fair values of the options at modification date and the inputs into the Black-Scholes pricing model were as follows:

	At September 30,			
Expected vesting date	**2010**	**2011**	**2012**	**2013**
Estimated fair value per share (note)	US$4.76	US$4.76	US$4.76	US$4.76
Expected exercise price	US$2.933	US$2.933	US$2.933	US$2.933
Expected volatility	76.5%	100.3%	87%	80.7%
Expected life	0.88 years	1.89 years	2.89 years	3.89 years
Risk-free rate	0.292%	0.802%	1.350%	1.837%
Expected dividend yield	0%	0%	0%	0%
Expected fair value per option	US$2.2175	US$2.9886	US$3.1199	US$3.2652
Expected fair value per option (after adjustment of capitalisation issue)	US$0.2218	US$0.2989	US$0.3120	US$0.3265

5,546,789 options (after adjustment of capitalisation issue) were granted to the executive officer upon IPO and 1,386,697 options were vested and exercised during the six months ended December 31, 2010. In respect of the share options exercised during the period, the weighted average share price at the dates of exercise is HK$5.08. 4,160,092 non-exercisable options was outstanding as of December 31, 2010 and the weighted average exercise price is HK$2.475.

Additionally, the Company has entered into a restricted share award agreement with the executive officer in which the Company has agreed, among other things, to grant the executive officer restricted share award consisting number of shares equal to 0.35% of the outstanding ordinary shares upon completion of the IPO and taking into account the number of shares to be issued pursuant to the over-allotment option. One fourth of the restricted shares will vest upon the first pricing date of the IPO and each of the three subsequent anniversaries thereafter. 5,546,789 restricted shares (after adjusting the capitalization issue) were granted to the executive officer and 1,386,697 shares were vested during the six months ended December 31, 2010.

The Group recognised total expense of approximately RMB10,005,000 for the six months ended December 31, 2010 (2009: Nil) in relation to share options and restricted shares granted by the Company. Since the probable outcome of the award's performance condition was on the first pricing of IPO, no compensation cost was recorded for the six months ended December 31, 2009.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Summary of options/restricted shares granted *(Continued)*

On November 6, 2009, the Company has also entered into option agreements with proposed independent directors, under which the Company will grant options to purchase 80,000 ordinary shares to independent directors upon US IPO with exercise price at the US IPO price. 33%, 33% and 34% of such options will become vested and exercisable upon the first, second and third anniversary of the pricing of US IPO, respectively. Options may be exercised (i) at any time 10 years from the date of pricing of US IPO; (ii) one year following the date of the employee's employment termination due to death or disability; (iii) the date of the employee's employment termination by the Company or employee for any reason other than death or disability. The estimated fair values of the options and the inputs into the Black-Scholes pricing model were as follows:

		At December 9,	
Expected vesting date	**2010**	**2011**	**2012**
Estimated fair value per share (note)	US$4.872	US$4.872	US$4.872
Expected exercise price	US$6.667	US$6.667	US$6.667
Expected volatility	74.9%	73.2%	73.4%
Expected life	5.55 years	6.05 years	6.55 years
Risk-free rate	2.616%	2.819%	2.978%
Expected dividend yield	0%	0%	0%
Expected fair value per option	US$2.8736	US$2.9491	US$3.0754
Expected fair value per option (after adjustment of capitalisation issue)	US$0.2874	US$0.2950	US$0.3075

The independent directors will only commence services upon the US IPO and no share-based payment expenses were recognised during the reporting period.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors´ best estimate. The value of an option varies with different variables of certain subjective assumptions.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Summary of options/restricted shares granted *(Continued)*

Note:

The fair value of the common shares was determined as the difference between the enterprise value over the fair value of Series A Preferred Shares issued. Fair value of enterprise value and Series A Preferred Shares was determined by using valuation techniques which include discounted cash flow analysis, guideline company method and option pricing models. The following assumptions were adopted for the valuation as at option grant date and modification date:

Grant date/modification date	At November 6, 2009	**At February 2, 2010**
Estimated probability of the Series A Preferred Shares for redemption	19%	**45%**
for automatic conversion	80%	**45%**
for liquidation	1%	**10%**
Time to redemption	0.23 years	**0.15 years**
Time to automatic conversion	0.09 years	**0.66 years**
Risk-free rate	4.40%	**4.56%**
WACC	18.50%	**18.50%**

Expected exercise price was based on the estimated fair value of ordinary shares after adjusting back marketability discount, preferential effect of preferred shares and other market factors. Expected volatility was determined by using the historical share price movement of comparable companies over the expected holding period. The expected life used in the model has been adjusted, based on management´s best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations. The risk-free rates used were by reference to United States of America treasury bonds with duration close to the time to expiration.

35. RELATED PARTY DISCLOSURES

(a) Amounts due from directors

The Group madetravelling advances to the directors of the Company for the business operating uses and the amountsare non-trade related, unsecured, interest-free and repayable on demand.

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Mr. Li	**584**	—
Mr. Chen Yixiang	**34**	34
	618	34

35. RELATED PARTY DISCLOSURES *(Continued)*

(a) Amounts due from directors *(Continued)*

The maximum amount outstanding in respect of amounts due from directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Name of directors		
Mr.Li	**743**	34
Mr.Chen Yixiang	**49**	133

(b) Amount due to a director

The amount was due to Mr. Li and it was non-trade related, unsecured, interest-free and repayable on demand. During the six months ended December 31, 2010, all the outstanding balances due to the director has been fully settled.

(c) Loan from a related company

On April 10, 2008, the Group entered into a loan agreement with a related party of Build Up International Investments Limited ("Build Up"), one of the shareholders of the Company and borrowed RMB305 million for the acquisition of new and high-tech plant and machinery. The loan is unsecured, interest-free and initially repayable on April 9, 2010. Pursuant to a supplementary agreement entered into on June 30, 2009, the repayment of the loan is extended for another two years and will be due in full on April 9, 2012 while other terms remained unchanged.

Imputed interest was computed using the then prevailing market interest rate of 7.56% for comparable long-term borrowings on the initial loan inception date and 5.40% on the loan extension date. The discount at the loan inception amounted to approximately RMB42,675,000 and was recorded as a deemed contribution in the consolidated statement of changes in equity on April 10, 2008. Additionally, the Company recorded a subsequent deemed contribution in the consolidated statement of changes in equity on the loan agreement modification date, which amounted to approximately RMB25,277,000. Amortised imputed interest expense amounting to approximately RMB7,644,000 for the six months ended December 31, 2010 (2009: RMB7,243,000 (unaudited)), were incurred during the period and approximately RMBNil (2009: RMB1,205,000 (unaudited)) were capitalised in the deposit for the acquisition of property, plant and equipment.

35. RELATED PARTY DISCLOSURES *(Continued)*

(d) Loan from a shareholder

On October 2, 2009, Lakes Invest Investment Limited ("Lakes Invest") entered into a loan agreement for an aggregate principal amount of US$30 million (equivalent to approximately RMB204,777,000) ("ICBC loan") with ICBC International Finance Limited ("ICBC International"). The loan has an initial term of six months, and will be automatically extended to one year if the Company has not completed an IPO within the initial term. If the Company has completed an IPO 30 days prior to the first anniversary of the loan inception date, the maturity date will be 30 days after the Company completes its IPO. The loan bears an interest rate of 3.5% per annum. In order to secure the borrowing, Lakes Invest pledged 15% of issued share capital of the Company. The Company further pledged 13.25% of issued share capital of TronyHK, which pledge is subordinated to the pledge granted by the Company to the Series A Preferred Shares holders. On the same date, Lakes Invest entered into a shareholder loan agreement ("Shareholder Loan Agreement") with the Company to lend its proceeds from the ICBC loan to the Company. The terms of the Shareholder Loan Agreement are the same as those entered into between Lakes Invest and ICBC International. The carrying value of such shareholder loan approximates its fair value due to the short-term nature of the agreement.

In addition, Lakes Invest granted ICBC International Overseas Investment Ltd. ("ICBC Overseas"), an affiliate of ICBC International, a warrant to purchase a maximum of US$13,000,000 worth of the Company's ordinary shares owned by Lakes Invest at a discount of (i) 18% of the IPO price or (ii) a rate not less than 18% to be agreed by and between the two parties if the Company has not completed its IPO within 365 days from the loan agreement date, provided if no such agreement, 18%. Such shares will be further subject to a lock up period of six months from the effective date of the Company's registration statement with respect to the IPO. The Company considered the warrants granted by Lakes Invest to ICBC Overseas a capital contribution made by a shareholder and recorded the value of those warrants as a deemed contribution in the consolidated statement of changes in equity. As the warrants represented direct and incremental costs in obtaining the loan, the value of the warrant of approximately RMB15,972,000 estimated based on the discount offered as well as the duration of the lock-up period, together with other direct incremental costs of approximately RMB1,582,000 were net off with the original loan principal.

On May 26, 2010, US$15.0 million of the US$30.0 million ICBC loan was cancelled in exchange for a transfer of 4,411,765 ordinary shares of the Company from Sky Sense to ICBC Strategic Investment Ltd., an affiliate of ICBC International. In addition, the ICBC loan agreement was amended to provide for a maturity date of March 31, 2012, cancellation of warrant granted to ICBC Overseas and a replacement of references to Series A Preferred Shares investors to Series B Preferred Shares investors in that agreement. Pursuant to the restructuring of the ICBC loan as set forth above, 7.5% of the 15% of the Company's ordinary shares pledged by Lakes Invest and 6.625% of the 13.25% of issued share capital of Trony HK pledged by the Company were released.

The Shareholder Loan Agreement was also amended on the same date to extend the loan maturity date to March 31, 2012. Imputed interest was computed using the then prevailing market interest rate of 5.54% for comparable long-term borrowings on the loan extension date. The discount at the loan modification amounted to approximately RMB7,214,000 and was recorded as a deemed contribution in the consolidated statement of changes in equity.

35. RELATED PARTY DISCLOSURES *(Continued)*

(d) Loan from a shareholder *(Continued)*

Effective interest expense for the six months ended December 31, 2010 amounted to approximately RMB8,663,000 (2009: RMB8,615,000 (unaudited)) and approximately RMB Nil (2009: RMB7,104,000 (unaudited)) was capitalised in the deposits for purchase of property, plant and equipment as it is related to acquisition of property, plant and equipment during the six months ended December 31, 2010.

The Company repaid this shareholder loan in full upon listing of the Company's shares on the Stock Exchange.

(e) Amount due from a related party

Amount due from a related party is as follows:

	At December 31, 2010	At June 30, 2010
	RMB'000	*RMB'000*
Shenzhen Yiying Patent & Trademark Agency ("ShenzhenYiying") 深圳市毅穎專利商標事務所 (note)	**—**	132

The maximum amount outstanding in respect of amount due from related party disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	Six months ended December 31,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Shenzhen Yiying	**178**	204

* The English name is for identification purpose only.

Note:

Shenzhen Yiying is a company in which Ms. Zhang Yiying, a close family member of Mr. Li, has beneficial interests. The amount due from Shenzhen Yiying represents prepayments paid for registration fees.

35. RELATED PARTY DISCLOSURES *(Continued)*

(f) Amounts due from shareholders

During the six months ended December 31, 2010, a total of offering and other related expenses of approximately RMB6,549,000 were recharged to selling shareholders and included in the amounts due from shareholders. The amounts were non-traded related, non-interest bearing and fully settled before the date of approval of these financial statements.

(g) Transactions with related companies

Apart from details of the balances and other arrangements with related parties disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following transactions with related parties during the period:

(i) During the six months ended December 31, 2009, Mr. Li gave a personal guarantee to secure a long-term loan of the Company.

(ii) During the six months ended December 31, 2009, Sky Sense, a company owned by Mr.Li, pledged its 13,398,780 ordinary shares of the Company to secure the performance of the obligations of redemption of Series A Preferred Shares.

(iii) During the six months ended December 31, 2010, the Group paid trademark registration fee and agent fee to Shenzhen Yiying, a company in which Ms. Zhang has a beneficial interest, amounting to approximately RMB669,000 (2009: RMB231,000 (unaudited)).

(iv) Historically, certain technology and production patents developed by the Group have been registered in the name of Mr.Li for administrative simplicity. Mr. Li and the Group have entered into agreements pursuant to which such patents are made available to the Group on a perpetual basis at nil consideration until Mr. Li has transferred all legal and beneficial interest in those patents to the Group.

(h) Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	Six months ended December 31, 2010 RMB'000	2009 RMB'000 (Unaudited)
Short-term employee benefits	**3,199**	3,093
Post employee benefits	**19**	22
Share-based payment	**10,005**	—
	13,223	3,115

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

36. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at December 31, 2010 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid up share/ registered capital	Proportion of nominal value of issued ordinary share/ registered capital directly/indirectly held by the Company	Principal activities
Trony Solar Holdings (Hong Kong) Limited	Hong Kong August 3, 2006	HK$100	100%	Investment holding
Shenzhen Trony Science and Technology Development Co. Ltd (note)	The PRC July 1, 1997	RMB300,000,000	100%	Development, manufacture and sales of solar products

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

Note:

The company was established in the PRC in the form of wholly foreign-owned enterprise. Additional paid up capital of RMB71,208,941 were noted during the six months ended December 31, 2010.