The following is the full text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong. As described under "Documents delivered to the Registrar of Companies in Hong Kong and available for public inspection" in appendix VIII to this prospectus, a copy of the following accountants' report is available for public inspection.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

21 January 2008

The Board of Directors
Solargiga Energy Holdings Limited
BNP Paribas Capital (Asia Pacific) Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Solargiga Energy Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the combined income statements, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007 (collectively the "Relevant Period") and the combined balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 30 September 2007, and the balance sheet of the Company as at 30 September 2007, together with explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 21 January 2008 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 7 March 2007 under the name of Solar Giga Holdings Ltd.. By a resolution passed on 26 April 2007, the name of the Company was changed to Solargiga Energy Holdings Limited. Pursuant to a group reorganisation (the "Reorganisation") as detailed in the subsection headed "Reorganisation" in the section headed "History and Business Development" to the Prospectus, the Company has become the holding company of the subsidiaries now comprising the Group, details of which are set out in section A below.

The statutory financial statements of Jinzhou Huachang Silicon Materials Co., Ltd., Jinzhou Huari Silicon Materials Co., Ltd. and Jinzhou Xinri Silicon Materials Co., Ltd. that are prepared in accordance with the relevant accounting rules and regulations in the People's Republic of China (the "PRC") were audited by Jin Zhou Jia Hua Accountant's Company Ltd., a firm of certified public accountants registered in the PRC, for the three years ended 31 December 2004, 2005 and 2006. The statutory financial statements of Jinzhou Yangguang Energy Co., Ltd. and Jinzhou Youhua New Energy Co., Ltd. that are prepared in accordance with the relevant accounting rules and regulations in the PRC were audited by Jin Zhou Jia Hua Accountant's Company Ltd., a firm of certified public accountants registered in the PRC, for the two years ended 31 December 2005 and 2006. The statutory financial statements of Shanghai Jingji Electron Material Co., Ltd. that are prepared in accordance with the relevant accounting rules and regulations in the PRC were audited by Shanghai Shenxin Certified Public Accountants Co., Ltd., a firm of certified public accountants registered in the PRC, for the three years ended 31 December 2004, 2005 and 2006.

As at the date of this report, no audited financial statements have been prepared for the Company and five of its subsidiaries, Tayaneng Investments Limited, Jinzhou Rixin Silicon Materials Co., Ltd., Solar Technology Investment (Cayman) Corp., Wealthy Rise International Limited and Jinzhou Jingji Solar Energy Technology Co., Ltd. since the respective dates of their incorporation as they are newly incorporated and have not been involved in any business transactions other than the Reorganisation.

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate the Financial Information to conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK").

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the reporting accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 30 September 2007.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in section A below, gives a true and fair view of the Group's profits and cash flows for the Relevant Period and of the Group's financial position as at 31 December 2004, 2005 and 2006 and 30 September 2007 and the Company's financial position as at 30 September 2007.

Comparative financial information

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the combined income statement, combined statement of changes in equity and combined cash flow statement for the nine months ended 30 September 2006, together with the notes thereto (the "30 September 2006 Corresponding Information"), for which the directors are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the 30 September 2006 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 September 2006 Corresponding Information.

On the basis of our review of the 30 September 2006 Corresponding Information, which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the nine months ended 30 September 2006.

A. Basis of Presentation

Except for Solar Technology Investment (Cayman) Corp. and its subsidiaries (hereinafter collectively referred to as the "Acquired Group"), which were acquired during the nine months ended 30 September 2007, other companies that took part in the Reorganisation and included in this report were controlled by the same ultimate equity shareholder (referred to as "the controlling equity shareholder") before and after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling equity shareholder and, therefore, the Reorganisation is considered to be a business combination of entities under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" is applied. The Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence, except for the acquisition of the Acquired Group. The net assets of the combining companies are combined using the existing book values from the controlling equity shareholder's perspective.

The Financial Information relating to the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group as set out in section B include the results of operations of the companies comprising the Group for the Relevant Period (or where the companies were incorporated/established/acquired at a date later than 1 January 2004, for the period from the date of incorporation/establishment to 30 September 2007). The combined balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 30 September 2007 as set out in section B have been prepared to present the combined assets and liabilities of the Group as at those dates.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Group, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the combined balance sheets within equity, separately from equity attributable to the equity shareholders of the Group. Minority interests in the results of the Group are presented on the face of the combined income statements as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Group.

Where losses applicable to the minority exceed the minority interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Transactions with minority shareholders of the Group are at book value and classified as equity transactions. Accordingly, when the Group acquires minority interests of its subsidiaries, the difference between the amount of consideration and carrying values of minority interests are recognised as a reserve movement.

During the nine months ended 30 September 2007, the Group acquired the Acquired Group on 26 June 2007 (section C note 25). The purchase method of accounting is used to account for this acquisition.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies and particulars of which are set out below:

Name of company	*Note*	Place and date of incorporation/ operation	Authorised/ registered/ paid-in/ issued capital	Proportion of ownership interest held by the Company %	Proportion of ownership interest held by a subsidiary %	Principal activities	Legal form
錦州華昌硅材料有限公司 (Jinzhou Huachang Silicon Materials Co., Ltd. ("Huachang"))	*i, iii*	The PRC 11 June 2002	Registered and paid-in capital of Renminbi ("RMB") 11,450,000	–	100	Manufacturing and processing of monocrystalline ingots	Limited liability company
錦州華日硅材料有限公司 (Jinzhou Huari Silicon Materials Co., Ltd. ("Huari"))	*i, iv*	The PRC 1 March 2004	Registered and paid-in capital of RMB14,200,000	–	100	Manufacturing and processing of monocrystalline ingots	Limited liability company
錦州日鑫硅材料有限公司 (Jinzhou Rixin Silicon Materials Co., Ltd. ("Rixin"))		The PRC 9 May 2007	Registered and paid-in capital of RMB10,000,000	–	100	Manufacturing and processing of monocrystalline ingots/wafers	Limited liability company
錦州新日硅材料有限公司 (Jinzhou Xinri Silicon Materials Co., Ltd. ("Xinri"))	*i, v*	The PRC 18 September 2000	Registered and paid-in capital of RMB8,400,000	–	100	Manufacturing and processing of monocrystalline ingots	Limited liability company
錦州陽光能源有限公司 (Jinzhou Yangguang Energy Co., Ltd. ("Yangguang"))	*i, v*	The PRC 15 December 2004	Registered and paid-in capital of RMB95,000,000	–	100	Manufacturing and processing of monocrystalline ingots/wafers	Limited liability company
錦州佑華新能源有限公司 (Jinzhou Youhua New Energy Co., Ltd. ("Youhua"))	*i, vi*	The PRC 25 March 2005	Registered and paid-in capital of RMB73,000,000	–	100	Manufacturing and processing of monocrystalline ingots	Limited liability company
上海晶技電子材料有限公司 (Shanghai Jingji Electron Materials Co., Ltd. ("Jingji"))	*ii, vi*	The PRC 16 March 1998	Registered and paid-in capital of United States Dollars ("USD") 6,950,000	–	100	Processing and trading of polysilicon and monocrystalline ingots/wafers	Limited liability company

Name of company	*Note*	Place and date of incorporation/ operation	Authorised/ registered/ paid-in/ issued capital	Proportion of ownership interest held by the Company %	Proportion of ownership interest held by a subsidiary %	Principal activities	Legal form
Solar Technology Investment (Cayman) Corp. ("STIC")	*vi*	Cayman Islands 15 December 2006	Authorised capital of Hong Kong Dollars ("HKD") 400,000,000 of HKD 0.10 each and issued share capital of HKD167,895,494	100	–	Investment holding	Limited liability company
Tayaneng Investments Limited ("Tayaneng")		British Virgin Islands 15 August 2006	Authorised share capital of USD50,000 of USD1 each and issued share capital of USD13,437	100	–	Investment holding	Limited liability company
Wealthy Rise International Limited		Hong Kong 21 June 2007	Authorised share capital of HKD10,000 of HKD1.00 each and issued share capital of HKD1	–	100	Investment holding	Limited liability company
錦州晶技太陽能科技有限公司 (Jinzhou Jingji Solar Energy Technology Co., Ltd.)		The PRC 19 December 2007	Registered share capital of USD17,500,000 and paid-in capital of USDnil	–	57.14%	Dormant	Limited liability company

Notes:

(i) The statutory financial statements of these subsidiaries were audited by Jin Zhou Jia Hua Accountant's Company Ltd. (錦州嘉華會計師事務所), a firm of certified public accountants registered in the PRC.

(ii) The statutory financial statements of this subsidiary were audited by Shanghai Shenxin Certified Public Accountants Co., Ltd. (上海申信會計師事務所), a firm of certified public accountants registered in the PRC.

(iii) The controlling equity shareholder had a 70.0% equity interest in this subsidiary during the Relevant Period before the Company subsequently acquired the remaining 30.0% equity interest in this subsidiary on 26 June 2007.

(iv) The controlling equity shareholder had a 74.2% equity interest in this subsidiary during the Relevant Period before the Company subsequently acquired the remaining 25.8% equity interest in this subsidiary on 26 June 2007.

(v) The controlling equity shareholder had a 75.0% equity interest in these subsidiaries during the Relevant Period before the Company subsequently acquired the remaining 25.0% equity interest in these subsidiaries on 26 June 2007.

(vi) On 26 June 2007, the Company acquired the entire equity interest in each of these subsidiaries, whereupon these subsidiaries became wholly-owned subsidiaries of the Company. The financial information in respect of these subsidiaries for the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 is included in appendix II to the Prospectus.

B. FINANCIAL INFORMATION

1. Combined income statements

		Years ended 31 December			Nine months ended 30 September	
	section C Note	**2004** *RMB'000*	**2005** *RMB'000*	**2006** *RMB'000*	**2006** *RMB'000* (unaudited)	**2007** *RMB'000*
Turnover	*2*	57,658	173,697	413,303	277,730	715,390
Cost of sales		(47,115)	(104,797)	(244,240)	(161,607)	(514,399)
Gross profit		10,543	68,900	169,063	116,123	200,991
Other revenue	*3*	585	2,648	5,458	1,301	78,962
Other net loss	*4*	(42)	(480)	(1,185)	(553)	(3,823)
Selling and distribution expenses		(474)	(915)	(2,125)	(1,345)	(2,841)
Administrative expenses		(2,624)	(7,311)	(15,186)	(10,630)	(23,923)
Profit from operations		7,988	62,842	156,025	104,896	249,366
Finance costs	*5(a)*	(733)	(2,422)	(3,875)	(3,469)	(5,351)
Profit before taxation	*5*	7,255	60,420	152,150	101,427	244,015
Income tax	*6*	(325)	(3,417)	(4,034)	(2,608)	(8,441)
Profit for the year/period		6,930	57,003	148,116	98,819	235,574
Attributable to:						
Equity shareholders of the Company		4,941	41,303	109,670	72,487	211,326
Minority interests		1,989	15,700	38,446	26,332	24,248
Profit for the year/period		6,930	57,003	148,116	98,819	235,574
Dividends:						
Final dividend proposed after the balance sheet date	*7(a)*	6,322	47,569	113,658	–	–
Earnings per share (RMB cents)						
– Basic	*8*	0.99	8.26	21.93	14.50	42.27

The accompanying notes form part of the Financial Information.

2. Combined balance sheets

	section C Note	31 December 2004 RMB'000	31 December 2005 RMB'000	31 December 2006 RMB'000	30 September 2007 RMB'000
Non-current assets					
Property, plant and equipment	*11*	15,645	93,222	115,258	160,701
Lease prepayments	*12*	–	7,933	7,772	26,621
Prepayments for acquisition of property, plant and equipment		2,321	8,097	10,715	52,332
Deferred tax assets	*19(b)*	15	198	755	1,860
		17,981	109,450	134,500	241,514
Current assets					
Inventories	*13*	6,592	15,516	127,571	142,383
Trade and other receivables	*14*	20,706	82,606	85,152	191,977
Current tax recoverable	*19(a)*	–	653	–	–
Pledged deposits	*15*	10,000	1,004	5,508	310
Cash and cash equivalents	*16*	20,317	35,554	46,704	301,445
		57,615	135,333	264,935	636,115
Current liabilities					
Short-term bank loans	*17*	20,429	61,400	40,000	192,000
Trade and other payables	*18*	6,929	13,518	88,183	100,300
Current tax payable	*19(a)*	210	625	1,102	11,351
		27,568	75,543	129,285	303,651
Net current assets		30,047	59,790	135,650	332,464
Total assets less current liabilities		48,028	169,240	270,150	573,978

	section C Note	31 December 2004 RMB'000	31 December 2005 RMB'000	31 December 2006 RMB'000	30 September 2007 RMB'000
Non-current liabilities					
Municipal government loan	*17*	–	1,888	2,785	2,864
Deferred income	*20*	150	13,093	12,559	24,726
		150	14,981	15,344	27,590
Net assets		47,878	154,259	254,806	546,388
Capital and reserves					
Paid-in/issued capital	*23*	19,286	71,786	74,858	279
Reserves	*24*	5,208	41,987	113,948	546,109
Total equity attributable to equity shareholders of the Company		24,494	113,773	188,806	546,388
Minority interests		23,384	40,486	66,000	–
Total equity		47,878	154,259	254,806	546,388

The accompanying notes form part of the Financial Information.

3. Combined statements of changes in equity

		Attributable to equity shareholders of the Company									
	section C Note	**Paid-in/ issued capital** *RMB'000 (Note 23)*	**Share premium** *RMB'000 (Note 24(a))*	**General reserve fund** *RMB'000 (Note 24(b))*	**Capital reserve** *RMB'000 (Note 24(c))*	**Exchange reserve** *RMB'000*	**Other reserve** *RMB'000 (Note 24(d))*	**Retained earnings** *RMB'000*	**Subtotal** *RMB'000*	**Minority interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2004		10,086	–	199	–	–	–	919	11,204	4,215	15,419
Capital injection	*23(b)*	9,200	–	–	–	–	–	–	9,200	17,500	26,700
Profit for the year		–	–	–	–	–	–	4,941	4,941	1,989	6,930
Dividends	*7(b)*	–	–	–	–	–	–	(851)	(851)	(320)	(1,171)
Appropriations		–	–	495	–	–	–	(495)	–	–	–
At 31 December 2004		19,286	–	694	–	–	–	4,514	24,494	23,384	47,878
At 1 January 2005		19,286	–	694	–	–	–	4,514	24,494	23,384	47,878
Capital injection	*23(b)*	52,500	–	–	–	–	–	–	52,500	3,200	55,700
Profit for the year		–	–	–	–	–	–	41,303	41,303	15,700	57,003
Dividends	*7(b)*	–	–	–	–	–	–	(4,524)	(4,524)	(1,798)	(6,322)
Appropriations		–	–	4,283	–	–	–	(4,283)	–	–	–
At 31 December 2005		71,786	–	4,977	–	–	–	37,010	113,773	40,486	154,259
At 1 January 2006		71,786	–	4,977	–	–	–	37,010	113,773	40,486	154,259
Profit for the year		–	–	–	–	–	–	109,670	109,670	38,446	148,116
Dividends	*7(b)*	–	–	–	–	–	–	(34,637)	(34,637)	(12,932)	(47,569)
Appropriations		–	–	11,962	–	–	–	(11,962)	–	–	–
Capitalisation of reserves	*23(c)*	3,072	–	(938)	–	–	–	(2,134)	–	–	–
At 31 December 2006		74,858	–	16,001	–	–	–	97,947	188,806	66,000	254,806
(Unaudited)											
At 1 January 2006		71,786	–	4,977	–	–	–	37,010	113,773	40,486	154,259
Profit for the period		–	–	–	–	–	–	72,487	72,487	26,332	98,819
Dividends	*7(b)*	–	–	–	–	–	–	(34,637)	(34,637)	(12,932)	(47,569)
Capitalisation of reserve	*23(c)*	3,072	–	(938)	–	–	–	(2,134)	–	–	–
At 30 September 2006		74,858	–	4,039	–	–	–	72,726	151,623	53,886	205,509
At 1 January 2007		74,858	–	16,001	–	–	–	97,947	188,806	66,000	254,806
Profit for the period		–	–	–	–	–	–	211,326	211,326	24,248	235,574
Dividends	*7(b)*	–	–	–	–	–	–	(84,300)	(84,300)	(29,358)	(113,658)
Arising from the Reorganisation	*23(d)*	(74,858)	–	–	–	–	76	–	(74,782)	–	(74,782)
Capitalisation of shareholder's loan	*23(e)*	77,160	–	–	–	–	–	–	77,160	–	77,160
Arising from the Reorganisation	*23(f)*	(77,063)	143,849	–	–	–	(66,786)	–	–	–	–
Acquisition of minority interests	*23(g)*	33	60,857	–	–	–	–	–	60,890	(60,890)	–
Issue of new shares	*23(h)*	149	162,856	–	–	–	–	–	163,005	–	163,005
Share-based payment		–	–	–	4,457	–	–	–	4,457	–	4,457
Exchange difference on translation of financial statements of subsidiaries		–	–	–	–	(174)	–	–	(174)	–	(174)
At 30 September 2007		279	367,562	16,001	4,457	(174)	(66,710)	224,973	546,388	–	546,388

The accompanying notes form part of the Financial Information.

4. Combined cash flow statements

	section C Note	Years ended 31 December 2004 RMB'000	2005 RMB'000	2006 RMB'000	Nine months ended 30 September 2006 RMB'000 (unaudited)	2007 RMB'000
Operating activities						
Profit before taxation		7,255	60,420	152,150	101,427	244,015
Adjustments for:						
– Depreciation and amortisation		1,605	2,519	7,450	4,178	9,323
– Write-off of trade and other receivables		–	152	–	–	–
– Gain on acquisition of subsidiaries		–	–	–	–	(74,771)
– Gain on disposal of property, plant and equipment		–	–	(31)	(31)	(15)
– Equity-settled share-based payment		–	–	–	–	4,457
– Finance costs		733	2,422	3,875	3,469	5,351
– Interest income from bank deposits		(32)	(204)	(593)	(500)	(1,339)
Operating profit before changes in working capital		9,561	65,309	162,851	108,543	187,021
(Increase)/decrease in inventories		(1,130)	(8,924)	(112,055)	(52,905)	63,287
(Increase)/decrease in trade and other receivables		(14,100)	(62,052)	(2,546)	16,626	50,678
(Decrease)/increase in trade and other payables		(1,932)	6,589	74,665	19,644	(52,606)
Increase/(decrease) in deferred income		150	12,943	(534)	718	12,167
Cash (used in)/generated from operations		(7,451)	13,865	122,381	92,626	260,547
PRC Enterprise Income Tax paid		(208)	(3,838)	(3,461)	(2,155)	(11,006)
Net cash (used in)/generated from operating activities		(7,659)	10,027	118,920	90,471	249,541

	section C Note	Years ended 31 December 2004 RMB'000	2005 RMB'000	2006 RMB'000	Nine months ended 30 September 2006 RMB'000 (unaudited)	2007 RMB'000
Investing activities						
Payment for the acquisition of property, plant and equipment		(4,637)	(85,765)	(32,562)	(24,037)	(71,128)
Payment of lease prepayments		–	(8,040)	–	–	(19,001)
Proceeds from disposal of property, plant and equipment		–	–	650	650	39
Net cash outflow from acquisition of subsidiaries	*25*	–	–	–	–	(94,526)
Acquisition of equity interests of the PRC subsidiaries	*23(d)*	–	–	–	–	(74,782)
Interest received		32	204	593	500	1,339
Net cash used in investing activities		(4,605)	(93,601)	(31,319)	(22,887)	(258,059)
Financing activities						
Placement of pledged deposits		(32,698)	(7,604)	(11,945)	(1,920)	(310)
Uplift of pledged deposits		22,698	16,600	7,441	1,004	5,508
Dividends paid		(1,171)	(6,322)	(47,569)	(47,569)	(113,658)
Proceeds from shareholder's loan		–	–	–	–	77,160
Proceeds from bank loans and other borrowings		62,269	94,303	55,799	1,190	362,340
Repayment of bank loans and other borrowings		(48,500)	(51,444)	(76,400)	(31,400)	(225,340)
Contributions from shareholders		26,700	55,700	–	–	–
Issue of new shares	*23(h)*	–	–	–	–	163,005
Interest paid		(733)	(2,422)	(3,777)	(3,469)	(5,272)
Net cash generated from/(used in) financing activities		28,565	98,811	(76,451)	(82,164)	263,433

		Years ended 31 December			Nine months ended 30 September	
	section C Note	**2004** *RMB'000*	**2005** *RMB'000*	**2006** *RMB'000*	**2006** *RMB'000* (unaudited)	**2007** *RMB'000*
Net increase/(decrease) in cash and cash equivalents		16,301	15,237	11,150	(14,580)	254,915
Cash and cash equivalents at the beginning of the year/period		4,016	20,317	35,554	35,554	46,704
Effect of foreign exchange rate changes		–	–	–	–	(174)
Cash and cash equivalents at the end of the year/period	*16*	20,317	35,554	46,704	20,974	301,445

Major non-cash transaction

During the nine months ended 30 September 2007, the Company acquired the 25.58% minority interest in Tayaneng by allotting and issuing 343,708 ordinary shares of HK$0.1 each of the Company (note 23(g)) to the then minority shareholders of Tayaneng credited as fully paid.

The accompanying notes form part of the Financial Information.

C. NOTES TO THE FINANCIAL INFORMATION

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information has been prepared in accordance with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK.

HKFRS 1, "First-time Adoption of Hong Kong Financial Reporting Standards", has been applied in preparing the Financial Information. The Financial Information is the first set of the Group's Financial Information prepared in accordance with HKFRSs. Reconciliations and a description of the effect of the transition from accounting principles generally accepted in the PRC ("PRC GAAP") to HKFRSs on the Group's total equity as at 1 January 2004 and 31 December 2006 and combined profit of the Group for the year ended 31 December 2006 are set out in note 33.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Company and its subsidiaries (together referred to as the "Group").

The Financial Information is presented in RMB, rounded to the nearest thousand, which is the functional and reporting currency of the Group. It is prepared on the historical cost basis except as otherwise stated in the accounting policies as set out below.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 Information and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

(c) Subsidiaries

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. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

(d) Property, plant and equipment

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

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(f)); 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 proportion of production overheads.

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.

(e) Construction in progress

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

Cost comprises direct costs of construction. 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.

(f) 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 instalments 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.

(g) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other current receivables and other financial assets carried at cost or amortised cost are reviewed at each balance sheet date 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; and

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

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, the recovery of which is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress; and

– pre-paid interests in leasehold land classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever 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.

(h) Inventories

Inventories are stated 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, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) 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(g)(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.

(j) 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.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(o)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) 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 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 shares allotted and issued to employees is recognised as an employee cost to the extent that it exceeds the subscription cost with a corresponding increase in capital reserve within equity. The fair value is measured at the grant date using the price to earning multiples valuation method, taking into account the terms and conditions upon which shares were allotted and issued. Where the employees have to meet lock-up conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares over the subscription cost is spread over the lock-up period, taking into account the probability that the shares will continue to be held by the employees.

During the lock-up period, the number of shares that is expected to continue to be held by the employees is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the 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.

(n) 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 equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise by reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(o)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group 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.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

(i) Sale of goods

Revenue from the sale of goods is recognised in profit or loss 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 in profit or loss as and when the services are performed or rendered.

(iii) Interest income

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

(iv) Government grants

Government grants are recognised in the balance sheets initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching 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.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments 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.

(q) Translation of foreign currencies

Foreign currency transactions during the period are translated into RMB at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the exchange rates ruling at the balance sheet dates. 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.

(r) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(s) Pre-operating expenses

Pre-operating expenses are charged to profit or loss as and when incurred.

(t) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operations are regarded as a single business segment, being an entity engaged in the trading of, manufacturing of and provision of processing services for polysilicon and solar silicon monocrystalline ingots/wafers. In addition, the Group's turnover and operating profit are almost entirely derived from its operations in the PRC. Accordingly, no analysis by geographical segment has been presented.

2. TURNOVER

The principal activities of the Group are the trading of, manufacturing of and provision of processing services for polysilicon and monocrystalline silicon ingots/wafers.

Turnover represents the sales value of goods supplied to customers less value added tax and trade discounts and income from the provision of processing services. The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	Years ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of polysilicon and monocrystalline silicon ingots/wafers	57,658	172,011	390,935	266,135	638,622
Processing service fees	–	1,686	22,368	11,595	76,768
	57,658	173,697	413,303	277,730	715,390

3. OTHER REVENUE

	Years ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gain on acquisition of subsidiaries *(note 25)*	–	–	–	–	74,771
Government grants *(note 20)*	425	1,728	4,444	798	2,834
Interest income from bank deposits	32	204	593	500	1,339
Others	128	716	421	3	18
	585	2,648	5,458	1,301	78,962

4. OTHER NET LOSS

	Years ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net foreign exchange loss	(42)	(480)	(1,216)	(584)	(3,838)
Gain on disposal of property, plant and equipment	–	–	31	31	15
	(42)	(480)	(1,185)	(553)	(3,823)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Years ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(a) Finance costs					
Interest on bank loans and other borrowings wholly repayable within five years	733	2,422	3,675	3,319	5,196
Interest on municipal government loan	–	–	200	150	155
	733	2,422	3,875	3,469	5,351
(b) Staff costs					
Contributions to retirement schemes	225	281	412	289	692
Equity-settled share-based payment expenses	–	–	–	–	4,457
Salaries, wages and other benefits	1,921	6,180	14,318	9,832	15,116
	2,146	6,461	14,730	10,121	20,265
(c) Other items					
Amortisation of lease prepayments	–	107	161	120	152
Depreciation	1,605	2,412	7,289	4,178	9,171
Research and development costs	–	–	–	–	1,040
Write-off of trade receivables	–	152	–	–	–
Operating lease charges – property	54	56	56	42	641
Auditors' remuneration	3	54	111	83	83

6. INCOME TAX IN THE COMBINED INCOME STATEMENTS

(a) Income tax in the combined income statements represents:

	Years ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax- the PRC					
Provision for the year/period	340	3,592	4,653	3,037	12,839
Under/(over)-provision in respect of prior years/periods	–	8	(62)	(62)	54
	340	3,600	4,591	2,975	12,893
Deferred tax					
Origination and reversal of temporary differences	(15)	(183)	(557)	(367)	(4,452)
	325	3,417	4,034	2,608	8,441

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are eligible for a 100% relief from PRC Enterprise Income Tax for two years from the first year they record assessable profits and, thereafter, they are subject to PRC Enterprise Income Tax at 50% of the applicable income tax rate for the following three years. The PRC subsidiaries of the Group are registered as production oriented enterprises in Shanghai and Jinzhou, Liaoning Province, both of which are coastal open areas of the PRC, and, therefore, enjoy a preferential PRC Enterprise Income Tax rate of 27% according to the income tax rules and regulations in the PRC.

The first year that Xinri recorded assessable profits was 2001 and, therefore, Xinri was subject to a 50% tax exemption starting from 2003. As Xinri is engaged in an advanced technology business in the PRC, it has been granted an extension of the 50% tax exemption for a further three years. Accordingly, Xinri was subject to a preferential tax rate of 13.5% for the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007.

The first year that Huachang recorded assessable profits was 2003. It was fully exempted from PRC Enterprise Income Tax for the year ended 31 December 2004 and subject to a preferential tax rate of 13.5% for the years ended 31 December 2005 and 2006 and the nine months ended 30 September 2006 and 2007.

The first year that Huari recorded assessable profits was 2005. It was fully exempted from PRC Enterprise Income Tax for the years ended 31 December 2005 and 2006 and subject to a preferential tax rate of 13.5% for the nine months ended 30 September 2007.

The first year that Yangguang recorded assessable profits was 2006. It was fully exempted from PRC Enterprise Income Tax for the year ended 31 December 2006 and the nine months ended 30 September 2006 and 2007.

Youhua and Jingji are subject to preferential tax rates of 13.5% and 27% respectively for the nine months ended 30 September 2007.

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

	Years ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	7,255	60,420	152,150	101,427	244,015
Notional tax on profit before taxation calculated at 27%	1,959	16,313	41,081	27,385	65,884
Effect of non-deductible expenses	109	796	2,171	1,491	960
Effect of non-taxable income	–	–	–	–	(20,188)
Effect of tax concessions obtained	(1,743)	(11,630)	(39,156)	(26,206)	(38,269)
Tax credit for domestic equipment purchases *(note)*	–	(2,070)	–	–	–
Under/(over)-provision in prior years/periods	–	8	(62)	(62)	54
Actual tax expense	325	3,417	4,034	2,608	8,441

Note: Pursuant to the tax rules and regulations of the PRC, an additional 40% of the capital expenditure for purchases of domestic equipment is deductible in the Group's PRC Enterprise Income Tax computations for the period, but limited to the incremental tax payable for the year as compared with the immediate preceding period.

(c) Corporate Income Tax Law of the PRC

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. The PRC subsidiaries comprising the Group in the Financial Information are registered as production oriented enterprises in Shanghai and Jinzhou, Liaoning Province, both of which are coastal open areas of the PRC and hence enjoy a preferential income tax rate of 27% according to the income tax rules and regulations of the PRC. Starting from 1 January 2008, the standard PRC Enterprise Income Tax rate is 25%. State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which set out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the PRC subsidiaries of the Group, which are eligible for a 100% or 50% relief from PRC Enterprise Income Tax, will continue to enjoy the preferential income tax rate up to the end of the derating period, after which, the 25% standard rate applies. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheets in respect of current tax payable.

Further under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 20% on various types of passive income such as dividends derived from sources in the PRC. The Group has already commenced an assessment on the impact of the new tax law regarding the above mentioned withholding tax but is not yet in a position to state whether the new tax law would have a significant impact on the Group's results of operations and financial position.

7. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. Dividends for the Relevant Period represent dividends declared by the following subsidiaries of the Company to their then shareholders.

(a) Dividend attributable to the year/period

	Years ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Final dividend proposed after the balance sheet date					
Huachang	4,365	17,487	15,167	–	–
Xinri	1,957	10,162	12,159	–	–
Huari	–	19,920	22,348	–	–
Yangguang	–	–	63,984	–	–
	6,322	47,569	113,658	–	–

The final dividend proposed after the balance sheet date has not been recognised as a liability in the balance sheets.

(b) Dividend attributable to the previous financial year, approved and paid during the year/period

	Years ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the during the year/period	1,171	6,322	47,569	47,569	113,658

The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the Financial Information.

The directors consider that the dividend payments made during the Relevant Period are not indicative of the future dividend policy of the Group.

8. EARNINGS PER SHARE

The calculation of basis earnings per share for the Relevant Period is based on the net profit attributable to the equity shareholders of the Company for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 (unaudited) and 2007 and the 500,000,000 shares of the Company in issue and issuable, comprising 1,000,000 shares *(note)* in issue at 30 September 2007 and 499,000,000 shares to be issued, pursuant to the Capitalisation Issue as detailed in paragraph headed "Resolutions in writing of all the Shareholders passed on 12 January 2008" as set out in appendix VII to this prospectus, as if the shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share is not presented.

Note: It represents 2,874,333 shares in issue as at 30 September 2007 (note 23(a)), excluding 343,708 shares issued on 26 June 2007 for the acquisition of minority interests (note 23(g)) and 1,530,625 shares issued on 26 June 2007 to the then shareholders of the Acquired Group for a cash consideration of HK$167,895,000 (equivalent to RMB163,005,000) (note 23(h)).

9. DIRECTORS' REMUNERATION

The individual amounts of remuneration payable to executive directors of the companies comprising the Group during the Relevant Period are as follows:

	Year ended 31 December 2004						
	Fees	**Basic salaries, allowances and benefits in kind**	**Bonus**	**Retirement scheme contributions**	**Sub-Total**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*
Executive directors							
Tan Wen Hua	–	52	–	4	56	–	56
Yu Jian Yun	–	21	–	3	24	–	24
Zhang Li Ming	–	26	–	4	30	–	30
Zhang Yue Wen	–	25	–	3	28	–	28
Total	–	124	–	14	138	–	138

	Year ended 31 December 2005						
	Fees	**Basic salaries, allowances and benefits in kind**	**Bonus**	**Retirement scheme contributions**	**Sub-Total**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*
Executive directors							
Tan Wen Hua	–	97	100	6	203	–	203
Yu Jian Yun	–	41	60	5	106	–	106
Zhang Li Ming	–	44	50	6	100	–	100
Zhang Yue Wen	–	43	50	4	97	–	97
Total	–	225	260	21	506	–	506

	Year ended 31 December 2006						
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*
Executive directors							
Tan Wen Hua	–	124	150	9	283	–	283
Yu Jian Yun	–	75	133	2	210	–	210
Zhang Li Ming	–	76	100	6	182	–	182
Zhang Yue Wen	–	70	80	5	155	–	155
Total	–	345	463	22	830	–	830

	Nine months ended 30 September 2006 (unaudited)						
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*
Executive directors							
Tan Wen Hua	–	93	113	4	210	–	210
Yu Jian Yun	–	54	100	3	157	–	157
Zhang Li Ming	–	57	75	3	135	–	135
Zhang Yue Wen	–	52	60	3	115	–	115
Total	–	256	348	13	617	–	617

	Nine months ended 30 September 2007						
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*
Executive directors							
Chuang Jen Wen	–	223	–	6	229	577	806
Hsu You Yuan	–	165	–	5	170	777	947
Tan Wen Hua	–	97	–	6	103	751	854
Wang Chun Wei	–	113	–	5	118	117	235
Yu Jian Yun	–	61	–	3	64	86	150
Zhang Li Ming	–	65	–	4	69	262	331
Zhang Yue Wen	–	59	–	3	62	69	131
Zhao Xiu Zhen	–	62	–	2	64	87	151
Total	–	845	–	34	879	2,726	3,605

No director of the companies comprising the Group has waived or agreed to waive any remuneration during the Relevant Period. No remuneration was paid to independent non-executive directors during the Relevant Period.

Note: This represent the estimated value of shares allotted and issued to the directors of STIC on 24 June 2007 (note 22). The value of these shares is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(m)(iii).

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four are directors whose emoluments are disclosed in note 9 for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and all are directors whose emoluments are disclosed in note 9 for the nine months ended 30 September 2007. The aggregate of the emoluments in respect of the remaining individual for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 are as follows:

	Years ended 31 December			**Nine months ended 30 September**	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Basic salaries, allowances and benefits in kind	17	25	52	44	–
Retirement scheme contributions	2	3	3	2	–
	19	28	55	46	–

The emoluments of the remaining individual with the highest emoluments are within the band RMB Nil to RMB1,000,000.

During the Relevant Period, no emoluments have been paid by the Group to the directors, senior executives or any of the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture and fittings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2004	100	2,062	15,859	310	230	18,561
Additions	1,106	31	507	568	104	2,316
Transfer	(33)	–	33	–	–	–
At 31 December 2004	1,173	2,093	16,399	878	334	20,877
Accumulated depreciation:						
At 1 January 2004	–	297	3,302	3	25	3,627
Charge for the year	–	61	1,459	56	29	1,605
At 31 December 2004	–	358	4,761	59	54	5,232
Net book value:						
At 31 December 2004	1,173	1,735	11,638	819	280	15,645
Cost:						
At 1 January 2005	1,173	2,093	16,399	878	334	20,877
Additions	72,303	4,558	1,264	1,445	419	79,989
Transfer	(12,700)	1,187	10,072	–	1,441	–
At 31 December 2005	60,776	7,838	27,735	2,323	2,194	100,866
Accumulated depreciation:						
At 1 January 2005	–	358	4,761	59	54	5,232
Charge for the year	–	106	1,999	87	220	2,412
At 31 December 2005	–	464	6,760	146	274	7,644
Net book value:						
At 31 December 2005	60,776	7,374	20,975	2,177	1,920	93,222

	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 2006	60,776	7,838	27,735	2,323	2,194	100,866
Additions	13,141	3,645	11,434	659	1,065	29,944
Transfer	(70,885)	6,062	64,019	–	804	–
Disposal	–	–	(1,849)	–	–	(1,849)
At 31 December 2006	3,032	17,545	101,339	2,982	4,063	128,961
Accumulated depreciation:						
At 1 January 2006	–	464	6,760	146	274	7,644
Charge for the year	–	436	5,925	337	591	7,289
Written back on disposal	–	–	(1,230)	–	–	(1,230)
At 31 December 2006	–	900	11,455	483	865	13,703
Net book value:						
At 31 December 2006	3,032	16,645	89,884	2,499	3,198	115,258
Cost:						
At 1 January 2007	3,032	17,545	101,339	2,982	4,063	128,961
Additions						
– through acquisition of subsidiaries *(note 25)*	698	5,865	24,416	2,074	701	33,754
– others	2,972	996	23,093	1,933	517	29,511
Disposal	–	–	–	(245)	–	(245)
Transfer	(3,434)	–	3,434	–	–	–
At 30 September 2007	3,268	24,406	152,282	6,744	5,281	191,981
Accumulated depreciation:						
At 1 January 2007	–	900	11,455	483	865	13,703
Through acquisition of subsidiaries *(note 25)*	–	1,392	6,291	765	179	8,627
Charge for the period	–	537	7,634	406	594	9,171
Written back on disposal	–	–	–	(221)	–	(221)
At 30 September 2007	–	2,829	25,380	1,433	1,638	31,280
Net book value:						
At 30 September 2007	3,268	21,577	126,902	5,311	3,643	160,701

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

(b) Certain buildings, machinery and equipment are pledged against bank loans granted to the Group as disclosed in note 17(a).

(c) The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB3,199,000 as at 30 September 2007. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 30 September 2007.

12. LEASE PREPAYMENTS

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
As at 1 January	–	–	8,040	8,040
Additions	–	8,040	–	19,001
As at 31 December/30 September	–	8,040	8,040	27,041
Accumulated amortisation:				
As at 1 January	–	–	107	268
Charge for the year/period	–	107	161	152
As at 31 December/30 September	–	107	268	420
Net book value:				
As at 31 December/30 September	–	7,933	7,772	26,621

(a) Lease prepayments represent cost of land use rights in respect of land located in the PRC, which expire on 29 April 2055 and 27 August 2057.

(b) Lease prepayments are pledged against bank loans granted to the Group as disclosed in note 17(a).

13. INVENTORIES

(a) Inventories in the combined balance sheets comprise:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	5,264	12,200	79,989	95,424
Work-in-progress	1,328	2,810	5,513	11,177
Finished goods	–	506	42,069	35,782
	6,592	15,516	127,571	142,383

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

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	47,115	104,797	244,240	514,399

(c) At 31 December 2004, certain inventories were pledged against bank loans granted to the Group as disclosed in note 17(a).

14. TRADE AND OTHER RECEIVABLES

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(note 14(a))*	3,401	14,162	68,339	112,929
Other receivables, prepayments and deposits *(note 14(b))*	7,705	43,680	16,813	79,048
Amount due from a director *(note 14(c) and 26(c))*	9,200	–	–	–
Amounts due from related parties *(note 14(d) and 26(c))*	400	24,764	–	–
	20,706	82,606	85,152	191,977

All of the trade and other receivables (including amounts due from a director and related parties) are expected to be recovered within one year.

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31 December						30 September	
		2004		**2005**		**2006**		**2007**
		'000		*'000*		*'000*		*'000*
United States dollars	USD	839	USD	1,609	USD	3,460	USD	18,525
Japanese Yen	JPY	–	JPY	–	JPY	–	JPY	2,580

(a) The ageing analysis of trade receivables as at each balance sheet date is as follows:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	3,139	9,774	55,811	79,302
1 – 3 months	–	93	11,159	27,914
3 – 6 months	–	1,456	333	2,083
6 – 12 months	–	2,789	987	3,368
1 – 2 years	262	50	49	262
	3,401	14,162	68,339	112,929

The Group normally allows a credit period of 30 – 90 days to its customers.

Included in trade receivables are aggregate amounts due from related parties of RMB2,242,000, RMB8,011,000, RMB9,780,000 and RMB45,472,000 as at 31 December 2004, 2005 and 2006 and 30 September 2007 respectively (note 26(c)).

(b) Included in other receivables, prepayments and deposits are prepayments for the purchase of raw materials from related parties of RMB3,427,000, RMB3,781,000, RMB Nil and RMB Nil as at 31 December 2004, 2005 and 2006 and 30 September 2007 respectively (note 26(c)).

(c) The amount due from a director was unsecured, interest free and repayable on demand. Set out below are the details of the amount due from a director:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tan Wen Hua	9,200	–	–	–
Maximum amount outstanding during the year/period	9,200	–	–	–

(d) The amounts due from related parties are unsecured, interest free and recoverable on demand.

(e) The ageing analysis of trade receivables that are past due as at each balance sheet date but not impaired:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month past due	–	96	3,892	610
1 to 3 months past due	–	3,071	3,170	1,927
3 to 6 months past due	–	2,833	401	1,315
6 to 12 months past due	–	–	–	2,094
1 to 2 years	262	–	–	262
	262	6,000	7,463	6,208

Receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

15. PLEDGED DEPOSITS

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantee deposits for issuance of letters of credit	–	1,004	5,508	310
Pledged as security for a bank loan	10,000	–	–	–
	10,000	1,004	5,508	310

The deposits pledged as security for a bank loan is non-interest bearing.

Included in pledged deposits are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	'000	*'000*	*'000*	*'000*
United States dollars	USD –	USD –	USD 707	USD 17

16. CASH AND CASH EQUIVALENTS

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	20,317	35,554	46,704	301,445

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	'000	*'000*	*'000*	*'000*
New Taiwan dollars	NTD –	NTD –	NTD –	NTD 1,164
United States dollars	USD 1,003	USD 260	USD 1,553	USD 12,938

In addition, cash and cash equivalents of RMB12,024,000, RMB33,463,000, RMB34,602,000 and RMB188,234,000 as at 31 December 2004, 2005 and 2006 and 30 September 2007 are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

17. INTEREST-BEARING BORROWINGS

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

	31 December			30 September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans				
– unsecured	2,066	–	30,000	192,000
– secured *(note (a))*	18,363	61,400	10,000	–
	20,429	61,400	40,000	192,000
Long-term loan				
– municipal government loan *(note (b))*	–	1,888	2,785	2,864
	20,429	63,288	42,785	194,864

Included in interest-bearing borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31 December			30 September
	2004	2005	2006	2007
	'000	*'000*	*'000*	*000*
United States dollars	USD 2,000	USD –	USD –	USD –

(a) As at each balance sheet date, the bank loans were repayable within one year or on demand and were collateralised or guaranteed as follows:

	31 December			30 September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured by assets	16,450	50,000	10,000	–
Guaranteed by a third party	1,913	1,400	–	–
Guaranteed by a related party *(note 26(e))*	–	10,000	–	–
	18,363	61,400	10,000	–

The carrying value of assets secured against bank loans as at each balance sheet date are analysed as follows:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	5,481	44,585	12,426	–
Lease prepayments	–	7,933	7,772	–
Inventories	1,546	–	–	–
Pledged deposits	10,000	–	–	–
	17,027	52,518	20,198	–

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

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
After 2 years but within 5 years	–	–	240	402
After 5 years	–	1,888	2,545	2,462
	–	1,888	2,785	2,864

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.

18. TRADE AND OTHER PAYABLES

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(note 18(a))*	2,326	9,485	58,381	43,538
Other payables and accrued expenses	4,117	4,033	9,752	56,762
Amounts due to related parties *(note 18(b) and 26(d))*	486	–	20,000	–
Amount due to a director *(note 18(c) and 26(d))*	–	–	50	–
	6,929	13,518	88,183	100,300

All of the trade and other payables (including amounts due to related parties) are expected to be settled within one year.

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	'000	*'000*	*'000*	*'000*
United States dollars	USD –	USD 850	USD 993	USD 2,899

(a) The ageing analysis of trade payables as at each balance sheet date is as follows:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	156	7,163	44,216	20,339
1 – 3 months	531	1,374	9,411	8,715
3 – 6 months	136	541	1,306	6,677
6 – 12 months	40	131	3,230	7,492
1 – 2 years	1,463	276	218	315
	2,326	9,485	58,381	43,538

Included in trade payables are amounts due to related parties of RMB261,000, RMB5,703,000, RMB26,533,000 and RMB19,206,000 at 31 December 2004, 2005 and 2006 and 30 September 2006 and 2007 respectively (note 26(d)).

(b) The amounts due to related parties are unsecured, interest free and repayable on demand. The amounts have been subsequently settled prior to the listing of the Company's shares on the SEHK.

(c) The amount due to a director is unsecured, interest free and repayable on demand.

19. INCOME TAX IN THE COMBINED BALANCE SHEETS

(a) Current taxation in the combined balance sheet represents:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for PRC Enterprise Income Tax for the year/period	340	3,592	4,653	24,461
Provisional PRC Enterprise Income Tax paid	(130)	(3,620)	(3,551)	(13,110)
PRC Enterprise Income Tax payable/(recoverable)	210	(28)	1,102	11,351
Representing:				
Current tax recoverable	–	(653)	–	–
Current tax payable	210	625	1,102	11,351
	210	(28)	1,102	11,351

(b) Deferred tax assets / (liabilities) recognised

Deferred tax assets represent temporary differences arising from different expenses recognition criteria between accounting and tax bases recognised as at each balance sheet date. Deferred tax liabilities represent temporary differences arising from fair value adjustment on inventories upon acquisition of subsidiaries. Movements during the Relevant Period are set out as follows:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	–	15	198	755
Acquisition of subsidiaries *(note 25)*	–	–	–	(3,347)
Credited to profit or loss	15	183	557	4,452
At 31 December/30 September	15	198	755	1,860
Net deferred tax assets recognised on the combined balance sheet	15	198	755	1,860

20. DEFERRED INCOME

Various government grants have been received by the Group for generating export sales and constructing a manufacturing plant in Jinzhou, Liaoning Province, the PRC. In addition, certain government grants have been received by the Group to compensate for its research and development expenses in relation to the manufacturing of monocrystalline ingots and solar wafers and interest expense for certain specific loans. Amounts of RMB425,000, RMB1,728,000, RMB4,444,000 and RMB2,834,000 for the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007 respectively have been recognised in profit or loss.

The remaining unused balances as at each balance sheet date are included in the combined balance sheet as deferred income. There are no unfulfilled conditions or contingencies relating to these grants.

21. RETIREMENT BENEFIT SCHEMES

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement benefit scheme administered and operated by the local municipal government. The Group's PRC subsidiaries are required to make contributions to the scheme at 24%, 24%, 20% and 20% of the employees' salaries for the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007 respectively to fund the retirement benefits of the employees.

The Group is required to participate in defined contribution retirement benefit schemes administered and operated by Bureau of Labour Insurance of Taiwan for employees employed in Taiwan. Under the schemes the employer is required to make contributions to the schemes at 6% of the employees' relevant income. Contributions to the schemes vest immediately.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. 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.

22. EQUITY COMPENSATION BENEFITS

For the purpose of providing compensation to certain senior management and employees (the "Relevant Employees") of 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 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 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 dying 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 issued to the Relevant Employees are subject to the Return Condition. Accordingly, at the end of each financial period, the Acquired Group is required to estimate the number of shares which will continue to be held by the original Relevant Employees at the end of the relevant lock-up period and 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 RMB8.9 million, RMB17.0 million, RMB9.0 million, RMB4.8 million and RMB1.9 million for each of the financial years ending 31 December 2007, 2008, 2009, 2010 and 2011, respectively, assuming there is no termination of the Relevant Employees' employment before the end of the relevant vesting period. An amount of RMB4,457,000 (note 5(b)) has been recognised in the profit or loss for the nine months ended 30 September 2007. In respect of those shares which are not subject to the Return Condition, the value of such shares over the subscription cost is 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 are entitled to 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 dying 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 Date, the Relevant Directors shall not be entitled to buy back the relevant shares until the first anniversary of the Listing Date.

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

Date of grant	Number of share 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

(b) 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 during the nine months ended 30 September 2007 are measured at the grant date using the price to earnings multiples valuation method. The valuation is derived from applying (i) an expected price to earnings multiple of a group of listed companies operating in comparable business, 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.

23. PAID-IN/ISSUED CAPITAL

(a) Paid-in capital in the Group's combined balance sheets as at 31 December 2004, 2005 and 2006 represents the aggregate amount of the Company's controlling equity shareholder's paid-in capital of the PRC incorporated companies comprising the Group at the respective dates.

The issued capital in the Group's combined balance sheet as at 30 September 2007 represents the issued capital of the Company comprising 2,874,333 share of HK$0.1 each (equivalent to RMB279,000).

(b) Except for an amount of RMB3,200,000 contributed by a minority shareholder in 2005 in the form of machinery, all capital contributions during the Relevant Period represented injections of cash upon establishment of subsidiaries.

(c) By a resolution passed at a meeting of the board of directors of Huachang on 28 March 2006, Huachang's registered capital was increased from RMB6,612,000 to RMB11,000,000 by capitalising the general reserve fund and retained earnings in an aggregate amount of RMB4,388,000. Accordingly, the Company's share of the nominal value of the paid-in capital of Huachang increased by RMB3,072,000.

(d) Pursuant to written resolutions of the board of directors of Tayaneng passed on 9 March 2007, Tayaneng acquired equity interests of 75%, 70%, 74.17% and 75% in Yanguang, Huachang, Huari and Xinri respectively for a cash consideration of RMB74,782,000 and became the holding company of Yanguang, Huachang, Huari and Xinri.

(e) Pursuant to written resolutions of the board of directors of Tayaneng passed on 7 May 2007, a shareholder's loan of USD10,000,000 (equivalent to RMB77,160,000) was capitalised by Tayaneng by the allotment and issue of 9,999 shares of USD1 each in Tayaneng, credited as fully paid, to the shareholders.

(f) Pursuant to written resolutions of the board of directors of the Company passed on 8 May 2007, the Company obtained the entire equity interest in Tayaneng from the then shareholder of Tayaneng by issuing 999,999 shares of HK$0.1 each (equivalent to RMB97,000) and credited the nil paid share held by the controlling equity shareholder referred to in note 31(c) as fully paid. The difference between the net asset value of Tayaneng and its subsidiaries acquired and the nominal value of the shares of the Company issued of RMB143,849,000 was credited to the share premium account.

(g) Pursuant to written resolutions of the board of directors of the Company passed on 26 June 2007, the Company acquired the minority interests in the subsidiaries of Tayaneng by issuing 343,708 shares of HK$0.1 each (equivalent to RMB33,000). The difference between the net asset value of minority interests acquired and the nominal value of the shares of the Company issued of RMB60,857,000 was credited to the share premium account.

(h) Pursuant to written resolutions of the board of directors of the Company passed on 26 June 2007, the Company allotted and issued an aggregate of 1,530,625 shares of HK$0.1 each to the then shareholders of the Acquired Group which subscribed for the Company's shares at a cash consideration of HK$167,895,000 (equivalent to RMB163,005,000), of which RMB149,000 was credited to issued capital and the balance of RMB162,856,000 was credited to the share premium account.

24. RESERVES

The nature and purpose of reserves are set out below:

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The share premium is distributable.

(b) General reserve fund

Pursuant to articles of association of the Company's subsidiaries incorporated in the PRC, these PRC subsidiaries are required to transfer their profits after taxation to the general reserve fund. The amounts allocated to this reserve are determined by the respective boards of directors.

For the entity concerned, the general reserve fund can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(c) Capital reserve

The Capital reserve comprises the fair value of shares allotted and issued to employees of the Group over the subscription costs recognised in accordance with the accounting policy adopted for share-based payments in note 1(m)(iii).

(d) Other reserve

The other reserve represents:

(i) The difference between Tayaneng's attributable share of the nominal value of the paid-up capital of the subsidiaries acquired over the consideration paid by Tayaneng to obtain the equity interests in these subsidiaries.

Pursuant to the Reorganisation, Tayaneng acquired equity interests of 75%, 70%, 74.17% and 75% in Yangguang, Huachang, Huari and Xinri respectively on 9 March 2007. The difference between Tayaneng's attributable share of the nominal value of these subsidiaries of RMB74,858,000 and the consideration paid of RMB74,782,000 amounted to RMB76,000 was credited to other reserve account.

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

(e) Distributability of reserves

As at 30 September 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB367,562,000.

On the basis set out in section A, the aggregate amounts of distributable reserves as at 31 December 2004, 2005 and 2006 of the companies comprising the Group were RMB4,364,000, RMB36,860,000 and RMB97,797,000 respectively.

(f) 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 and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings as shown in the combined balance sheet less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to equity shareholders of the Company), as shown in the combined balance sheet, plus net debt or minus net cash.

During the Relevant Period, the Group's strategy was to maintain a gearing ratio below 40%. The gearing ratios as at 31 December 2004, 2005, 2006 and 30 September 2007 were as follows:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings *(note 17)*				
– short term bank loans	20,429	61,400	40,000	192,000
– municipal government loan	–	1,888	2,785	2,864
Total bank and other borrowings	20,429	63,288	42,785	194,864
Less: Cash and bank deposits				
– pledged deposits	10,000	1,004	5,508	310
– cash and cash equivalents	20,317	35,554	46,704	301,445
Total cash and bank deposits	30,317	36,558	52,212	301,755
Net (cash)/debt	(9,888)	26,730	(9,427)	(106,891)
Shareholders' funds	24,494	113,773	188,806	546,388
Total capital	14,606	140,503	179,379	439,497
Gearing ratio	(67.70%)	19.02%	(5.26%)	(24.32%)

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. BUSINESS COMBINATION

On 26 June 2007, the Company acquired the entire equity interests in the Acquired Group for a cash consideration of HK$167,895,000 (equivalent to RMB163,005,000). The fair value of the Acquired Group's net assets at the date that the Company obtained control on 26 June 2007 was RMB237,776,000.

The Acquired Group contributed aggregate revenue of RMB95,947,000 and aggregate net profit of RMB8,249,000 during the period from 26 June 2007 to 30 September 2007. The aggregate revenue and net profit of the Acquired Group as if the acquisition for the business combination effected during the nine months ended 30 September 2007 had been at the beginning of the period are RMB263,022,000 and RMB71,362,000 respectively.

The acquisition has the following effect on the Group's assets and liabilities on 26 June 2007:

	Carrying amount	**Fair value adjustment**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	25,127	–	25,127
Goodwill	3,539	(3,539)	–
Inventories	60,094	18,005	78,099
Trade and other receivables	157,503	–	157,503
Cash and cash equivalents	68,479	–	68,479
Short-term bank loan	(15,000)	–	(15,000)
Trade and other payables	(64,723)	–	(64,723)
Current tax payable	(8,362)	–	(8,362)
Deferred tax liability	–	(3,347)	(3,347)
Net assets acquired	226,657	11,119	237,776
Cash consideration paid			(163,005)
Gain on acquisition *(note 3)*			74,771

Analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition of the Acquired Group

Cash consideration paid	163,005
Less: cash and cash equivalents acquired	(68,479)
Net cash outflow	94,526

The gain on acquisition mainly represents the changes in the fair value of the Acquired Group during the period from 1 January 2007 to the acquisition date of 26 June 2007. The Company had substantially concluded and agreed on the terms and conditions of the acquisition with the then shareholders of the Acquired Group with reference to the fair value of the Acquired Group as at 31 December 2006. Since the statutory approval from authorities of corresponding jurisdictions was necessary for the acquisition to complete, the change in fair value during the application process has therefore resulted in a gain on acquisition.

26. RELATED PARTY TRANSACTIONS

During the Relevant Period, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
譚文華 Tan Wen Hua	Executive director of the Group
趙秀芹 Zhao Xiu Qin	Spouse of Tan Wen Hua
錦州昌華碳素制品有限公司 (Jinzhou Changhua Carbon Production Co., Ltd. ("Changhua"))	Significantly influenced by Tan Wen Hua
合晶科技股份有限公司 (Wafer Works Corp. Group)	Equity shareholder of the Group
漢萿國際有限公司 (Helitek International Company Limited ("Helitek"))	Subsidiary of Wafer Works Corp. Group
錦州華榮物業管理有限公司 (Jinzhou Huarong Property Management Co., Ltd. ("Huarong"))	Controlled by Tan Wen Hua
錦州華新硅材料經營部 (Jinzhou Huaxin Silicon Material Trading Department ("Huaxin"))	Controlled by Tan Wen Hua
錦州輝華碳素制品有限公司 (Jinzhou Huihua Carbon Production Co., Ltd. ("Huihua"))	Controlled by Tan Wen Hua
錦州華昌光伏科技有限公司 (Jinzhou Huihua Photovoltaic Technology Co., Ltd. ("HCPV")	Controlled by Tan Wen Hua
錦州佑華新能源有限公司 (Jinzhou Youhua New Energy Co., Ltd. ("Youhua"))	Same key management as the Group before it became a subsidiary of the Group
錦州佑鑫電子材料有限公司 (Jinzhou Youxin Electronic Materials Co., Ltd. ("Youxin"))	Controlled by Zhao Xiu Qin
上海合晶硅材料有限公司 (Wafer Works (Shanghai) Corp. ("Wafer Works (SH)"))	Subsidiary of Wafer Works Corp. Group
Space Energy Corporation ("SEC")	Equity shareholder of the Group

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

(a) Recurring transactions

	Years ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of goods to:					
– SEC	23,702	68,312	58,887	32,088	88,578
– Wafer Works Corp. Group	–	–	–	–	54,111
– Wafer Works (Shanghai)	–	–	–	–	244
Provision of services to:					
– Wafer Works Corp. Group	–	–	–	–	182
– Wafer Works (Shanghai)	–	–	–	–	78
– Youhua	–	–	343	72	643
	23,702	68,312	59,230	32,160	143,836
Purchases of goods from:					
– Changhua	–	–	1,205	–	11,779
– Huihua	3,257	6,041	7,697	7,320	–
– SEC	10,686	37,499	43,992	23,086	55,206
– Youhua	–	–	47,732	34,754	52,310
– Youxin	–	12,474	21,751	14,160	18,416
– Wafer Works Corp. Group	–	–	–	–	5,831
– Wafer Works (Shanghai)	–	–	–	–	415
– Helitek	–	–	–	–	60
Provision of services by Youhua	–	–	–	–	1,550
Provision of electricity and water by Huarong	103	307	766	293	511
	14,046	56,321	123,143	79,613	146,078

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors have confirmed that the above transactions, which will continue in the future, will be conducted at market prices after the listing of the Company's shares on the SEHK.

(b) Non-recurring transactions

	Years ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Purchase of machinery and equipment from SEC	–	3,496	–	–	–
Purchase of motor vehicles from Youhua	–	–	260	–	–

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were with reference to prevailing market prices, and in the ordinary course of business.

(c) Amounts due from related parties

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade				
– Huihua	125	–	–	–
– SEC	5,544	8,011	9,660	5,379
– Wafer Works Corp. Group	–	–	–	39,753
– Wafer Works (Shanghai)	–	–	–	340
– Youhua	–	–	120	–
– Youxin	–	3,781	–	–
	5,669	11,792	9,780	45,472
Non-trade				
– Tan Wen Hua	9,200	–	–	–
– Youhua	–	24,764	–	–
– Youxin	400	–	–	–
	9,600	24,764	–	–
	15,269	36,556	9,780	45,472

Amounts due from related parties are unsecured, interest free and are expected to be recovered within one year.

(d) Amounts due to related parties

	31 December			30 September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade				
– Changhua	–	–	484	1,779
– Huihua	261	1,433	–	–
– SEC	–	4,101	7,269	1,574
– Wafer Works Corp. Group	–	–	–	12,398
– Youhua	–	–	18,780	–
– Youxin	–	169	–	3,455
	261	5,703	26,533	19,206
Non-trade				
– HCPV	–	–	20,000	–
– Zhao Xiu Qin	486	–	–	–
– Tan Wen Hua	–	–	50	–
	486	–	20,050	–
	747	5,703	46,583	19,206

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

(e) Guarantees

	31 December			30 September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial guarantee granted to a related party:				
Issuance of a guarantee in favour of a bank in respect of a bank loan granted to Youhua	–	–	6,000	–
Maximum liability of the Company under the guarantee:				
At beginning of year/period	–	–	–	6,000
At end of year/period	–	–	6,000	–
Financial guarantee issued by a related party:				
Guarantee issued in favour of a bank in respect of a bank loan granted to the Group by Youhua *(note 17(a))*	–	10,000	–	–

(f) Key management personnel emoluments

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 emoluments are disclosed in notes 9 and 10. Total remuneration is included in "staff costs" as disclosed in note 5(b).

27. CAPITAL COMMITMENTS

Capital commitments that relate to purchases of property, plant and equipment outstanding at each balance sheet date not provided for in the Financial Information were as follows:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised and contracted for	540	4,713	6,505	121,276
Authorised but not contracted for	290	3,600	11	10,269

28. OPERATING LEASE COMMITMENTS

At each balance sheet date, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	–	1,314
After 1 year but within 5 years	–	–	–	2,807
After 5 years	–	–	–	2,790
	–	–	–	6,911

The Group is the lessee in respect of a number of properties held under operating leases as at 30 September 2007. The leases typically run for an initial period of 2 – 30 years, with an option to renew the lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

29. CONTINGENT LIABILITIES

As at 31 December 2006, one of the subsidiaries comprising the Group issued a financial guarantee as disclosed in note 26 (e).

As at balance sheet date, the directors do not consider it probable that a claim will be made against the subsidiary under the guarantee. The Group has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and its transaction price was RMB Nil.

30. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Cash and cash equivalents are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Credit risks and exposures are controlled and monitored on an on-going basis by performing credit evaluation on customers on a case-by-case basis. As at the balance sheet dates, the Group has a certain concentration of credit risk as 27%, 13%, 11% and 16% of the total trade and other receivables was due from the Group's largest customer and 28%, 20%, 49% and 44% was due from the five largest customers of the Group as at 31 December 2004, 2005 and 2006 and 30 September 2007 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheet. 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.

(c) Interest rate risk

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they reprice or mature, whichever is earlier.

	31 December 2004					
	Effective interest rate per annum	**Total**	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Repricing dates for assets which reprice before maturity						
Cash and cash equivalents	0.63	20,317	20,317	–	–	–
Maturity dates for liabilities which do not reprice before maturity						
Short-term secured bank loans	6.00	(18,363)	(18,363)	–	–	–
Short-term unsecured bank loan	4.47	(2,066)	(2,066)	–	–	–
		(20,429)	(20,429)	–	–	–

	31 December 2005					
	Effective interest rate per annum	**Total**	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Repricing dates for assets which reprice before maturity						
Pledged deposits	0.72	1,004	1,004	–	–	–
Cash and cash equivalents	0.72	35,554	35,554	–	–	–
		36,558	36,558	–	–	–
Maturity dates for liabilities which do not reprice before maturity						
Short-term secured bank loans	7.38	(61,400)	(61,400)	–	–	–
Municipal government loan	7.44	(1,888)	–	–	–	(1,888)
		(63,288)	(61,400)	–	–	(1,888)

	31 December 2006					
	Effective interest rate per annum	**Total**	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Repricing dates for assets which reprice before maturity						
Pledged deposits	1.15	5,508	5,508	–	–	–
Cash and cash equivalents	0.83	46,704	46,704	–	–	–
		52,212	52,212	–	–	–
Maturity dates for liabilities which do not reprice before maturity						
Short-term secured bank loans	6.12	(10,000)	(10,000)	–	–	–
Short-term unsecured bank loans	7.96	(30,000)	(30,000)	–	–	–
Municipal government loan	7.44	(2,785)	–	–	(240)	(2,545)
		(42,785)	(40,000)	–	(240)	(2,545)

	30 September 2007					
	Effective interest rate per annum	**Total**	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Repricing dates for assets which reprice before maturity						
Pledged deposits	0.81	310	310	–	–	–
Cash and cash equivalents	0.92	301,445	301,445	–	–	–
		301,755	301,755	–	–	–
Maturity dates for liabilities which do not reprice before maturity						
Short-term unsecured bank loans	6.71	(192,000)	(192,000)	–	–	–
Municipal government loan	7.44	(2,864)	–	–	(402)	(2,462)
		(194,864)	(192,000)	–	(402)	(2,462)

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily USD and JPY. The directors do not expect any significant impact from the exchange rates movement since the Group uses the foreign currencies collected from customers to settle the amount due to suppliers. In addition, the directors ensure that the net exposure is kept to an acceptable level by buying or selling USD and JPY at spot rates where necessary to address short-term imbalances.

(e) Supply of raw materials risk

The Group's revenue depends significantly on its ability to obtain sufficient raw materials which meet the Group's specifications. The Group obtains most of its raw materials from a limited number of suppliers. As a result, there is a risk that the Group will be unable to secure a sufficient supply of raw materials to meet its planned production output, which may have a material and adverse impact on the revenue of the Group.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2004, 2005 and 2006 and 30 September 2007.

31. THE COMPANY'S BALANCE SHEET

The balance sheet of the Company as at 30 September 2007 is as follows:

	Note	30 September 2007 RMB'000
Non-current assets		
Investment in subsidiaries	*(a)*	367,841
Property, plant and equipments	*(b)*	117
		367,958
Current assets		
Trade and other receivables		9,319
Cash and cash equivalents		55
		9,374
Current liabilities		
Other payables		(10,576)
Net current liabilities		(1,202)
Net assets		366,756
Capital and reserves		
Issued capital	*(c)*	279
Share premium	*24(a)*	367,562
Accumulated losses		(1,085)
Total equity		366,756

Notes:

(a) Investment in subsidiaries is stated at cost and details of the subsidiaries as at 30 September 2007 are set out in section A.

(b) Property, plant and equipment represents office equipment acquired during the nine months ended 30 September 2007.

(c) The Company was incorporated in the Cayman Islands on 7 March 2007 with an authorised share capital of 3,800,000 shares of HK$0.1 each. One share of HK$0.1 was issued nil paid and allotted to Codan Trust Company (Cayman) Limited and was transferred to the controlling equity shareholder on the same day.

Pursuant to written resolutions of the board of directors of Tayaneng passed on 8 May 2007, the Company obtained the entire equity interest in Tayaneng from the then shareholder of Tayaneng by issuing 999,999 shares of HK$0.1 each (equivalent to RMB97,000) and credited as fully paid the nil paid share held by the controlling equity shareholder referred to above. The difference between the net asset value of Tayaneng and its subsidiaries acquired and the nominal value of the shares of the Company issued of RMB143,849,000 was credited to the share premium account.

Pursuant to written resolutions of the board of directors of the Company passed on 26 June 2007, the Company acquired the minority interests in the subsidiaries of Tayaneng by issuing 343,708 shares of HK$0.1 each (equivalent to RMB33,000). The difference between the net asset value of minority interests acquired and the nominal value of the shares of the Company issued of RMB60,857,000 was credited to the share premium account.

Pursuant to written resolutions of the board of directors of the Company passed on 26 June 2007, the Company allotted and issued an aggregate of 1,530,625 shares of HK$0.1 each to the then shareholders of the Acquired Group which subscribed for the Company's shares at a cash consideration of HK$167,895,000 (equivalent to RMB163,005,000), of which RMB149,000 was credited to share capital and the balance of RMB162,856,000 was credited to the share premium account.

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities as at the balance sheet dates. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(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) Impairment

In considering the impairment losses that may be required for the Group's property, plant and equipment and construction in progress, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate the net selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgement relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling prices and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analyses and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

(c) Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in technique and competitor actions in response to adverse industry cycles. Management reassess these estimates at each balance sheet date.

33. FIRST TIME ADOPTION OF HKFRSS

(a) Reconciliation of total equity as at 1 January 2004 (date of transition to HKFRSs):

	RMB'000
Total equity of the Group under PRC GAAP	15,419
Total equity of the Group under HKFRSs	15,419

(b) Reconciliation of total equity as at 31 December 2006 (end of the latest period presented in the most recent annual financial statements under PRC GAAP):

	RMB'000
Total equity of the Group under PRC GAAP	258,854
Recognition of government grants as deferred income, net of deferred tax thereon	(4,048)
Total equity of the Group under HKFRSs	254,806

(c) Reconciliation of profit for the year ended 31 December 2006:

	RMB'000
Combined profit for the year under PRC GAAP	157,945
Recognition of government grants as deferred income, net of deferred tax thereon	(1,789)
Staff and workers' bonuses and welfare fund costs *(note)*	(8,040)
Combined profit for the year under HKFRSs	148,116

Note: Under PRC GAAP, staff and workers' bonuses and welfare fund costs are treated as an appropriation of profit after taxation. However, under HKFRSs, they are treated as expenses in the combined income statements. Under both PRC GAAP and HKFRSs, the staff and workers' bonuses and welfare fund is classified under current liabilities in the combined balance sheets.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING ON 1 JANUARY 2007

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2007 and which have not been adopted in the Financial Information.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the Financial Information:

		Effective for accounting periods beginning on or after
HK(IFRIC) 11	"HKFRS 2 – Group and treasury share transactions"	1 March 2007
HK(IFRIC) 12	"Service concession arrangements"	1 January 2008
HKFRS 8	"Operating segments"	1 January 2009
HKAS 23 (Revised)	"Borrowing costs"	1 January 2009
HK(IFRIC) 13	"Customer loyalty programmes"	1 July 2008
HKAS 1 (Revised)	"Presentation of financial statements"	1 January 2009

D. NON-ADJUSTING POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30 September 2007:

(a) Valuation of properties

For the purpose of the listing of the Company's shares on the SEHK, the properties of the Group were revalued at 30 November 2007 by Vigers Appraisal & Consulting Ltd.

(b) Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 12 January 2008, the Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in appendix VII to the Prospectus.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 September 2007.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong