If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Solargiga Energy Holdings Limited (the "Company"), you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

CONTENTS

Unless the context otherwise requires, capitalised terms used in this circular shall have the following meanings:

"Acquisition"	the entering into of an acquisition agreement dated 8 November 2010 for the acquisition of 100% issued shares of Sino Light
"Acquisition Agreement"	the sale and purchase agreement dated 8 November 2010 and entered into among the Company, the Vendors and the Warrantors in relation to the Acquisition
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 31 March 2011 in relation to the proposed conversions of the Convertible Bonds and application for the Whitewash Waiver
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Company"	Solargiga Energy Holdings Limited (陽光能源控股有限公司) (stock code: 00757), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"Completion Date"	the date of Completion, being the third business day following the fulfilment (or waiver thereof) of the conditions precedent or such other date as the parties to the Acquisition Agreement may agree in writing
"connected person"	has the meaning ascribed to it under the Listing Rules
"Conversion Price"	HK$1.92 per Conversion Share

"Conversion Shares"	new Shares to be allotted and issued upon any conversion of the Convertible Bonds
"Conversions"	the conversions of the Convertible Bonds into the Conversion Shares
"Convertible Bonds"	convertible bonds in the aggregate principal amount of HK$835,200,000 issued on Completion in satisfaction in full of the consideration for the Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held to approve, among other things to approve the Whitewash Waiver to be held on 21 June 2011
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
"Fifth Vendor"	Seaquest Ventures Inc., an investment holding company incorporated in the BVI and is, as at the date of the Announcement, beneficially and wholly owned by Mr. Quintin Wu, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Fifth Vendor
"Fifth Warrantors"	Fifth Vendor together with Mr. Quintin Wu
"First Shanghai"	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent

"Fourth Vendor"	Prosperity Lamps & Components Limited, a Hong Kong incorporated company which is, as at the date of the Announcement, beneficially owned as to 65% by companies wholly owned by Mr. Chong, and as to 30% and 5% respectively by Mr. Sam Wai Keung and Mr. Chong Yu Ka, both being independent third parties under the Listing Rules but for the purpose of the Takeovers Code are considered to be parties acting in concert with the Fourth Vendor. The principal business of the Fourth Vendor is trading of lighting equipment
"Fourth Warrantors"	Fourth Vendor together with Mr. Chong
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPT"	Jinzhou Huachang Photovoltaic Technology Co., Ltd (錦州華昌光伏科技有限公司), a wholly foreign owned enterprise established in the PRC with limited liability and wholly owned by You Xin as at the Latest Practicable Date
"Independent Board Committee"	an independent committee of the Board comprising Mr. Wong Wing Kuen, Albert, Ms. Fu Shuangye, Dr. Lin Wen and Mr. Zhang Chun, the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Whitewash Waiver
"Independent Shareholders"	the Shareholders of the Company other than the Vendors, Mr. Tan, their respective associates and parties in concert with any of them and those who are involved in or interested in the Acquisition, the issuance of the Convertible Bonds, the Conversions and/or the Whitewash Waiver
"Issue Date"	the issue date of the Convertible Bonds i.e. 26 January 2011

"Latest Practicable Date"	29 April 2011, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chiao"	Mr. Chiao Ping Hai
"Mr. Chong"	Mr. Chong Kin Ngai, a non-executive Director who is interested in approximately 4.63% of the issued share capital of the Company and holds, as trustee for certain Directors, senior management and staff of the Group, approximately 1.44% in aggregate of the issued share capital of the Company
"Mr. Tan"	Mr. Tan Wenhua, an executive Director, the chairman, a substantial Shareholder and a connected person who is beneficially interested in approximately 26.33% of the issued share capital of the Company, as at the Latest Practicable Date
"PEC"	Prosperity Electric Corporation, a company incorporated in the BVI and wholly owned by Mr. Chong
"PRC"	the People's Republic of China, which for purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Second Vendor"	Wintek International Corp., an investment holding company incorporated in Samoa and is, as at the date of the Announcement, beneficially and wholly owned by Ms. Hanako Hiramatsu, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Second Vendor
"Second Warrantors"	Second Vendor together with Ms. Hanako Hiramatsu

"Seventh Vendor"	Sunvision Capital Investment Limited, an investment holding company incorporated in Samoa and is, as at the date of the Announcement, beneficially and wholly owned by Mr. Liang-Chieh Huang, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Seventh Vendor
"Seventh Warrantors"	Seventh Vendor together with Mr. Liang-Chieh Huang
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	ordinary share(s) with a par value of HK$0.10 each in the capital of the Company
"Sino Light"	Sino Light Investments Limited, a company incorporated in the BVI with limited liability
"Sino Light Group"	Sino Light, You Xin and HPT
"Sixth Vendor"	Lithium Energy Holdings Corporation, an investment holding company incorporated in the BVI and is, as at the date of the Announcement, beneficially and wholly owned by Mr. Tam Wing Keung, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Sixth Vendor
"Sixth Warrantors"	Sixth Vendor together with Mr. Tam Wing Keung
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Third Vendor"	Grand Sea Investments Limited, an investment holding company incorporated in Samoa, the issued share capital of which, as at the date of the Announcement, is beneficially owned as to approximately 37.5% by Mr. Chiao Stephen Sun-Hai (the elder brother of Mr. Chiao Ping Hai who is a non-executive Director of the Company) and as to approximately 62.5% by Ms. Chu Ko Pin, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Third Vendor

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them will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the Conversions. An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code on the basis that, among other things, the Whitewash Waiver is subject to the approval by the Independent Shareholders at the EGM on a vote by way of poll whereby the Vendors, Mr. Tan, their respective associates and parties acting in concert with any of them and those who are involved in or interested in the Acquisition, issuance of the Convertible Bonds, the Conversions and the Whitewash Waiver will abstain from voting.

Assuming no further Shares will be allotted and issued from the Latest Practicable Date until the Conversions take place, when the Convertible Bonds are converted in full, the Vendors will be issued an aggregate of 435,000,000 Conversion Shares, representing approximately 24.07% of the issued share capital of the Company immediately before completion of the Conversions and approximately 19.40% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, respectively.

THE WHITEWASH WAIVER

As at the Latest Practicable Date, the total number of issued Shares is 1,807,170,425 Shares and the Vendors, Mr. Tan and parties acting in concert with any one of them hold an aggregate of 638,465,091 Shares, representing approximately 35.33% of the existing total issued share capital of the Company as at the Latest Practicable Date. Assuming no further Shares will be allotted and issued by the Company prior to the Conversions, interests in the issued share capital of the Company held by the Vendors, Mr. Tan and parties acting in concert with any one of them will increase by more than 2% from an aggregate of 638,465,091 Shares, representing approximately 35.33% of the issued share capital of the Company immediately before completion of the Conversions, to an aggregate of 1,073,465,091 Shares, representing approximately 47.88% of the issued share capital of the Company as enlarged by the issue of Conversion Shares upon the completion of the Conversions.

The following table sets out the shareholding structure of the Company immediately before and after completion of the Conversions (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date until completion of the Conversions save for the issue of the Conversion Shares):

	Immediately before completion of the Conversions *(Note 1)*		Immediately after completion of the Conversions *(Note 1)*	
	No. of Shares	*%*	*No. of Shares*	*%*
I. The Vendors, Mr. Tan and parties acting in concert with any one of them				
Directors				
Mr. Tan and his associates *(Notes 2 & 3)*	478,145,999	26.46	617,934,277	27.56
Mr. Chong and his associates *(Notes 4, 5 & 6)*	104,436,165	5.78	137,943,652	6.16
Mr. Hsu You Yuan *(Note 7)*	12,440,927	0.69	12,440,927	0.55
Mr. Chiao Ping Hai	6,135,500	0.34	6,135,500	0.27
Ms. Zhang Liming *(Note 8)*	3,133,500	0.17	3,133,500	0.14
Mr. Zhang Chun	–	–	–	–
Ms. Fu Shuangye	–	–	–	–

	Immediately before completion of the Conversions *(Note 1)*		Immediately after completion of the Conversions *(Note 1)*	
	No. of Shares	*%*	*No. of Shares*	*%*
Dr. Lin Wen	–	–	–	–
Mr. Wong Wing Kuen, Albert	–	–	–	–
Vendors (other than the First Vendor and the Fourth Vendor)				
Second Vendor	–	–	67,624,534	3.02
Third Vendor	6,047,000	0.33	66,969,711	2.99
Fifth Vendor	27,996,000	1.55	49,751,674	2.22
Sixth Vendor *(Note 9)*	130,000	0.01	96,697,813	4.31
Seventh Vendor	–	–	14,833,503	0.66
Sub-total	638,465,091	35.33	1,073,465,091	47.88
II. Other non-public Shareholder				
WWIC *(Note 10)*	344,208,822	19.05	344,208,822	15.35
Sub-total	344,208,822	19.05	344,208,822	15.35
III. Other public Shareholders				
Other public Shareholders	824,496,512	45.62	824,496,512	36.77
Sub-total	824,496,512	45.62	824,496,512	36.77
Total	1,807,170,425	100.00	2,242,170,425	100.00

Notes:

1. The figures assume that other than the Conversion Shares, no Shares are issued or purchased by the Company and other than the Conversion Shares, no Shares are sold or purchased by the Vendors and their concert parties, in each case after the Latest Practicable Date until completion of the Conversions.

2. As at the Latest Practicable Date, an aggregate of 478,145,999 Shares are held by Mr. Tan, his concert parties and his associates, of which, 475,761,999 Shares are held by Mr. Tan and 2,384,000 Shares are held by Mr. Tan's relatives as mentioned in note 3 below. Upon completion of the Conversions, an aggregate of 617,934,277 Shares will be held by Mr. Tan, his concert parties, and his associates, of which, 475,761,999 Shares will be held by Mr. Tan, 2,384,000 Shares will be held

3. As at the Latest Practicable Date, six employees of the Group, namely Zhao Xiuzhen, Tan Wenge, Wang Jing, Gao Yu, Tan Wenxiang and Wang Jinsheng, who are the relatives of Mr. Tan and are considered parties acting in concert with Mr. Tan, are interested in an aggregate of 2,384,000 Shares, of which 1,788,000 Shares remain registered in the name of Mr. Chong as trustee who is entrusted to exercise voting rights and hold the dividends and other distributions made in respect of the relevant Shares in trust on their behalf.

4. As at the Latest Practicable Date, an aggregate of 104,436,165 Shares are held by Mr. Chong, his concert parties and his associates, of which, 2,449,500 Shares are held by Mr. Chong, 64,140,040 Shares are held by PEC, 15,935,500 Shares are held by the Fourth Vendor, 19,261,125 Shares are held by Mr. Chong as trustee, 1,100,000 Shares are held by Mr. Chong's spouse and 1,550,000 Shares are held by Mr. Chong's relatives and other associate(s). Upon completion of the Conversions, an aggregate of 137,943,652 Shares will be held by Mr. Chong, his concert parties and his associates, of which, 2,449,500 Shares will be held by Mr. Chong, 64,140,040 Shares will be held by PEC, 49,442,987 Shares will be held by the Fourth Vendor, 19,261,125 Shares will be held by Mr. Chong as trustee, 1,100,000 Shares are held by Mr. Chong's spouse and 1,550,000 Shares will be held by Mr. Chong's relatives and other associate(s).

5. As at the Latest Practicable Date, the Fourth Vendor is held as to 20% by PEC, 45% by Leigh Company Limited, as to 30% by Mr. Sam Wai Keung and as to 5% by Mr. Chong Yu Ka. Mr. Sam Wai Keung and Mr. Chong Yu Ka are both independent third parties under the Listing Rules but for the purpose of the Takeovers Code are considered to be parties Shat .1(Sha3440.9(1,5)[irth)-400.5(hbe)]TJT*

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Takeovers Code as a result of the issue of the Conversion Shares. The Executive has indicated that the Whitewash Waiver will be granted, subject to, among other things, the approval of the Independent Shareholders taken by way of poll at the EGM. The Vendors, Mr. Tan and parties acting in concert with any of them and those who are involved in or interested in the Acquisition, the issuance of the Convertible Bonds, the Conversions and /or the Whitewash Waiver will abstain from voting on the resolution approving the Whitewash Waiver at the EGM where esolutioS-290.1(wher)17.C.1(wb290.1(esoen)-261.C.1(wby-290.1(wha

(v) neither the Vendors, Mr. Tan nor any parties acting in concert with any of them has received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Whitewash Waiver; and

(vi) there are no relevant securities (as defined in the Takeovers Code) in the Company which the Vendors, Mr. Tan or any parties acting in concert with any of them has borrowed or lent.

CONDITIONS OF THE CONVERSION

The Conversions are subject to the following conditions:

(i) the granting of the Whitewash Waiver by the Executive; and

(ii) the approval by the Independent Shareholders of the relevant resolution regarding the Whitewash Waiver by way of poll at the EGM.

The conditions above cannot be waived.

If any of the conditions of the Conversions is not fulfilled, the Conversions will not take place and the conditional conversion letters from the Vendors will cease to have effect.

Subject to the above conditions of the Conversions having been fulfilled, the Conversion Shares will be allotted and issued pursuant to the specific mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders in the extraordinary general meeting of the Company held on 26 January 2011. The Listing Committee of the Stock Exchange has granted the approval in respect of the listing of, and

INFORMATION ON THE VENDORS

The First Vendor, namely, You Hua Investment Corporation, is an investment holding company incorporated in the BVI and is beneficially and wholly owned by Mr. Tan, an executive Director and a substantial Shareholder of the Company and a connected person who is beneficially interested in approximately 26.33% of its issued share capital as at the Latest Practicable Date.

The Second Vendor, namely, Wintek International Corp., is an investment holding company incorporated in Samoa and is beneficially and wholly owned by Ms. Hanako Hiramatsu, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Second Vendor.

The Third Vendor, namely, Grand Sea Investments Limited, is an investment holding company incorporated in Samoa, the issued share capital of which is beneficially owned as to approximately 37.5% by Mr. Chiao Stephen Sun-Hai (the elder brother of Mr. Chiao Ping Hai who is a non-executive Director of the Company) and as to approximately 62.5% by Ms. Chu Ko Pin, an independent third party under the Listing Rules but for the purpose of the Takeovers Code, both Mr. Chiao Stephen Sun-Hai and Ms. Chu Ko Pin are considered to be a party acting in concert with the Third Vendor.

The Fourth Vendor, namely, Prosperity Lamps & Components Limited, is a Hong Kong incorporated company beneficially owned as to 65% by companies wholly owned by Mr. Chong (a non-executive Director who is interested in approximately 4.63% of the issued share capital of the Company and holds, as trustee for certain Directors, senior management and staff of the Group, approximately 1.44% in aggregate of the issued share capital of the Company, as at the Latest Practicable Date), as to 30% by Mr. Sam Wai Keung and as to 5% by Mr. Chong Yu Ka, both being independent third parties under the Listing Rules but for the purpose of the Takeovers Code are considered to be parties acting in concert with the Fourth Vendor. The principal business of the Fourth Vendor is trading of lighting equipment.

The Fifth Vendor, namely, Seaquest Ventures Inc., is an investment holding company incorporated in the BVI and is beneficially and wholly owned by Mr. Quintin Wu, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Fifth Vendor.

The Sixth Vendor, namely, Lithium Energy Holdings Corporation, is an investment holding company incorporated in the BVI and is beneficially and wholly owned by Mr. Tam Wing Keung, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Sixth Vendor.

The Seventh Vendor, namely, Sunvision Capital Investment Limited, is an investment holding company incorporated in Samoa and is beneficially and wholly owned by Mr. Liang-Chieh Huang, an independent third party under the Listing Rules but for the purpose of the Takeovers Code is considered to be a party acting in concert with the Seventh Vendor.

INTENTION REGARDING THE COMPANY AND ITS EMPLOYEES

Mr. Tan is a substantial Shareholder and has been the Executive Director and the chairman of the Company. He, together with the Vendors and the parties acting in concert with him have a positive view on the business prospects of the Group and intends to consolidate their beneficial shareholding in the Company through the Conversions. Mr. Tan, together with the Vendors and the parties acting in concert with any of them intend to continue with the existing businesses of the Group and does not intend to introduce any major changes in the businesses of the Group. Mr. Tan, together with the Vendors and their

The Vendors, Mr. Tan, their respective associates and parties acting in concert with any one of them and those who are involved in or interested in the Acquisition, the issuance of the Convertible Bonds, the Conversions and/or the Whitewash Wavier will abstain from voting at the EGM in respect of the resolutions for approving the Whitewash Waiver.

The Independent Board Committee comprising Mr. Wong Wing Kuen, Albert, Ms. Fu Shuangye, Dr. Lin Wen and Mr. Zhang Chun, the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Whitewash Waiver. The two non-executive Directors, namely, Mr. Chiao Ping Hai and Mr. Chong, have not been appointed as members of the Independent Board Committee as (i) Mr. Chiao Stephen Sun-Hai, who is beneficially interested in approximately 37.5% of the issued share capital of the Third Vendor, is the elder brother of Mr. Chiao Ping Hai, Mr. Chiao Ping Hai is an associate of Mr. Chiao Stephen Sun-Hai and is considered to have an interest in the Conversions and the Whitewash Waiver; and (ii) Mr. Chong is, through his wholly owned companies, interested in 65% of the issued share capital of the Fourth Vendor and is therefore regarded as a party acting in concert with the Fourth Vendor.

As stated above, as Mr. Tan, Mr. Chiao Ping Hai and Mr. Chong have material interests in the Whitewash Waiver and the transactions contemplated thereunder, they have abstained from voting on the board resolutions approving the Whitewash Waiver the transactions contemplated thereunder. Save as the aforesaid, no Director has any material interest in the Conversions and the Whitewash Waiver and the transactions contemplated thereunder and therefore none of the Director was required to abstain from voting on the board resolutions approving the Whitewash Waiver.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of a listed issuer must be taken by poll. Therefore, all the resolutions proposed at the EGM will be voted by poll.

RECOMMENDATION

The Independent Board Committee, having considered the Whitewash Waiver and having taken into account the advice of First Shanghai on the Whitewash Waiver, considers that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution in connection with the Whitewash Waiver to be proposed at the EGM.

Your attention is also drawn to (i) the letter from the Independent Board Committee to the Independent Shareholders as set out on page 18 of this circular; and (ii) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders as set out on pages 19 to 27 of this circular in relation to the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices of this circular and the notice of the EGM as set out on pages 28 to 107, which form part of this circular.

Shareholders and potential investors should note that the Conversions are subject to the Conversion Conditions and may not proceed unless the Independent Shareholders approve the resolution regarding the Whitewash Waiver by way of poll and the Whitewash Waiver is granted by the Executive. Shareholders and potential investors are therefore reminded to exercise caution when dealings in the Shares and any other securities of the Company.

By Order of the Board
Solargiga Energy Holdings Limited
Hsu You Yuan
Executive Director

Solargiga Energy

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 00757)

Date 5 May 2011

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED CONVERSIONS OF CONVERTIBLE BONDS AND APPLICATION FOR A WHITEWASH WAIVER

We have been appointed as members of the Independent Board Committee to advise you in respect of the Whitewash Waiver, details of which are set out in the letter from the Board in the circular (the "Circular") of the Company dated 5 May 2011, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from First Shanghai as set out on pages 19 to 27 of the Circular, which contains its advice and recommendation to us as to whether or not the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, First Shanghai as stated in its aforementioned letter of advice, we are of the opinion that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver.

Yours faithfully,
The Independent Board Committee of
Solargiga Energy Holdings Limited

Wong Wing Kuen, Albert	Fu Shuangye	Lin Wen	Zhang Chun
Independent non-executive Directors	*Independent non-executive Directors*	*Independent non-executive Directors*	*Independent non-executive Directors*

The following is the text of a letter rece

Independent Board Committee and the Indep

this circular.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Wing Kuen, Albert, Ms. Fu Shuangye, Dr. Lin Wen and Mr. Zhang Chun, has been established to advise the Independent Shareholders in respect of the application for the Whitewash Waiver. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment has been approved by the Independent Board Committee.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continue to be true up to the Latest Practicable Date and notifying the Shareholders of any material changes as soon as practicable. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the application for the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Background of the Convertible Bonds and the Whitewash Waiver

Background of the Convertible Bonds

On 9 November 2010, the Company, the Vendors and the Warrantors entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued shares in the capital of Sino Light for a total consideration of HK$835.2 million, which would be satisfied in full by the issuance of the zero-coupon Convertible Bonds upon completion of the Acquisition. On 26 January 2011, an ordinary resolution was passed by the then Independent Shareholders in its extraordinary general meeting approving, among other things, the Acquisition and the issuance of the Convertible Bonds and the Conversion Shares. On the same day, the Acquisition was completed and the Convertible Bonds were issued by the Company to the Vendors as consideration for the Acquisition. Details of the terms of the Convertible Bonds are disclosed in the circular of the Company dated 15 December 2010 (the “2010 Circular”).

Background of the Whitewash Waiver

As disclosed in the announcement of the Company dated 31 March 2011, the Company has received conditional conversion letters from the respective Vendors relating to the Conversions, where the Vendors would exercise their respective rights to fully convert their Convertible Bonds with aggregate principal of HK$835.2 million. As at the Latest Practicable Date, the Vendors, Mr. Tan, their respective associates and parties acting in concert with any one of them hold an aggregate of approximately 35.33% of the issued share capital of the Company. Assuming no further Shares will be allotted and issued by the Company prior to the Conversions, interests in the issued share capital of the Company held by the Vendors, Mr. Tan and parties acting in concert with any one of them will increase by more than 2% from approximately 35.33% (of the issued share capital of the Company immediately before completion of the Conversions) to approximately 47.88% (of the issued share capital of the Company as enlarged by the Conversions) upon the completion of the Conversions. The Vendors, Mr. Tan, their respective associates and parties acting in concert with any one of them will be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code unless the Whitewash Waiver is granted by the Executive, which is subject to approval by the Independent Shareholders by way of poll at the EGM.

2. Reasons of the application for the Whitewash Waiver

In analyzing the reasons of the application for the Whitewash Waiver, we have considered the following principal factors:

(i) Benefits of the Acquisition and execution of granted rights

As disclosed in the 2010 Circular, the Acquisition provides a variety of benefits to the business and financial position of the Group which include but not limited to (i) the acceleration of the downstream business developments of the Group in the photovoltaic industry; (ii) the provision of a reliable source of silicon solar cells for its module business and improve operational efficiency; (iii) the expected business synergy which will benefit the Group in the long run; and (iv) the expected positive impacts on the asset and earnings of the Group. Moreover, as advised by the management of the Group, for the benefits of the Group, the consideration of the Acquisition was satisfied by issue of the Convertible Bonds which would not pose pressure on the cash resources on the Group which could otherwise be utilized for the general working capital requirements as well as for the further development of the business of the Group. Further details of the Acquisition, including its benefits to the Group, business and prospects of Sino Light and financial impacts are disclosed in the 2010 Circular. In order to secure the deal and realize the benefits of the Acquisition, the Company, the Vendors and the Warrantors entered into the Acquisition Agreement on 9 November 2010, pursuant to which the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued shares in the capital of Sino Light for a total consideration of HK$835.2 million, which would be satisfied in full by the issuance of the zero-coupon Convertible Bonds upon completion of the Acquisition. The issuance of the Convertible Bonds and the allotment and issuance of the Conversion Shares were approved by the then Independent Shareholders and the Conversions represent solely the execution of conversion rights granted under the Convertible Bonds which were issued to the Vendors for the purpose of settling the aggregate consideration of HK$835.2 million relating to the Acquisition.

(ii) Improvement in management commitment

Upon completion of the Conversions, the shareholding interests of the two

However, based on information on financial effects of the Acquisition as disclosed in the letter from the Board to the 2010 Circular and advices from the management of the Group, we understand that the dilution effect would be mitigated after having taken into account the expected positive financial effects of the Acquisition, such as the business synergies and the consolidation of the positive earnings of Sino Light into the Group.

Net asset value attributable to Shareholders ("NAV")

According to the 2010 Annual Report, the Group recorded NAV of approximately RMB1,607 million and had 1,807,170,425 Shares as at 31 December 2010. Hence, NAV on a per Share basis was approximately RMB0.89 per Share as at 31 December 2010. We are advised that the existing Convertible Bonds are classified as equity instrument in the balance sheet of the Group, hence the Conversions of the Convertible Bonds to the Conversion Shares would not affect the NAV of the Group, but would impose a dilution effect to NAV per Share. For illustrative purpose, assuming the Conversions had already been taken place on 31 December 2010 and without taking into account other financial effects of the Acquisition, the number of Shares would increase by 435,000,000 Shares to 2,242,170,425 Shares and NAV per Share would be diluted by approximately 19% to approximately RMB0.72 per Share as at 31 December 2010. However, based on information on financial effects of the Acquisition as disclosed in the letter from the Board to the 2010 Circular and advices from the management of the Group, we understand that the dilution effect would be mitigated after having taken into account the expected positive financial effects of the Acquisition, such as the consolidation of the positive NAV of Sino Light into the Group.

Gearing ratio

The gearing ratio of the Group is defined as the ratio of total borrowings to total share capital and reserves. According to the 2010 Annual Report, total borrowings, being the sum of short-term bank loans, municipal government loan and long-term bank loan, amounted to approximately RMB736 million, whereas share capital and reserves amounted to approximately RMB1,607 million as at 31 December 2010. Hence, the gearing ratio of the Group was approximately 45.8% as at 31 December 2010. We are advised by the management of the Group that the completion of the Conversions would not affect the total borrowings or total share capital and reserves, hence the gearing ratio of the Group would remain unchanged.

Working capital

According to the 2010 Annual Report, the Group had cash at bank and in hand of approximately RMB460 million and net borrowings of approximately RMB202 million as at 31 December 2010. We are advised by the management of the Group that the Conversions would not impose any change in the working capital of the Group given that the Conversions do not involve any cash payment.

As mentioned above, despite the dilution to earnings per Share and NAV per Share (which were calculated for illustrative purposes only without taking into account the expected positive financial impacts brought out by the Acquisition), having taken into account the principal factors as detailed in the section headed "Reasons of the application for the Whitewash Waiver" to this letter and the Conversions would not have material adverse impacts on the consolidated earnings, NAV, gearing and working capital of the Group, on balance, we consider the financial effects of the Conversions are acceptable.

4. Dilution effects of the Conversions

Assuming there were no changes in the issued share capital of the Company between the Latest Practicable Date and the completion date of the Conversions, the following table sets out the shareholding distribution of the Company immediately before completion of the Conversions and immediately after completion of the Conversions:

	Immediately before completion of the Conversions *(Note 1)*		Immediately after completion of the Conversions *(Note 1)*	
	No. of Shares	*%*	*No. of Shares*	*%*
I. The Vendors, Mr. Tan and parties acting in concert with any one of them				
Directors				
Mr. Tan and his associates *(Notes 2 & 3)*	478,145,999	26.46	617,934,277	27.56
Mr. Chong and his associates *(Notes 4, 5 & 6)*	104,436,165	5.78	137,943,652	6.16
Mr. Hsu You Yuan *(Note 7)*	12,440,927	0.69	12,440,927	0.55
Mr. Chiao Ping Hai	6,135,500	0.34	6,135,500	0.27
Ms. Zhang Liming *(Note 8)*	3,133,500	0.17	3,133,500	0.14
Mr. Zhang Chun	–	–	–	–
Ms. Fu Shuangye	–	–	–	–
Dr. Lin Wen	–	–	–	–

	Immediately before completion of the Conversions *(Note 1)*		Immediately after completion of the Conversions *(Note 1)*	
	No. of Shares	*%*	*No. of Shares*	*%*
II. Other non-public Shareholder				
WWIC *(Note 10)*	344,208,822	19.05	344,208,822	15.35
Sub-total	344,208,822	19.05	344,208,822	15.35
III. Other public Shareholders				
Other public Shareholders	824,496,512	45.62	824,496,512	36.77
Sub-total	824,496,512	45.62	824,496,512	36.77
Total	1,807,170,425	100.00	2,242,170,425	100.00

Notes:

1. The figures assume that other than the Conversion Shares, no Shares are issued or purchased by the Company and other than the Conversion Shares, no Shares are sold or purchased by the Vendors and their concert parties, in each case after the Latest Practicable Date until completion of the Conversions.

5. As at the Latest Practicable Date, the Fourth Vendor is held as to 20% by PEC, 45% by Leigh Company Limited, as to 30% by Mr. Sam Wai Keung and as to 5% by Mr. Chong Yu Ka. Mr. Sam Wai Keung and Mr. Chong Yu Ka are both independent third parties under the Listing Rules but for the purpose of the Takeovers Code are considered to be parties acting in concert with the Fourth Vendor. Both PEC and Leigh Company Limited are wholly owned by Mr. Chong.

6. Mr. Chong holds 26,058,625 Shares as trustee on behalf of certain directors, members of the senior management and staff of the Group, of which 2,350,125 Shares and 2,659,375 Shares are held by Mr. Chong in trust for Ms. Zhang Liming and Mr. Hsu You Yuan, both an executive Director, respectively, and 1,788,000 Shares are held by Mr. Chong in trust for the six employees mentioned in note 3 above.

7. Out of the 12,440,927 Shares, 2,659,375 Shares are registered in the name of Mr. Chong as trustee who is entrusted to exercise voting rights and hold the dividends and other distributions made in respect of the relevant Shares in trust on behalf of Hsu You Yuan.

8. Out of the 3,133,500 Shares, 2,350,125 Shares are registered in the name of Mr. Chong as trustee who is entrusted to exercise voting rights and hold the dividends and other distributions made in respect of the relevant Shares in trust on behalf of Zhang Liming.

9. 130,000 Shares are held by the wife of Mr. Tam Wing Keung. Mr. Tam Wing Keung is the beneficial owner of the entire issued shares of the Sixth Vendor.

10. WWIC is a wholly owned subsidiary of WWX and a substantial Shareholder for the purpose of the Listing Rules. WWX is a company incorporated in Taiwan with limited liability and whose shares are listed on the Taiwan Gre Tai Securities Market.

We note that the aggregate interests of the Vendors, Mr. Tan and parties acting in concert with any one of them in the shareholdings of the Company will increase from approximately 35.33% to 47.88% upon completion of the Conversions. On the other hand, interests of the Independent Shareholders in the shareholdings of the Company will be diluted from approximately 45.62% to 36.77% upon completion of the Conversions. Nonetheless, having considered in particular (i) the issuance of the Convertible Bonds (which preserved the cash resources of the Group which could be used for further business development and working capital) and the allotment and issuance of the Conversion Shares were approved by the then Independent Shareholders and the Conversions represent solely the execution of conversion rights granted under the Convertible Bonds which were issued to the Vendors for the purpose of settling the consideration of the Acquisition; (ii) the completion of the Conversions may further align the interests of Mr. Tan and Mr. Chong with those of the Group and Mr. Tan and Mr. Chong may be further committed to the management and development of the business of the Group and hence the enhancement of the value of the Shares in the long run with their relevant expertise; (iii) the completion of the Conversions would not impose any material change in the consolidated earnings, NAV, gearing ratio and working capital of the Group (despite the dilution on a per Share basis as explained above); and (iv) Mr. Tan, together with the Vendors and the parties acting in concert with any of them intend to continue with the existing businesses of the Group and does not intend to introduce any major changes in the businesses of the Group as a result of the Conversions, on balance, we consider the dilution of shareholding interests of the Independent Shareholders is acceptable.

RECOMMENDATION

Having taken into account the above principal factors, in particular:

(i) the issuance of the Convertible Bonds (which preserved the cash resources of the Group which could be used for further business development and working capital) and the allotment and issuance of the Conversion Shares were approved by the then Independent Shareholders and the Conversions represent solely the execution of conversion rights granted under the Convertible Bonds which were issued to the Vendors for the purpose of settling the consideration of the Acquisition;

(ii) the completion of the Conversions may further align the interests of Mr. Tan

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group. The auditor's reports in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2008, 2009 and 2010 did not contain any qualifications.

Three-Year Financial Summary
For the year ended 31 December 2010

	2008 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*
Turnover	1,492,935	658,720	1,854,769
Cost of sales	(1,047,190)	(491,852)	(1,441,526)
Write-down of inventories *(note 1)*	(220,235)	(172,648)	–
Gross profit/(loss)	225,510	(5,780)	413,243
Profit/(loss) from operations	120,660	(98,824)	300,897
Profit/(loss) before taxation	117,370	(114,766)	282,891
Income tax (expense)/credit	(33,991)	16,624	(71,444)
Profit/(loss) for the year	83,379	(98,142)	211,447
Profit/(loss) attributable to equity shareholders	83,379	(98,098)	214,121
Minority interests	–	(44)	(2,674)
Basic earnings/(loss) per share (RMB cents)	5.12	(5.75)	11.85
Dividend *(note 3)*			
Cash dividend	88,258	10,584	–
Scrip dividend	–	14,777	–
	88,258	25,361	–
Non-current assets	759,550	921,054	1,502,677
Current assets	1,015,860	1,126,895	1,540,546
Current liabilities	471,328	495,472	1,113,576
Non-current liabilities	40,568	145,197	283,932
Net assets	1,263,514	1,407,280	1,645,715

Note:

(1) Exceptional items for the three years ended 31 December 2008, 2009 and 2010.

(2) There were no extraordinary for the three years ended 31 December 2008, 2009 and 2010.

(3) Final dividends in respect of 2007 and 2008 at RMB0.052 (HK$0.058) per share and RMB0.015 (HK$0.017) per share were paid during 2008 and 2009. No dividend was declared for 2009 and paid during 2010. The board has recommended the payment of final dividend of RMB0.035 (HK$0.041) per share for 2010.

Consolidated Income Statement

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 *RMB'000*	2009 *RMB'000*
Turnover	3	1,854,769	658,720
Cost of sales		(1,441,526)	(664,500)
Gross profit/(loss)		413,243	(5,780)
Other revenue	4	23,174	14,898
Other net (loss)/income	5	(2,274)	2,890
Selling and distribution expenses		(9,669)	(5,311)
Administrative expenses		(123,577)	(105,521)
Profit/(loss) from operations		300,897	(98,824)
Finance costs	6(a)	(18,006)	(15,942)
Profit/(loss) before taxation	6	282,891	(114,766)
Income tax (expense)/credit	7	(71,444)	16,624
Profit/(loss) for the year		211,447	(98,142)
Attributable to:			
Equity shareholders of the Company	8	214,121	(98,098)
Non-controlling interests		(2,674)	(44)
Profit/(loss) for the year		211,447	(98,142)
Earnings/(loss) per share (RMB cents)	10		
– Basic and diluted		11.85	(5.75)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

(Expressed in Renminbi)

Consolidated Statement of Financial Position

At 31 December 2010

(Expressed in Renminbi)

	Note	2010 *RMB'000*	2009 *RMB'000*
Non-current assets			
Property, plant and equipment	*14(a)*	1,197,049	536,849
Prepayments for acquisition of property, plant and equipment		49,063	63,264
Lease prepayments	*15*	68,400	63,948
Prepayments for raw materials	*16*	146,915	214,068
Interest in an associate	*18*	37,000	–
Deferred tax assets	*25(b)*	4,250	42,925
		1,502,677	921,054
Current assets			
Inventories	*19*	378,287	441,288
Trade and other receivables	*20*	628,412	405,361
Pledged deposits	*21*	74,113	44,055
Cash at bank and in hand	*22*	459,734	236,191
		1,540,546	1,126,895
Current liabilities			
Trade and other payables	*23*	463,322	206,170
Short-term bank loans	*24*	648,011	289,274
Current tax payable	*25(a)*	2,243	28
		1,113,576	495,472
Net current assets		426,970	631,423
Total assets less current liabilities		1,929,647	1,552,477

Statement of Financial Position
At 31 December 2010
(Expressed in Renminbi)

	Note	2010 *RMB'000*	2009 *RMB'000*
Non-current assets			
Property, plant and equipment	*14(b)*	35	57
Investments in subsidiaries	*17*	147,456	163,005
		147,491	163,062
Current assets			
Trade and other receivables	*20*	803,567	839,077
Cash at bank and in hand	*22*	1,045	3,527
		804,612	842,604
Current liabilities			
Other payables and accrued expenses	*23*	23,993	25,482
Net current assets		780,619	817,122
NET ASSETS		928,110	980,184
CAPITAL AND RESERVES	*30(b)*		
Share capital		162,458	162,458
Reserves		765,652	817,726
TOTAL EQUITY		928,110	980,184

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	General reserve fund RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009		152,189	740,854	88,810	34,482	(2,569)	(66,710)	316,458	1,263,514	–	1,263,514
Changes in equity for 2009:											
Profit for the year		–	–	–	–	–	–	(98,098)	(98,098)	(44)	(98,142)
Other comprehensive income		–	–	–	–	(7,906)	–	–	(7,906)	–	(7,906)
Total comprehensive income		–	–	–	–	(7,906)	–	(98,098)	(106,004)	(44)	(106,048)
Dividends approved in respect of the previous year	9(b)	–	(25,361)	–	–	–	–	–	(25,361)	–	(25,361)
Shares issued in lieu of cash dividends	30(d)	485	14,292	–	–	–	–	–	14,777	–	14,777
Share issued under the listing of Taiwan Depository Receipts	30(e)	8,824	191,766	–	–	–	–	–	200,590	–	200,590
Share issuing costs	30(e)	–	(3,780)	–	–	–	–	–	(3,780)	–	(3,780)
Capital injection by minority shareholders		–	–	–	–	–	–	–	–	19,605	19,605
Shares issued under share option scheme	30(f)	960	17,977	–	–	–	–	–	18,937	–	18,937
Equity settled share-based transactions		–	4,680	–	16,462	–	–	3,904	25,046	–	25,046
Balance at 31 December 2009 and 1 January 2010		162,458	940,428	88,810	50,944	(10,475)	(66,710)	222,264	1,387,719	19,561	1,407,280
Changes in equity for 2010:											
Profit for the year		–	–	–	–	–	–	214,121	214,121	(2,674)	211,447
Other comprehensive income		–	–	–	–	186	–	–	186	–	186
Total comprehensive income		–	–	–	–	186	–	214,121	214,307	(2,674)	211,633
Capital injection by minority shareholders		–	–	–	–	–	–	–	–	22,050	22,050
Equity settled share-based transactions		–	–	–	(10,116)	–	–	14,868	4,752	–	4,752
Appropriation		–	–	28,745	–	–	–	(28,745)	–	–	–
Balance at 31 December 2010		162,458	940,428	117,555	40,828	(10,289)	(66,710)	422,508	1,606,778	38,937	1,645,715

Consolidated Cash Flow Statement
For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit/(loss) before taxation		282,891	(114,766)
Adjustments for:			
Depreciation and amortisation		54,460	32,738
Loss on disposals of property, plant and equipment		–	901
Equity settled share-based payment expenses		4,752	25,046
Write-down of inventories		–	172,648
Impairment of trade debtors		449	4,752
Finance costs		18,006	15,942
Provision for warranty		870	–
Interest income from bank deposits		(2,786)	(1,953)
Foreign exchange loss/(gain)		1,624	(1,555)
Operating profit before changes in working capital		360,266	133,753
Decrease/(increase) in inventories		62,925	(219,281)
Increase in trade and other receivables		(260,773)	(131,267)
Decrease/(increase) in prepayments for raw materials		67,153	(2,908)
Increase/(decrease) in trade and other payables		199,869	(72,700)
Increase in deferred income		105,604	36,968
Cash generated from/(used in) operating activities		535,044	(255,435)
PRC income tax paid		(13,676)	(785)
PRC income tax refunded		–	1,093
Net cash generated from/(used in) operating activities		521,368	(255,127)
Investing activities			
Payment for the acquisition of property, plant and equipment		(603,242)	(96,133)
Capital injection to an associate		(37,000)	–
Payment of lease prepayments		(5,876)	(17,503)
Deposits with banks with original maturity over three months		(12,980)	(57,020)
Proceeds from disposals of property, plant and equipment		1,094	7
Interest received		2,786	1,953
Net cash used in investing activities		(655,218)	(168,696)

	Note	2010 *RMB'000*	2009 *RMB'000*
Financing activities			
Placement of pledged deposits		(59,097)	(44,055)
Repayments of pledged deposits		29,039	25,071
Dividends paid	*9(b)*	–	(10,584)
Proceeds from bank loans		984,573	447,154
Repayment of bank loans		(610,836)	(302,460)
Proceeds from shares issued under share option scheme	*30(f)*	–	18,937
Proceeds from the listing of Taiwan Depository Receipts	*30(e)*	–	200,590
Capital injection by minority shareholders		22,050	19,605
Share issuing costs for the listing of Taiwan Depositary Receipts	*30(e)*	–	(3,780)
Interest paid		(21,932)	(17,130)
Net cash generated from financing activities		343,797	333,348
Net increase/(decrease) in cash and cash equivalents		209,947	(90,475)
Cash and cash equivalents at the beginning of the year		179,171	270,402
Effect of foreign exchange rate changes		616	(756)
Cash and cash equivalents at the end of the year	*22*	389,734	179,171

Notes to the Financial Statements
(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 36.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(g)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportions of production overheads and borrowing costs (see note 1(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Plant and machinery 10 years

– Other fixed assets 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 1(h)(ii)).

Cost comprises direct costs of construction as well as interest expenses capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially ready for its intended use.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(h) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities and trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of the investment in an associate below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries and an associate (including those recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates amount in accordance with note 1(h)(ii).

– For prepayments carried at c56Bted stacepinsgent

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value F11Tft1529.8(fair)-4ie]TJT*0.040tr04.a

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and staff welfare costs are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their fair values.

(ii) Contributions to defined contribution retirement plans

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the PRC, Taiwan and Hong Kong are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) Share-based payments

The fair value of share options granted to employees and the fair value of shares allotted and issued to employees to the extent that it exceeds the subscription cost, is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair values of share options and shares are measured at the grant date using the binomial lattice model and the price to earning multiples valuation method, respectively, taking into account the terms and conditions upon which the share options and shares were granted. Where the employees have to meet vesting or lock-up conditions before becoming unconditionally entitled to the share options or shares, the total estimated fair value of the share options or the fair value of the shares over the subscription cost is spread over the vesting or lock-up period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualified for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is transferred to the share premium account) or the share option expires (when it is released directly to retained earnings).

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Services rendered

Revenue from services rendered is recognised as and when the services are performed or rendered.

(iii) Revenue from the installation of photovoltaic systems

Revenue from the installation of photovoltaic systems is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(r) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The financial statements are presented in Renminbi Yuan ("RMB") ("reporting currency").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into RMB at foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Research and development expenses

Expenditure on research and development is charged to profit or loss as an expense when incurred.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business Combinations*
- Amendments to HKAS 27, *Consolidated and Separate Financial Statements*
- Improvements to HKFRSs (2009)
- HK(Int) 5, *Presentation of financial statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The issuance of HK(Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with the accounting policies already adopted by the Group. The other developments resulted in changes in accounting policies but none of these changes in policy has had a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 has not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.
- As a result of the amendments to HKAS 17, *Leases*, arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

3. TURNOVER

The principal activities of the Group are the manufacturing of, trading of and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots / wafers and the producing of and trading of photovoltaic modules as well as the installation of photovoltaic systems.

Tuprer represents the sales value of goods supplied to customers less value added tax and trade discounts and income from the provision of processing services and the installation of photovoltaic systems. The amount of each significant category of revenue recognised in tuprer during the year is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Sales of polysilicon and monocrystalline and multicrystalline silicon solar ingots / wafers	1,695,959	623,036
Revenue from trading of photovoltaic modules and installation of photovoltaic systems	87,962	835
Processing service fees	70,848	34,849
	1,854,769	658,720

4. OTHER REVENUE

	2010 *RMB'000*	2009 *RMB'000*

6 PROFIT/(LOSS) BEFORE TAXATION

Profit / (loss) before taxation is arrived at after charging / (crediting):

		2010	2009
		RMB'000	*RMB'000*
(a)	Finance costs		
	Interest on bank loans wholly repayable within five years	21,586	17,028
	Interest on municipal government loan	214	224
	Total interest expense on financial liabilities not at fair value through profit or loss	21,800	17,252
	Less: interest expenses capitalised into construction in progress*	(3,794)	(1,310)
		18,006	15,942

* The borrowing costs have been capitalised at a rate of 4.82% to 7.75% (2009: 5.31% to 6.66%) per annum.

		2010	2009
(b)	Staff costs		
	Contributions to retirement schemes	7,224	4,997
	Equity settled share-based payment expenses	4,752	25,046
	Salaries, wages and other benefits	56,086	36,274
		68,062	66,317
(c)	Auditors' remuneration		
	Audit services	1,684	1,498
	Tax services	26	37
	Other services	173	–
		1,883	1,535
(d)	Other items		
	Amortisation of lease prepayments	1,424	1,063
	Depreciation	53,036	31,675
	Operating lease charges – property	1,794	2,065
	Research and development costs	48,328	17,654
	Impairment of trade debtors	449	4,752
	Write-down of inventories	–	172,648

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

Under the CIT Law of the PRC and its relevant regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10% or 5% for earnings accumulated beginning on 1 January 2008. Accordingly, a provision for withholding tax in respect of the undeIasibuted profits from the PRC subsidiaries has been made for both years ended 31 December 2010 and 2009.

(b) Reconciliation between tax expense / (credit) and accounting profit / (loss) at applicable tax rates:

	2010 *RMB'000*	2009 *RMB'000*
Profit / (loss) before taxation	282,891	(114,766)
Notional tax on profit / (loss) before taxation calculated at 25%	70,723	(28,692)
Effect of non-deductible expenses	2,372	6,891
Effect of different taxation rates used in other jurisdictions	4,783	2,664
Recognition / (reversal) of deferred tax liabilities relating to undeIasibuted profits *(note 25(b))*	16,878	(2,563)
Utilisation of tax loss not recognised in prior years	(2,554)	(706)
Effect of tax concessions obtained	(25,870)	–
Effect of unused tax loss not recognised	6,721	2,554
Effect on deferred tax balance at 1 January resulting from an increase in tax rate	–	(2,26515.63050TD [((note)-29

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year		
– cash dividend	–	10,584
– scrip dividend *(note 30(d))*	–	14,777
	–	25,361

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings / (loss) per share is based on the profit attributable to the ordinary equity shareholders of the Company of RMB214,121,000 (2009: loss of RMB98,098,000) and the weighted average of 1,807,170,425 (2009: 1,705,687,406) ordinary shares of the Company in issue during the year as calculated as set out in note 10(b).

(b) Weighted average number of ordinary shares

	Number of ordinary shares	
	2010	2009
Issued ordinary shares at 1 January	1,807,170,425	1,690,766,500
Effect of shares issued in lieu of cash dividend *(note 30(d))*	–	2,447,276
Effect of shares issued under the listing of Taiwan Depositary Receipts *(note 30(e))*	–	5,753,425
Effect of shares issued under the share option scheme *(note 30(f))*	–	6,720,205
Weighted average number of ordinary shares	1,807,170,425	1,705,687,406

(c) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2009 and 2010.

11 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of Hong Kong Companies Ordinance is as follows:

2010	Fees *RMB'000*	Basic salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *(note)* *RMB'000*	Total *RMB'000*
Executive directors						
Tan Wenhua	–	1,082	42	1,124	828	1,952
Hsu You Yuan	–	1,232	10	1,242	801	2,043
Zhang Liming	–	200	38	238	279	517
Non-executive directors						
Chiao Ping Hai	314	–	–	314	–	314
Chong Kin Ngai	209	–	–	209	112	321
Independent non-executive directors						
Wong Wing Kuen, Albert	209	–	–	209	–	209
Fu Shuangye	209	–	–	209	–	209
Lin Wen	209	–	–	209	–	209
Zhang Chun	209	–	–	209	–	209
Total	1,359	2,514	90	3,963	2,020	5,983

2009	Fees *RMB'000*	Basic salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *(note)* *RMB'000*	Total *RMB'000*
Executive directors						
Tan Wenhua	–	1,352	42	1,394	1,870	3,264
Hsu You Yuan	–	1,553	5	1,558	2,274	3,832
Zhang Liming	–	200	37	237	882	1,119
Non-executive directors						
Chiao Ping Hai	317	–	–	317	353	670
Chong Kin Ngai	212	–	–	212	917	1,129
Independent non-executive directors						
Wong Wing Kuen, Albert	212	–	–	212	353	565
Fu Shuangye	212	–	–	212	353	565
Lin Wen	212	–	–	212	353	565
Zhang Chun	212	–	–	212	353	565
Total	1,377	3,105	84	4,566	7,708	12,274

Note: Share-based payments represent the estimated value of shares allotted and issued to the directors of STIC on 24 June 2007 for the years ended 31 December 2009 and 2010 and share options granted to certain directors of the Company on 29 December 2008 under the Share Option Plan of the Company for the year ended 31 December 2009 (note 29). The values of these shares and share options are measured in accordance with the Group's accounting policies for share-based payment transactions as set out in note 1(n)(iii).

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments in 2010: (i) the manufacturing of, trading of and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/waters ("Segment A"); and (ii) the manufacturing of and trading of photovoltaic modules and installation of photovoltaic systems ("Segment B"). No operating segments have been aggregated to form these reportable segments. Comparative figures have been restated to reflect such change.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to the reportable segments which are presented in the same way in the Group's financial statements. Information regarding the Group's reportable segments are disclosed as follows:

	Segment A		Segment B		Total	
	2010	2009	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,766,807	657,885	87,962	835	1,854,769	658,720
Inter-segment revenue	–	–	–	4,540	–	4,540
Reportable segment revenue	1,766,807	657,885	87,962	5,375	1,854,769	663,260
Reportable segment profit/(loss)	216,371	(97,642)	(4,924)	(90)	211,447	(97,732)
Elimination of inter-segment profit	–	–	–	(410)	–	(410)
Profit/(loss) for the year	216,371	(97,642)	(4,924)	(500)	211,447	(98,142)
Interest income from bank deposits	2,457	1,843	329	110	2,786	1,953
Interest expense	18,006	15,942	–	–	18,006	15,942
Depreciation and amortisation for the						

(b) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The Group's property, plant and equipment, lease prepayments and interest in an associate are physically located or operated in the PRC.

	2010 *RMB'000*	2009 *RMB'000*
The PRC (place of domicile)	1,121,531	515,387
Export sales		
– The United States of America	457,157	73,785
– Japan	212,154	39,247
– Taiwan	33,227	21,585
– Germany	14,824	5,316
– Canada	13,875	–
– Korea	219	781
– Other countries	1,782	2,619
Sub-total	733,238	143,333
Total	1,854,769	658,720

14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Construction in progress *RMB'000*	Buildings *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture and fittings *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2009	84,690	25,411	322,778	7,592	7,537	448,008
Exchange adjustments	–	–	–	–	(5)	(5)
Additions	131,359	8,876	31,439	1,107	1,990	174,771
Disposals	–	–	(1,862) 29–	–	–9 (147)	(2,009359

	Construction in progress *RMB'000*	Buildings *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture and fittings *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2010	81,246	38,087	483,229	8,699	9,504	620,765
Exchange adjustments	–	–	–	–	(35)	(35)
Additions	699,420	47	6,151	5,432	3,297	714,347
Disposals	(1,094)	–	–	–	–	(1,094)
Transfers	(321,437)	100,659	220,590	–	188	–
At 31 December 2010	458,135	138,793	709,970	14,131	12,954	1,333,983
Accumulated depreciation:						
At 1 January 2010	–	5,486	70,391	4,124	3,915	83,916
Exchange adjustments	–	–	–	–	(18)	(18)
Charge for the year	–	1,482	47,368	1,559	2,627	53,036
At 31 December 2010	–	6,968	117,759	5,683	6,524	136,934
Net book value:						
At 31 December 2010	458,135	131,825	592,211	8,448	6,430	1,197,049

(b) The Company

	Office equipment *RMB'000*
Cost:	
At 1 January 2009	112
Exchange adjustments	(2)
At 31 December 2009	110
Accumulated depreciation:	
At 1 January 2009	32
Exchange adjustments	(1)
Charge for the year	22
At 31 December 2009	53
Net book value:	
At 31 December 2009	57

	Office equipment *RMB'000*
Cost:	
At 1 January 2010	110
Exchange adjustments	(3)
At 31 December 2010	107
Accumulated depreciation:	
At 1 January 2010	53
Exchange adjustments	(2)
Charge for the year	21
At 31 December 2010	72
Net book value:	
At 31 December 2010	35

(c) All of the Group's property, plant and equipment is located in the PRC.

(d) The Group has yet to obtain property ownership certificates for certain buildings with an aggregate net book value of RMB35,211,000 (2009: RMB4,762,000) as at 31 December 2010. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2010.

(e) Fixed assets leased out under operating leases

The Group leases out a limited portion of land and buildings under operating lease. The leases typically run for an average period of twenty years, with an option to renew the leases upon expiry at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2010 *RMB'000*	2009 *RMB'000*
Within 1 year	1,728	1,728
After 1 year but within 5 years	6,911	6,911
After 5 years	10,151	11,878
	18,790	20,517

15 LEASE PREPAYMENTS

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Cost:		
As at 1 January	66,544	49,041
Additions	5,876	17,503
As at 31 December	72,420	66,544

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ operation	Authorised/ registered/ paid-in/ issued capital	Proportion of ownership interest: Group's effective interest %	held by the Company %	held by a subsidiary %	Principal activities	Legal form
錦州日鑫硅材料有限公司 ("日鑫")	The PRC 9 May 2007	Registered and paid-in capital of RMB190,000,000	100	–	100	Manufacturing and processing of monocrystalline ingots/wafers	Limited liability company
錦州晶技太陽能科技有限公司 ("錦州晶技")	The PRC 9 December 2007	Registered and paid-in capital of US$17,500,000	100	–	100	Manufacturing and processing of monocrystalline wafers	Limited liability company
錦州陽光能源有限公司 (「陽光」)	The PRC 15 December 2004	Registered and paid-in capital of RMB813,000,000	100	–	100	Manufacturing and processing of monocrystalline and multicrystalline ingots/wafers	Limited liability company
錦州佑華矽材料有限公司 (「佑華矽材」)	The PRC 13 September 2008	Registered and paid-in capital of RMB200,000,000	100	–	100	Manufacturing and processing of monocrystalline ingots/wafers	Limited liability company
上海晶技電子材料有限公司 (「晶技」)	The PRC 16 March 1998	Registered and paid-in capital of US$6,950,000	100	–	100	Processing and trading of polysilicon and monocrystalline ingots/wafers	Limited liability company
Solar Technology Investment (Cayman) Corp. ("STIC")	Cayman Islands 15 December 2006	Authorised capital of HK$400,000,000 of HK$0.10 each and issued share capital of HK$167,895,494	100	100	–	Investment holding	Limited liability company
Wealthy Rise International Limited	Hong Kong 21 June 2007	Authorised share capital of HK$10,000 of HK$1 each and issued share capital of HK$1	100	–	100	Trading of polysilicon and monocrystalline ingots/wafers	Limited liability company
錦州錦懋光伏科技有限公司 (「錦州錦懋」)	The PRC 17 July 2009	Registered and paid-in capital of RMB40,000,000	51	–	51	Manufacturing of photovoltaic modules and design and installation of photovoltaic systems	Limited liability company
Rising Sun Investment Company Limited	Hong Kong 4 February 2009	Authorised share capital of HK$10,000 of HK$1 each and issued share capital of HK$1	100	100	–	Investment holding	Limited liability company
Silicon Solar Materials Company Limited	Hong Kong 28 November 2008	Authorised share capital of HK$10,000 of HK$1 each and issued share capital of HK$1	100	–	100	Investment holding	Limited liability company
陽光能源(青海)有限公司 (「青海」)	The PRC 6 July 2010	Registered and paid-in capital of RMB90,000,000	51	–	51	Inactive	Limited liability company

A subsidiary of the Company, Tayaneng Investments Limited, was deregistered during the year ended 31 December 2009, resulting in a loss on deregistration of RMB73,603,000.

18 INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital contribution, at cost	–	–	37,000	–
Share of net assets	37,000	–	–	–
	37,000	–	37,000	–

The following list contains the particular of the associate, which is an unlisted corporate entity:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of registered and paid-in capital	Proportion of ownership interest: Group's effective interest %	Proportion of ownership interest: Held by a subsidiary %
錦州奧克陽光新能源有限公司(「奧克」)	Incorporated	The PRC	RMB100,000,000	37	37

Summary financial information on the associate:

	2010	
	Assets	Equity
	RMB'000	*RMB'000*
100 per cent	100,000	100,000
Group's effective interest	37,000	37,000

19 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Raw materials	232,431	251,013
Work-in-progress	61,577	88,056
Finished goods	84,279	102,219
	378,287	441,288

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Carrying amount of inventories sold	1,441,526	491,852
Write-down of inventories	–	172,648
	1,441,526	664,500

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors and bills receivable *(note 20(a))*	167,255	165,501	–	–
Prepayments for raw materials *(note 20(b))*	151,288	93,540	–	–
Deposits and other receivables *(note 20(c))*	309,869	146,320	691	199
Amounts due from subsidiaries *(note 20(g))*	–	–	802,876	838,878
	628,412	405,361	803,567	839,077

All the trade and other receivables (including amounts due from subsidiaries) are expected to be recovered or recognised as expense within one year.

(a) Included in trade debtors and bills receivable are aggregate amounts due from related parties of RMB57,007,000 (2009: RMB90,499,000) as at 31 December 2010 (note 32(c)).

(b) Included in prepayments for raw materials are amounts due from related parties of RMB16,114,000 (2009: RMB29,394,000) as at 31 December 2010 (note 32(c)).

(c) Included in the Group's deposits and other receivables are amounts due from related parties of RMB2,683,000 (2009: RMB5,557,000) as at 31 December 2010 (note 32(c)).

(d) The ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts) based on invoice date as of the end of the reporting period is as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 month	144,740	86,336
1 to 3 months	15,660	66,746
3 to 6 months	–	9,717
6 to 12 months	6,855	2,385
1 to 2 years	–	317
	167,255	165,501

Trade debtors are due within 30 to 90 days from the date of billing. Further details on the Group’s credit policy are set out in note 35(a).

23 TRADE AND OTHER PAYABLES

24 INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Unsecured short-term bank loans	648,011	289,274
Long-term loans		
• unsecured bank loan *(note 24(a))*	85,000	70,000
• municipal government loan *(note 24(b))*	3,095	3,227
	88,095	73,227
	736,106	362,501

(a) The long-term bank loan is unsecured, interest bearing and is fully repayable in 2015 (2009: 2011).

(b) The municipal government loan is repayable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year	364	364
After 1 year but within 2 years	364	364
After 2 years but within 5 years	1,091	1,091
After 5 years	1,276	1,408
	3,095	3,227

The municipal government loan was received by the Group for constructing a manufacturing plant in Jinzhou, Liaoning Province, the PRC. There are no unfulfilled conditions or contingencies relating to the municipal government loan. It is unsecured, interest bearing at a fixed rate of 2.55% per annum and is fully repayable by instalments from 2010 to 2020.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group 2010 RMB'000	The Group 2009 RMB'000
Provision for PRC Enterprise Income Tax for the year	15,891	28
PRC Enterprise Income Tax paid	(13,676)	–
	2,215	28
Balance of income tax provision relating to prior years	28	–
Current tax payable	2,243	28

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

The Group	Government grant RMB'000	Inventory provision RMB'000	Undistributed profits RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2009	3,875	27,706	(7,232)	–	24,349
Credited/(charged) to profit or loss *(note 7(a))*	(3,875)	(22,830)	2,563	38,049	13,907
At 31 December 2009	–	4,876	(4,669)	38,049	38,256
At 1 January 2010	–	4,876	(4,669)	38,049	38,256
Charged to profit or loss *(note 7(a))*	–	(4,876)	(16,878)	(33,799)	(55,553)
At 31 December 2010	–	–	(21,547)	4,250	(17,297)

The Group

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB62,867,000 (2009: RMB28,452,000) and RMB4,172,000 (2009: RMB10,176,000) attributable to its subsidiaries in Hong Kong and the PRC, respectively, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax losses of the subsidiary in Hong Kong do not expire under current tax legislation while those of the subsidiary in the PRC will expire within five years.

26 DEFERRED INCOME

Various government grants have been received by the Group for generating export sales, participating in high-tech industry and constructing various manufacturing plants in Jinzhou, Liaoning Province, the PRC. In addition, certain government grants have been received by the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF scheme vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contributions described above.

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) STIC Employee Share Plan

For the purpose of providing compensation to certain senior management and employees (the "Relevant Employees") of the acquisition of Solar Technology Investment (Cayman) Corp. and its subsidiaries ("the Acquired Group") and those who have made past contribution to the Acquired Group (the "Other Relevant Officers") for their past contribution to the development of the Acquired Group and/or as an incentive for their future performance, pursuant to the board resolutions of STIC passed on 24 June 2007, STIC allotted and issued an aggregate of 126,114,814 shares of HK$0.1 each for an aggregate subscription price of HK$12,611,481 (equivalent to RMB12,244,000) to the Relevant Employees and the Other Relevant Officers. Relevant Employees have agreed with Messrs. Hsu You Yuan, Tan Wenhua and Chiao Ping Hai (the "Relevant Directors"), and the Relevant Directors have undertaken with one another, that the Relevant Directors are entitled to buy back such shares from the Relevant Employees at the subscription cost if the Relevant Employees cease to be employed for reasons other than becoming incapacitated by work-inflicted injury which would prevent them from performing their duties, or deceased before the end of the relevant lock-up period (the "Return Condition").

Out of the total allotted and issued shares of 126,114,814 shares, 116,961,911 shares are subject to the Return Condition. Accordingly, the Acquired Group is required to recognise the value of such shares over the subscription cost as an employee expense on a straight-line basis over the relevant lock-up period. Employee expenses as a result of the allotment of such shares subject to the Return Condition to the Relevant Employees will be approximately RMB17.0 million, RMB9.0 million, RMB4.8 million and RMB1.9 million for each of the financial years ended/ending 31 December 2008, 2009, 2010 and 2011, respectively, assuming there is no termination of the Relevant Employees' employment before the end of the relevant vesting period. In respect of those shares which are not subject to the Return Condition, the value of such shares over the subscription cost was recognised as an employee expense on the allotment date.

On 26 June 2007, the Company acquired the entire interest of the Acquired Group. As shareholders of the Acquired Group, the Relevant Employees and the Other Relevant Officers were entitled to and did subscribe for 114,973 shares of HK$0.1 each of the Company for an aggregate consideration of HK$12,611,481 (equivalent to RMB12,244,000). The Return Condition remains applicable to those Relevant Employees to the effect that if the Relevant Employees cease to be employed for reasons other than becoming incapacitated by work-inflicted injury which would prevent them from performing their duties or deceased before the end of the relevant lock-up period, the Relevant Directors are entitled to buy back those shares which remain subject to the lock-up period from the Relevant Employees, provided that in the event that a Relevant Employee ceases to be employed within one year after the listing of the Company's shares on the Stock Exchange ("the Listing Date"), the Relevant Directors shall not be entitled to buy back the relevant shares until the first anniversary of the Listing Date.

Total employee expenses as a result of the allotment of the employee shares (including those shares with and without the Return Condition) are RMB4,752,000 (2009: RMB8,998,000) for the year ended 31 December 2010.

(i) The terms and conditions of the shares granted to the Relevant Employees are as follows:

Date of grant	Number of shares allotted and issued	Lock-up conditions
24 June 2007	26,657	1 December 2008
24 June 2007	26,657	1 December 2009
24 June 2007	26,657	1 December 2010
24 June 2007	26,658	1 December 2011

There was no change in the number of shares allotted and issued from the date of grant to 31 December 2010.

(ii) Fair value of shares and assumptions

The fair value of services received in return for shares allotted and issued is measured by reference to the fair value of shares granted. The estimate of the fair values of the shares granted under the STIC Employee Share Plan was measured at the grant date using the price to earnings multiple valuation method. The valuation is derived from applying (i) an expected price to earnings multiple of a group of listed companies operating in comparable businesses, adjusted for the uniqueness of the subject being valued; and (ii) the net profit, excluding non-operating income and expenses, of the Acquired Group with appropriate adjustments.

Fair value of shares and assumptions

Fair value at measurement date	RMB57.50 million
Expected price to earnings multiple	22.3

The price to earnings multiple is determined with reference to comparable listed companies, after discounting for marketability to reflect illiquidity in nature at the grant date.

Certain shares were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share grants.

(b) Share Option Plan of the Company

The Company adopted a Share Option Scheme (the "Scheme") on 27 February 2008 for the recruitment and retention of quality executives and employees. In consideration for HK$1 from each grantee, options to subscribe for an aggregate of 42,269,163 ordinary shares at a subscription price of HK$1.974 were granted to 185 grantees under the Scheme on 29 December 2008. Tranche A of the Scheme was fully vested on the date of grant and Tranche B of the Scheme was fully vested on 30 June 2009. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(i) The terms and conditions of the options granted under the Scheme are as follows:

	Tranche A	Tranche B
Number of options	19,500,000	22,769,163
Contractual life of options	0.3 year	2 years
Exercisable period	Any time from 30 December 2008 up to the expiry date of 30 April 2009	At each of the last business days of August and December 2009 and April, August and December 2010 during the period from 30 June 2009 up to the expiry date of 31 December 2010

(ii) The number and weighted average exercise prices of share options are as follows:

	2010 Tranche B	
	Weighted average exercise price	Number of options *'000*
Outstanding at 1 January 2010	HK$1.974	21,094
Lapsed during the year	HK$1.974	(21,094)
Outstanding at 31 December 2010		–

	2009			
	Tranche A		Tranche B	
	Weighted average exercise price	Number of options *'000*	Weighted average exercise price	Number of options *'000*
Outstanding at 1 January 2009	HK$1.974	19,500	HK$1.974	22,769
Exercised during the year	HK$1.974	(9,215)	HK$1.974	(1,675)
Lapsed during the year	HK$1.974	(10,285)	HK$1.974	–
Outstanding at 31 December 2009	HK$1.974	–	HK$1.974	21,094
Exercisable at 31 December 2009	HK$1.974	–	HK$1.974	21,094

No share options were exercised during the year ended 31 December 2010. The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2009 was HK$1.86.

The options outstanding at 31 December 2009 had an exercise price of HK$1.974 and a weighted average remaining contractual life of 1 year.

30 SHARE CAPITAL

(a) The Group

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

(b) The Company

	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2009		152,189	740,854	7,403	175	(30,356)	870,265
Changes in equity for 2009:							

(c) Authorised and issued share capital

(f) Shares issued under share option scheme

The Company adopted the Share Option Scheme (the “Scheme”) on 27 February 2008 for the recruitment and retention of quality executives and employees as disclosed in note 29(b).

During the year ended 31 December 2009, share options granted under the Scheme were exercised to subscribe for 10,890,000 ordinary shares of the Company at a consideration of HK$21,497,000, of which HK$1,089,000 (equivalent to RMB960,000) was credited to share capital and the balance of HK$20,408,000 (equivalent to RMB17,977,000) was credited to the share premium account.

No share option granted under the Scheme has been exercised during the year ended 31 December 20]ention32471(RESER)73375VESeme

(ii) The difference between the net asset value of Tayaneng and its subsidiaries acquired and the nominal value of the issued share capital of Tayaneng.

The other reserve is non-distributable.

(e) Exchange reserve

The exchange reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(r).

(f) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB819,574,000 (2009: RMB813,179,000).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio. For this purpose, the Group defines gearing ratio as total borrowings to total share capital and reserves.

The gearing ratio at 31 December 2010 and 2009 were as follows:

		The Group	
		2010	2009
	Note	*RMB'000*	*RMB'000*
Current liabilities:			
Short-term bank loans	*24*	648,011	289,274
Non-current liabilities:			
Municipal government loan	*24*	3,095	3,227
Long-term bank loan	*24*	85,000	70,000
		88,095	73,227
Total borrowings		736,106	362,501
Share capital		162,458	162,458
Reserves		1,444,320	1,225,261
		1,606,778	1,387,719
Gearing ratio		45.8%	26.1%

32 RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered to be related party transactions:

Name of party	Relationship
Jinzhou Changhua Carbon Products Company Limited ("Jinzhou Changhua")	Significantly influenced by Tan Wenhua, an executive director of the Company
Wafer Works Corp. ("WWX")	Equity shareholder of the Company
Jinzhou Huarong Property Management Company Limited ("Jinzhou Huarong")	Controlled by Tan Wenhua
Jinzhou Huachang Photovoltaic Technology Company Limited ("Huachang Guangfu")	Controlled by Tan Wenhua
Jinzhou Youxin Electronic Materials Company Limited ("Jinzhou Youxin")	Significantly influenced by Chong Kin Ngai, a non-executive director of the Company
Wafer Works (Shanghai) Corp. ("WWXS")	Subsidiary of WWX
Jinzhou Aoke New Materials Co., Ltd. ("Jinzhou Aoke")	Significantly influenced by Tan Wenhua
Kinmac Solar Corp. ("Kinmac")	Equity shareholder of the Company
Jinzhou Jingxin Semi-conductor Material Co., Ltd.. ("Jinzhou Jingxin")	Controlled by a close family member of Tan Wenhua
Space Energy Corporation ("SEC")	Equity shareholder of the Company (Ceased to be a related party of the Group since 1 January 2010 upon disposal of all of its shares in the Company)

Particulars of significant transactions between the Group and the above related parties during the year are as follows:

(a) Recurring transactions

	The Group 2010 *RMB'000*	The Group 2009 *RMB'000*
Sales of goods to:		
• Huachang Guangfu	419,000	195,546
• Jinzhou Aoke	15,302	8,640
• WWX	520	17,350
• WWXS	430	–
• Jinzhou Youxin	216	–
• Jinzhou Huarong	211	30
• Jinzhou Changhua	105	41
• SEC	N/A	78
Provision of services to:		
• SEC	N/A	15,344
• WWX	–	3,817
• WWXS	–	370
	435,784	241,216

	The Group 2010 *RMB'000*	The Group 2009 *RMB'000*
Purchases of goods from:		
• WWX	84,430	110,029
• Jinzhou Youxin	58,429	31,190
• Huachang Guangfu	47,602	7,359
• Jinzhou Changhua	34,737	14,375
• Jinzhou Aoke	3,210	4,959
• Kinmac	–	65
• SEC	N/A	59
Processing services received from Jinzhou Jingxin	2,653	1,045
Rental expense paid to Huachang Guangfu	574	479
Provision of electricity and water by Jinzhou Huarong	1,459	1,275
	233,094	170,835

Pursuant to the tenancy agreement entered into between Huachang Guangfu and the Group in 2010, Huachang Guangfu granted the Group a right to use a portion of its land with no charge for the period from 1 May 2010 to 30 April 2020.

(b) Non-recurring transactions

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Purchase of machinery and equipment from Huachang Guangfu	–	2,056

(c) Amounts due from related parties

The amounts due to related parties are unsecured, interest free and expected to be settled within one year.

(e) Key management personnel remuneration

Key management personnel receive compensation in the form of salaries, housing and other allowances, benefits in kind, discretionary bonuses and retirement scheme contributions. Details of key management personnel remuneration are disclosed in notes 11 and 12. Total remuneration is included in "staff costs" as disclosed in note 6(b).

33 CAPITAL COMMITMENTS

Capital commitments that relate to purchase of property, plant and equipment outstanding at 31 December 2010 not provided for in the financial statements are as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Authorised and contracted for	256,972	254,828
Authorised but not contracted for	141,235	52,175

In respect of trade debtors and prepayments made to suppliers, individual credit evaluations are performed on customers / suppliers on a case-by-case basis. These evaluations focus on the customer's past history of making payments when due and current ability to pay as well as the supplier's past history of supplying raw materials and take into account information specific to the customer / supplier as well as pertaining to the economic environment in which the customer / supplier operates. Trade debtors are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers and suppliers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and supplier. The default risk of the industry and country in which customers / suppliers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 7% and 16% (2009: 22% and 18%) of the total trade and other receivables was due from the Group's largest customer and the supplier with the largest prepayment balance, respectively, and 18% and 45% (2009: 36% and 39%) was due from the five largest customers and suppliers with five largest prepayment balances, respectively, of the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	2010						2009					
		Contractual undiscounted cash outflow						Contractual undiscounted cash outflow				
	Carrying amount at 31 December	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount at 31 December	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	648,011	(660,201)	(660,201)	–	–	–	289,274	(297,362)	(297,362)	–	–	–
Municipal government loan	3,095	(4,146)	(456)	(447)	(1,286)	(1,957)	3,227	(4,612)	(466)	(456)	(1,313)	(2,377)
Long-term bank loans	85,000	(115,569)	(6,365)	(6,365)	(102,839)	–	70,000	(77,477)	–	(77,477)	–	–
Trade and other payables	463,322	(464,707)	(464,707)	–	–	–	206,170	(206,170)	(206,170)	–	–	–
	1,199,428	(1,244,623)	(1,131,729)	(6,812)	(104,125)	(1,957)	568,671	(585,621)	(503,998)	(77,933)	(1,313)	(2,377)

The Company

	2010 Contractual undiscounted cash outflow			2009 Contractual undiscounted cash outflow		
	Carrying amount at 31 December	Total	Within 1 year or on demand	Carrying amount at 31 December	Total	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accrued expenses	2,532	(2,532)	(2,532)	3,433	(3,433)	(3,433)
Amounts due to subsidiaries	21,461	(21,461)	(21,461)	22,049	(22,049)	(22,049)
	23,993	(23,993)	(23,993)	25,482	(25,482)	(25,482)

(c) Interest rate risk

Except for bank deposits with stable interest rates, the Group has no other significant interest bearing assets. Accordingly, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Details of the effective interest rates for bank deposits are disclosed in notes 21 and 22. The Group's interest rate risk arises mainly from borrowings. Borrowings obtained at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group does not use derivative financial instruments to hedge its interest rate risk.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period.

	2010		2009	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Variable rate borrowings				
Short-term unsecured bank loans	1.98-6.12	578,011	4.86-6.90	289,274
Fixed rate borrowings				
Municipal government loan	2.55	3,095	2.55	3,227
Short-term unsecured bank loan	5.40	70,000	–	
Long-term bank loan	7.49	85,000	5.40	70,000
		158,095		73,227
Total borrowings		736,106		362,501
Fixed rate borrowings as a percentage of total borrowings		21.5%		20.2%

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase / decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased / increased the Group's profit after taxation and retained earnings by approximately RMB4,483,000 (2009: increased / decreased loss after taxation and retained earnings by approximately RMB2,438,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation (and retained earnings) that would have arisen assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis has been performed on the same basis for 2009.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases, bank loans and cash and bank deposits that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily the United States Dollar, Euros and the Hong Kong Dollar. The directors do not expect any significant impact from movements in exchange rates since the Group uses the foreign currencies collected from customers to settle the amounts due to suppliers. In addition, the directors ensure that the net exposure is kept to an acceptable level by buying or selling the United States Dollar and Euros at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group Exposure to foreign currencies (expressed in Renminbi)				
	2010			2009	
	United States Dollars *RMB'000*	Euros *RMB'000*	Hong Kong Dollars *RMB'000*	United States Dollars *RMB'000*	Hong Kong Dollars *RMB'000*
Trade and other receivables	62,069	27,714	–	21,857	–
Cash at bank and in hand	43,008	–	2,465	67,607	10,911
Bank loans	(340,884)	(23,131)	–	(84,274)	–
Trade and other payables	(17,526)	(46,685)	–	(82)	–
	(253,333)	(42,102)	2,465	5,108	10,911

36 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of each asset, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Both the period and methods of depreciation are reviewed annually. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairments of property, plant and equipment and trade receivables

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences would affect profit or loss in future years.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilised. Estimation of future taxable profits involves judgements made by management. Any increase or decrease in the recognition of deferred tax assets would affect the Group's profit or loss in future years.

(f) Provision for warranty costs

The Group provides warranties for its photovoltaic modules for up to 25 years after sales have taken place. Due to limited warranty claims history, the Group estimates warranty costs based on the Group's historical cost data, industry data and an assessment of the Group's competitors' accrual. The warranty obligation of the Group will be affected not only by the product failure rates, but also by costs incurred to repair or replace failed products. If the actual product failure rates and cost of replacement or repairing of failed products differ from the estimates, the Group will need to prospectively revise the provision for warranty costs which would affect profit or loss in future years.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Revised HKAS 24, *Related party disclosures*	1 January 2011
HKFRS 9, *Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

38 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

(a) On 26 January 2011, the Group acquired a 100% equity interest in Sino Light Investment Limited ("Sino Light") at a consideration of HK$835,200,000 (equivalent to approximately RMB709,586,000), which was settled in full by the issue of convertible bonds of the Company. The convertible bonds, which are zero-coupon bonds, can be converted into 435,000,000 ordinary shares of the Company. The conversion period commences on 28 March 2011 and ends on 25 January 2013.

Sino Light and its subsidiaries (the "Sino Light Group") are engaged in the manufacturing and trading of monocrystalline silicon solar cells. The Group has now engaged an independent professional qualified valuer to identify and measure the assets acquired and the liabilities assumed and such exercise has not been completed. Accordingly, the fair value of interest in the Sino Light Group, the amount of goodwill and intangible assets, if any, arising from this business combination are not yet available. Based on the information obtained so far, the Sino Light Group had the following classes of assets acquired and liabilities assumed at the acquisition date: cash and bank deposits, trade and other receivables, bank borrowings and trade and other payables with an estimated value of RMB33,669,000, RMB91,311,000, RMB190,000,000 and RMB153,658,000, respectively.

(b) On 24 March 2011, the Group has entered into a long-term contract with a supplier for the purchase of polysilicon. Pursuant to the contract, the Group is required to make a cash deposit to the supplier totalling approximately US$34,500,000 (equivalent to approximately RMB228,107,000) as a prepayment for future product deliveries and the deposit must be paid in full on or before 11 March 2013.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group and its internally generated funds, the Group shall have sufficient working capital for at least 12 months from the Latest Practicable Date in the absence of unforeseen circumstances.

3. INDEBTEDNESS OF THE GROUP

At the close of business on 28 February 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding bank loans and borrowings of approximately RMB932,612,000, which comprised short-term bank loans of RMB629,517,000, long-term bank loans of RMB300,000,000 and a long-term municipal government loan of RMB3,095,000. As at 28 February 2011, there were no pledge of deposits for short-term bank borrowings.

At the close of business on 28 February 2011, being the latest practical date for this statement of indebtedness prior to the date of this circular, the Group had banking facilities amounting to approximately RMB1,079,970,000. Utilised banking facilities amounted to RMB929,517,000 as at that date. Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 28 February 2011, being the latest practical date for this statement of indebtedness prior to the date of this circular, the Group did not have any:

(i) debt securities issued and outstanding, and authorised or otherwise created but bAissued, and term loans (whether they are guaranteed, unguaranteed, secured (where the security is provided by the Company or by third parties) or unsecured);

(ii) other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether it is guaranteed, unguaranteed, secured (where the security is provided by the Company or by third parties) or unsecured);

(iii) mortgages and charges; or

(iv) contingent liabilities or guarantees.

4. MATERIAL CHANGE

As at the Latest Practicable Date, save for (i) the completion of the Acquisition and the issue of the Convertible Bonds on 26 January 2011 as disclosed in the announcement of the Company dated 26 January 2011; and (ii) the entering into of the supply agreement with Hemlock Semiconductor Pte. Ltd as disclosed in the announcement of the Company dated 24 March 2011, the Directors confirm that there is (a) no significant change in indebtedness and contingent liabilities of the Group and (b) no material change in the financial or trading position or outlook of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a leading manufacturer of monocrystalline silicon solar ingots and wafers in the PRC. Its products are used for the manufacture of photovoltaic cells which are important components for solar energy generation systems. The businesses of the Group include (i) manufacturing and sales of monocrystalline and multicrystalline silicon solar ingots and wafers; (ii) processing of silicon solar ingots and wafers; (iii) upgrading and trading of polysilicon; (iv) production and sales of monocrystalline and photovoltaic cells and modules; and (v) design and installation of photovoltaic systems.

The global economy has since 2010 experienced gradual recovery from the trough of the global financial crisis. Prices of upstream raw materials and downstream products have been relatively stable and market demand for photovoltaic products has been increasing, which have enabled the photovoltaic industry to head towards healthy and rapid development. In response to changes in market demands, management of the Company has effectively and efficiently adjusted the direction and pace of its development strategies as well as its product portfolio, including the expansion of production capacity of monocrystalline silicon solar ingots in which the Group excels other industry players in terms of technology, commencement of production of multicrystalline products to achieve horizontal expansion, and participation in the downstream photovoltaic modules production to achieve vertical integration. The Group is also committed to improving its research and development capabilities in order to maintain its leading position in the industry. Efforts of the Group have been paid off as witnessed by the significant improvement in the Group's operating performance and the turnaround in the Group's profitability for the year ended 31 December 2010.

Going forward, the Group will continue its efforts in (i) enhancing its production capacity and technology and optimising its production efficiency; (ii) accelerating its downstream business and maximising synergies; and (iii) exploring overseas markets and diversifying its source of revenue. As disclosed in the "Letter from the Board" contained in this circular, upon completion of the Acquisition, Sino Light, You Xin and HPT will become wholly owned subsidiaries of the Company. The Directors are of the view that the Acquisition will enable the Group to accelerate its intended downstream business developments in the photovoltaic industry and achieve synergies between the new business and the Group's existing business of wafer and ingot manufacturing. The Acquisition will also enable the Group to secure a reliable source of silicon solar cells for its module business and improve the operational efficiency of the Group. It is expected that the Acquisition will allow the Group to further diversify its source of revenue and broaden its opportunities to cooperate with well-established enterprises along the photovoltaic value chain.

In view of the above and taking into account the technological development in the solar energy industry as well as the increase in global awareness of environmental protection in recent years, the Directors believe that the prospect of the solar energy industry is promising.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to the Completion Date, the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) after Completion and upon exercise in full of the conversion rights attaching to the Convertible Bonds are as follows:

(a) As at the Latest Practicable Date

Authorised:		*HK$*
5,000,000,000	Shares	500,000,000.00
Issued and fully paid:		
1,807,170,425	Shares	180,717,042.50

All of the Shares currently in issue rank pari passu in all respects with each other including, in particular, as to dividends, voting rights and capital.

(b) After Completion and upon exercise in full of the conversion rights attaching to the Convertible Bonds

Authorised:		*HK$*
5,000,000,000	Shares	500,000,000.00
Issued and fully paid:		
1,807,170,425	Existing Shares	180,717,042.50
435,000,000	Conversion Shares to be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds	43,500,000.00
2,242,170,425		224,217,042.50

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2010 and there has been no increase in the issued share capital of the Company since 31 December 2010 and up to the Latest Practicable Date.

3. MARKETS PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day of each of the six months immediately preceding the date of Announcement; (ii) 31 March 2011, being the last trading day immediately preceding the date of the Announcement; and (iii) the Latest Practicable Date:

Date	Closing price of Shares *HK$*
2010	
30 September	1.90
29 October	1.78
30 November	1.73
31 December	1.78
2011	
31 January	1.81
28 February	1.72
30 March (being the last trading day immediately preceding the date of the Announcement)	2.17
31 March	2.11
Latest Practicable Date	2.57

The conversion price of the Convertible Bonds is HK$1.92 per Share, representing discount of approximately 11.52% to the closing price of the Shares of HK$2.17 on 30 March 2011 (being the last trading day immediately preceding the date of the Announcement). The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing on 30 September 2010 (being six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$1.65 and HK$2.57 per Share, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interest and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholding *(%)*
Mr. Tan	Beneficial Interest	475,761,999(L)	26.33%
	Interest of controlled corporation *(Note 2)*	139,788,278(L)	7.74%
	Interest in options *(Note 3)*	13,014,375(L)	0.72%
	Security interest *(Note 3)*	13,014,375(L)	0.72%
Mr. Chong *(Note 4)*	Interest of controlled corporation	113,583,027(L)	6.29%
	Trustee's interest	26,058,625(L)	1.44%
	Personal interest	2,449,500(L)	0.14%
	Family interest	1,100,000(L)	0.06%
Mr. Hsu You Yuan	Beneficial Interest	12,440,927(L)	0.69%
	Interest in options *(Note 3)*	2,080,000(L)	0.12%
	Security interest *(Note 3)*	2,080,000(L)	0.12%
Mr. Chiao Ping Hai	Beneficial Interest	6,135,500(L)	0.34%
	Interest in options *(Note 3)*	8,304,875(L)	0.46%
	Security interest *(Note 3)*	8,304,875(L)	0.46%
Ms. Zhang Liming	Beneficial Interest *(Note 5)*	3,133,500(L)	0.17%

Notes:

(1) The letter “L” denotes the person’s long position in such securities.

(2) Mr. Tan, through the First Vendor which is wholly owned by Mr. Tan, is interested in 139,788,278 Shares, representing the maximum number of Shares issuable to the First Vendor upon full exercise of the conversion right attaching to the Convertible Bonds issued to the First Vendor.

(b) Interest and short positions of substantial shareholders in Shares, underlying shares and debentures

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (not being Directors or the chief executive of the Company) had the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group was) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

(a) As at 31 March 2011 (being the date of the Announcement) and the Latest Practicable Date, the Vendors, Mr. Tan and their respective associates and parties acting in concert with any of them held 638,465,091 Shares, representing approximately 35.33% of the existing total issued share capital of the Company, and the Convertible Bonds are convertible into 435,000,000 new Shares respectively. Save for the Convertible Bonds and the Options as set out under the paragraph "The Whitewash Waiver" in pages 9 to 13 of this circular, the Vendors, Mr. Tan and parties in concert with any of them did not hold any other Shares, convertible securities, warrants, options or derivatives of the Company. None of the Vendors, Mr. Tan and their respective associates and parties acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period six months immediately prior to 31 March 2011 (being the date of the Announcement) and ending on the Latest Practicable Date.

(b) Save as disclosed in the paragraph headed "Information of the Vendors" of this circular, none of the Directors was interested in any shares, convertible securities, warrants, options or derivative in any of the Vendors or similar rights which are convertible or exchangeable into shares in any of the Vendors. None of the Directors has dealt in any shares, convertible securities, warrants, options or derivatives of any of the Vendors during the period beginning 6 months prior to the date of the Announcement and ending with the Latest Practicable Date. Save as disclosed in the table as set out in the paragraph "The Whitewash Waiver" of this circular, none of the directors of the Vendors was interested in any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into any Shares. Save for the Convertible Bonds and the Conversions, none of the directors of the Vendors has dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the period beginning 6 months prior to the date of the Announcement and ending with the Latest Practicable Date.

(c) The Company was not interested in any shareholding in each of the Vendors. As at the Latest Practicable Date, the Company has not dealt for value in the shares, convertible securities, warrants, options or derivatives in any of the Vendors during the period six months immediately prior to 31 March 2011 (being the date of the Announcement) and ending on the Latest Practicable Date.

(d) Save as disclosed in the section headed "Disclosure of interests" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date. None of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company or any of the Vendors during the period six months immediately prior to 31 March 2011 (being the date of the Announcement) and ending on the Latest Practicable Date.

(e) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between the Vendors, Mr. Tan and their respective associates and parties acting in concert with any of them, and any other persons.

(f) There is no intention for any of the Shares allotted and issued to the Vendors, Mr. Tan and their respective associates and parties acting in concert with any of them in pursuance of the Conversions to be transferred, charged or pledged to any other persons.

(g) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) the Vendors, Mr. Tan and their respective associates and parties acting in concert with any of them; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Conversions and/or the Whitewash Waiver.

(h) Each of the Directors who has interest in the Shares (save for Mr. Tan, Mr. Chong and Mr. Chiao who is involved in the Conversions and the Whitewash Waiver and hence will abstain from voting on the relevant resolution in respect of the Whitewash Waiver at the EGM) has indicated that he intends, in respect of his beneficial shareholdings, to vote in favour of the relevant resolution in connection with the Whitewash Waiver to be proposed at the EGM.

(i) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any adviser to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code), had any interest in the Shares, options, warrants, derivatives or securities convertible into Shares.

(j) No Shares, options, warrants, derivatives or securities convertible into Shares in the Company were managed on a discretionary basis by fund manager connected with the Company as at the Latest Practicable Date, nor did any such fund manager deal in any Shares, options, warrants, derivatives or securities convertible into Shares during the period six months immediately prior to 31 March 2011, being the date of the Announcement and ending on and including the Latest Practicable Date.

(k) There is no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Conversions and / or the Whitewash Waiver.

(l) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any of the Directors and any other persons which is conditional or dependent upon the outcome of the Conversions and / or the Whitewash Waiver or otherwise connected with the Conversions and / or the Whitewash Waiver.

(m) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers.

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(b) Mr. Chiao Ping Hai

Mr. Chiao Ping Hai has interests in WWX, Wafer Works (Shanghai) Corp (上海合晶硅材料有限公司) ("WWXS") and Wafer Works Epitaxial Corp ("WWXE"). These three companies are all engaged in the business of manufacturing silicon wafers used in the semi-conductor industry. Mr. Chiao Ping Hai also has indirect interests in Helitek and Heli-Vantech, Inc., both of which are engaged in the trading of silicon wafers used in the manufacture of semi-conductors. Although silicon wafer is the basic raw material used in the production of semi-conductors and solar cells or solar-related products, the quality and purity level of silicon wafer required for the production of semi-conductors is higher than that required for the production of solar cells or solar-related products, it would not be cost effective for solar product manufacturers to use costly semi-conductor grade silicon wafers to manufacture solar products. Given the foregoing, it is considered that the semi-conductor industry is different from that of the solar technology industry and thus, WWX, WWXS and Wafer Works Epitaxial Corp., Helitek and Heli-Vantech, Inc., are not engaged in any competing business of the Group.

(c) Mr. Chong

Mr. Chong holds interests in Jinzhou Changhua. Jinzhou Changhua is engaged in the manufacture of graphite and graphite related products. As explained above, Jinzhou Changhua is not a competitor of the Group, as the Group and Jinzhou Changhua are engaged in different industries. Mr. Chong also holds an interest in 錦州佑鑫電子材料有限公司 (Jinzhou Youxin Electronic Materials Co., Ltd.) ("Jinzhou Youxin"), which is principally engaged in the trading of quartz crucibles. Jinzhou Youxin is not a competitor to the Group because (a) quartz crucible is an auxiliary raw material for the manufacture of polysilicon products which the Group manufactures. Jinzhou Youxin, being in the business of trading quartz crucibles, is an upstream company which supplies auxiliary raw materials to the Group; and (b) Jinzhou Youxin does not manufacture any polysilicon or polysilicon related products.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

8. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, save for (i) the exempt continuing connected transaction in relation to the tenancy agreement entered into between Wealthy Rise International Limited ("Wealthy Rise"), an indirect wholly-owned subsidiary of the Company, and Richzone Industries Limited ("Richzone"), an associate of Mr. Chong, on 20 March 2011, pursuant to which Richzone agreed to lease to Wealthy Rise a premises situated at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong as the

Company’s principal place of business in Hong Kong since 20 March 2009; (ii) the asset transfer agreement dated 2 November 2009 which was entered into between 錦州錦懋光伏科技有限公司 (Jinzhou Jinmao Photovoltaic Technology Co., Ltd*) (“Jinzhou Jinmao”) and HPT pursuant to which Jinzhou Jinmao has agreed to purchase, and HPT has agreed to sell, certain equipment and office furniture, to the Group at a purchase cost of RMB4,099,775.04; and (iii) the Acquisition, none of the Directors had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of Group since 31 December 2010, the date to which the latest published audited financial statements of the Company were made up.

9. DIRECTORS’ INTERESTS IN CONTRACTS

The Directors are interested in the following contrac-267.4(of)-267.4(by)10ar.9(oupam.9(ed)-246.3(into

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(e) a framework processing agreement dated 2 December 2009 between the Company and WWX (which Mr. Chiao Ping Hai, a director of WWX and a non-executive Director) pursuant to which the Company agreed to provide, or procure its subsidiaries to provide the services in respect of acidic wash of silicon, the processing and recycling of top and tail scrap, pot scrap and scrap silicon into polysilicon and other raw materials necessary for the production of silicon solar ingots as well as the processing and production of silicon solar wafers to WWX or its subsidiaries;

(f) the framework sale agreement dated 3 November 2010 entered into between the Company and WWX (in which Mr. Chiao Ping Hai has interests as described in (e) above) in respect of the sale of upgraded and processed polysilicon, silicon solar ingots and silicon solar wafers to WWX or its subsidiaries;

(g) the framework supply agreement dated 3 November 2010 entered into between the Company and WWX (in which Mr. Chiao Ping Hai has interests as described in (e) above) in respect of the supply of scrap polysilicon raw material, scrap ingots and scrap wafers to the Company or its subsidiaries;

(h) a joint venture agreement dated 8 November 2010 between 錦州陽光能源有限公司 (Jinzhou Yangguang Energy Co., Ltd) ("Jinzhou Yangguang"), a wholly-owned subsidiary of the Company and Liaoning Oxiranchem, Inc. (遼寧奧克化學股份有限公司) ("Joint Venture Partner"), which is owned as to approximately 2.43% by Mr. Tan Xin, the son of Mr. Tan who is also a supervisor of the Joint Venture Partner, for the establishment of 錦州奧克陽光新能源有限公司 (Jinzhou Oxiranchem Yangguang New Energy Co. Ltd.) (the "Joint Venture") which is owned as to 63% by the Joint Venture Partner and as to 37% by Jinzhou Yangguang, to engage in the business of manufacturing multicrystalline silicon solar ingots and wafers; and

(i) the Acquisition Agreement entered into, among others, the First Vendor (a company wholly-owned by Mr. Tan), the Third Vendor (which is held as to 37.5% by Mr. Stephen Chiao Sun Hai, the elder brother of Mr. Chiao, a non-executive Director) and the Fourth Vendor (a company indirectly owned as to 65% by Mr. Chong) pursuant to which the vendors named therein conditionally agree to sell and the Company conditionally agree to purchase the entire issued shares of Sino Light at a consideration of HK$835,200,000 to be satisfied by the issue of Convertible Bonds.

Save as disclosed above, none of the Directors is interested in any contract or arrangement entered into by the Company or any of its subsidiaries or any member of the Sino Light Group which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group or its associated companies:

(i) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to the date of the Announcement;

(ii) which are continuous contracts with a notice period of 12 months or more;

(iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or

(iv) which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company, or any of its subsidiaries.

12. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification

13. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the date of the Announcement and are or may be material:

(f) an underwriting agreement dated 4 December 2009 between the Company and Taiwan Polaris Securities Corporation Limited (for itself and on behalf of other underwriters named therein) in connection with the issue of 100,000,000 units of Taiwan depositary receipts ("TDR") comprising 100,000,000 Shares as underlying securities, at an offer price of NT$9.45 (equivalent to HK$2.28) per TDR (the "TDR Issue");

(g) a depositary agreement dated 11 December 2009 between the Company and Mega International Commercial Bank Co., Ltd. in relation to its appointment as the Company's depositary bank in Taiwan in connection with the TDR Issue;

(h) a subscription agreement and a joint venture agreement both 24 September 2010 between Rising Sun Investments Company Limited ("Rising Sun"), a wholly owned subsidiary of the Company and three individual shareholders of Qinghai Chenguang New Energy Co., Ltd. (青海辰光新能源有限公司) ("Qinghai Chenguang") whereby Rising Sun agreed to acquire 51% equity interest in Qinghai Chenguang by way of capital increase through cash injection in the amount of RMB45,900,000;

(i) a joint venture agreement dated 8 November 2010 between Jinzhou Yangguang Energy Co., Ltd. ("Jinzhou Yangguang"), a wholly-owned subsidiary of the Company and Liaoning Oxiranchem, Inc. (遼寧奧克化學股份有限公司) ("Liaoning Oxiranchem") for the establishment of 錦州奧克陽光新能源有限公司 (Jinzhou Oxiranchem Yangguang New Energy Co., Ltd.) (the "Joint Venture") which is owned as to 63% by Liaoning Oxiranchem and as to 37% by Jinzhou Yangguang, to engage in the business of manufacturing multicrystalline silicon solar ingots and wafers;

(j) the sale and purchase agreement dated 30 September 2010 and entered into among the Company, the Vendors and the Warrantors in relation to the Acquisition;

(k) the termination agreement dated 4 October 2010 and entered into among the Company, the Vendors and the Warrantors in relation to the termination of the agreement as mentioned in (j) above; and

(l) the Acquisition Agreement.

14. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Mr. Chow Yiu Ming, a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants.

(d) The auditor of the Company is KPMG of 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

(f) As at the Latest Practicable Date, the Board consisted of Mr. Tan Wenhua, Mr. Hsu You Yuan and Ms. Zhang Liming as executive Directors and Mr. Chiao Ping Hai and Mr. Chong Kin Jrs449.7(Kinon-s)-369.1(ex9.7(Kie)-369.1(Dir)17.99.7(Kii)-449.8(a

The address of Liang-Chieh Huang and the registered office and correspondence address of Seventh Vendor are Offshore Chambers, P.O. BOX 217, Apia, Samoa The director of Seventh Vendor is Liang-Chieh Huang.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available at the quick link to the Company's website at www.solargiga.com and the website of Securities and Futures Commission at www.sfc.hk and for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. at the principal place of business of the Company in Hong Kong at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(c) the letter from the board, the text of which is set out on pages 7 to 17 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 27 of this circular;

(f) the written consents of First Shanghai referred to in the paragraph headed "Experts" in this appendix;

(g) the annual reports of the Company for each of the two years ended 31 December 2009 and 2010;

Solar

Registered Office:
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KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
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Wanchai
Hong Kong

Notes:

1. A form of proxy for use at the EGM is enclosed herewith.

2. Every Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote in his stead. A shareholder who is the holder of two or more shares may appoint not more than two proxies (who must be an individual or individuals) to attend and vote instead of him / her on the