

# 育源控

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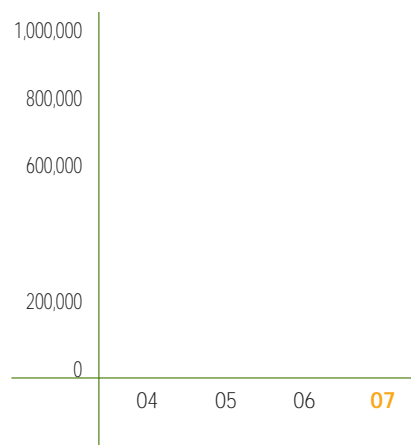


# Financial Highlights

## 財務摘要

### Four-Year Financial Summary 四年財務摘要

| RMB'000                                    | 人民幣千元         | 2004<br>二零零四年 | 2005<br>二零零五年 | 2006<br>二零零六年 | 2007<br>二零零七年    |
|--|---------------|---------------|---------------|---------------|------------------|
| Turnover                                   | 營業額           | 57,658        | 173,697       | 413,303       | <b>1,015,538</b> |
| Gross profit                               | 毛利            | 10,543        | 68,900        | 169,063       | <b>323,126</b>   |
| Profit from operations                     | 經營利潤          | 7,988         | 62,842        | 156,025       | <b>344,673</b>   |
| Profit attributable to equity shareholders | 權益股東應佔利潤      | 4,941         | 41,303        | 109,670       | <b>292,241</b>   |
| Basic earnings per share (RMB cents)       | 每股基本盈利 (人民幣分) | 0.99          | 8.26          | 21.85         | <b>58.23</b>     |
| Non-current assets                         | 非流動資產         | 17,981        | 109,450       | 134,500       | <b>277,879</b>   |
| Current assets                             | 流動資產          | 57,615        | 135,333       | 264,935       | <b>673,996</b>   |
| Current liabilities                        | 流動負債          | 27,568        | 75,543        | 129,285       | <b>289,521</b>   |
| Non-current liabilities                    | 非流動負債         | 150           | 14,981        | 15,344        | <b>29,637</b>    |
| Net assets                                 | 資產淨值          | 47,878        | 154,259       | 254,806       | <b>632,717</b>   |



# NEW BLOSSOM OF ENERGY SOURCE RENEWABLE

## 春回大地 萬象更新

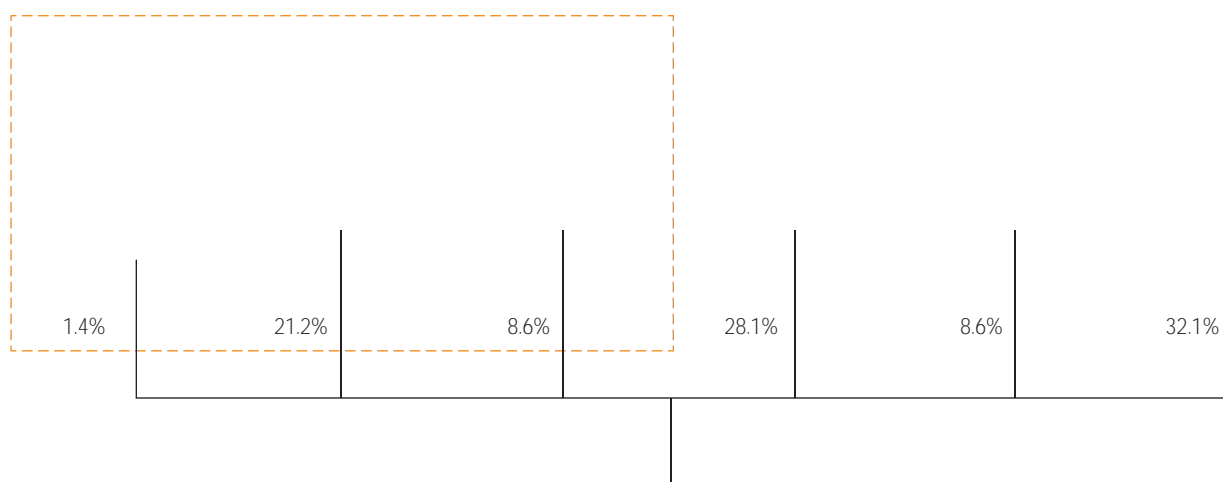
The Group underwent a corporate reorganisation in June 2007 by acquiring the WWX Group's solar energy business arm which engages in the production of monocrystalline solar ingot as well as reclaiming and upgrading of polysilicon. The acquisition has significantly improved the production capacity, enhanced the technology level, and attracted more professional talents to the Group.

本集團於二零零七年六月進行重組，收購了合晶科技集團旗下經營太陽能單晶硅錠製造及多晶硅回收及改良業務的太陽能事業部門，令本集團的產能、技術及專業人才均得到顯著的提升。



# Shareholding Structure

## 股東架構



- 1) Wafer Works Investment Corp., a company wholly-owned by Wafer Works Corp ("WWX"), which is listed on the Gre Tai Securities Market of Taiwan Stock Exchange. It is the world's 7th largest semiconductor grade silicon wafer manufacturer
- 2) Space Energy Corporation, a Japanese company engaged in the manufacturing and sale of silicon related products

- 1) Wafer Works Investment Corp. 為台灣證券櫃檯買賣中心上市公司，合晶科技股份有限公司(「合晶科技」)之全資擁有的公司，為全球第七大半導體硅片製造商
- 2) 宇宙能源株式會社為一家日本公司，從事硅材相關產品的產銷業務

# AT THE DAWN OF A NEW ERA

## 旭日初升 生機展現

Year 2008 marked a new era of Solargiga's development. Its successful listing on the Main Board of the Stock Exchange of Hong Kong Limited has strengthened its capital base, enhanced its corporate governance structure and placed it at a perfect platform to emerge as a market leader in the solar energy industry in the PRC and further around the globe.

陽光能源於二零零八年踏上一個新的里程，集團成功於香港聯合交易所有限公司主板上市，不僅加強了資本實力，更提升了企業管治，令陽光能源處於更有利的位置，有助其發展成為一家中國以至全球領先的太陽能企業。



### A rising sun with strong growth momentum

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the first set of annual results of Solargiga Energy Holdings Limited after its listing. For the year ended 31 December 2007, the Group attained outstanding results in further increase in productivity, enhancement of technology, strengthening of internal management and expansion of business network in our efforts, and is well positioned to realize opportunities in the market so as to achieve rapid business growth and encouraging financial performance.

With growing environmental concerns over global warming as well as surging prices of fossil fuels, the demand for green energy has escalated. Solar energy, as a new source of energy, is the most preferred renewable energy resource against others due to its infinity nature with wide applications. Many countries have proactively promoted the use and development of renewable energy and introduced incentive policies favorable to the development of solar energy industry. As the second largest manufacturer of monocrystalline silicon ingots in China, the Group underwent a corporate reorganisation in June 2007 by acquiring the Wafer Works Corp. Group's solar energy arm which engages in the production of monocrystalline solar ingot and reclaiming and upgrading of polysilicon. Such acquisition has significantly improved the production capacity and technology of the Group, and attracted more professional talents.

### 光芒展現 動力之源

各位股東：

本人謹代表董事會全人，欣然提呈陽光能源控股有限公司上市後首份全年業績。截至二零零七年十二月三十一日止年度內，本集團抓緊市場機遇，在進一步擴充產能、提升技術水準、加強內部管理及開拓業務網絡等多方面的努力下創出佳績，業務迅速增長，財務表現令人鼓舞。

隨著全球環保意識不斷提高，全球氣候暖化等問題日趨嚴重，加上化石燃料價格不斷攀升，市場對綠色能源的需求與日俱增。在自然界中可再生能源當中，以太陽能作為新能源供應來源最受注目，取其應用廣泛，生生不息，用之不竭的優點。世界多個國家已積極推廣使用及發展可再生能源，並推出有利太陽能產業發展之優惠措施。作為中國第二大的太陽能單晶硅製造商，本集團於二零零七年六月進行重組，收購了合晶科技集團旗下經營太陽能單晶硅製造及多晶硅回收及改良業務的太陽能事業部門，令本集團的產能、技術及專業人才均得到顯著的提升。

Thanks to the increasing scale of operations and the favorable environment in the market, the Group has recorded strong growth in sales of its core products, silicon ingot and wafer, which in turn brought the overall profit to new heights. During the year under review, turnover of the Group was RMB1,015.5 million, which represented a substantial increase of 145.7% over 2006. Gross profit and net profit improved by 91.1% and 166.5%, amounting to RMB323.1 million and RMB292.2 million respectively. Basic earnings per share increased by 166.5% to RMB58.23 cents.

The Group was successfully listed on the Main Board of Hong Kong Stock Exchange on 31 March 2008 and widely supported by international investors. Through strategic alliances with three leading players in solar energy industry, Wafer Works Corporation, Space Energy Corporation and Sumitomo Corporation, being our strategic investors, the Group has benefited from the shared management experience, enhanced technology on solar energy, strategic guidance and opportunity referrals provided. Meanwhile, strengths of the photovoltaic ("PV") value chain of the Group have been further enhanced to ensure adequate and stable supply of raw materials. As a result, the synergy effects will lead to win-win situation.

In addition, the Group has put more emphasis on corporate governance which is a major step forward for further internationalisation. I am confident that the leading position of the Group in the industry will be consolidated. Looking forward, the Group would strive for global expansion while reinforcing its market position in China, seeking to become the world's largest manufacturer of monocrystalline solar ingots and wafers. With the support of the shareholders, the Group will continue to strengthen its competitiveness to achieve remarkable results.

**CHIAO Ping Hai**

Hong Kong, 24 April 2008



本集團二零零七年的業績強勁增長，通過進一步擴充產能、提升技術水平，為迎接未來太陽能日趨普及的新增長機遇作好準備。

在經營規模擴大及有利的市場大趨勢下，本集團的主要產品硅錠及硅片錄得強勁的銷售增長，帶動整體盈利創出新高。在回顧年內本集團之營業額達到人民幣10.155億元，較二零零六年大幅上升145.7%，毛利及純利分別增長91.1%及166.5%至人民幣3.231億元及人民幣2.922億元。每股基本盈利增長166.5%至人民幣58.23分。

本集團於二零零八年三月三十一日成功在香港聯交所主板上市，獲得國際投資者的廣泛支持。本集團透過與合晶科技、宇宙能源株式會社及住友商事株式會社策略結盟，通過引入這三家在太陽能產業中領先的企業作為策略投資者，本集團能夠共用管理經驗及提升太陽能相關技術，並為本集團提供戰略指導及引薦商機，同時也有助進一步強化本集團於光伏產業價值鏈緊扣的優勢，確保充足及穩定的原材料供應，達到雙贏的協同效應。

此外，本集團強化了企業管治，為進一步國際化踏出重要的一步。本人有十足的信心，本集團在行業的領導地位將會更穩固。展望未來，除了加強在中國市場的地位以外，本集團致力飛揚國際，矢志成為全球最大太陽能單晶硅錠及硅片生產商。本集團將會繼續增強競爭優勢，務求以出色的業績表現，回饋股東的支持。

焦平海  
主席

香港，二零零八年四月二十四日



In 2007, the Group captured market opportunities by broadening the scope of business, increasing productivity, and enhancing operation efficiencies, and hence successfully securing its leading position among the manufacturers of monocrystalline solar ingots and wafers in China.

二零零七年，本集團積極開拓業務、擴大產能、提升營運效益，全力把握市場機遇，成功奠定其於中國太陽能單晶硅錠及硅片生產行業的領先地位。

TAN Wenhua, *Executive Director and President*  
譚文華 執行董事兼總裁

Benefited from the rapid growth of the global solar energy industry, the Group broadened its scope of business, expanded productivity, enhanced operation efficiencies and strengthened internal management. As a result, the Group achieved remarkable performance in 2007 with substantial growth in turnover and net profit, which is in line with the profit estimate set out in the Prospectus for initial public offering in March 2008.

### Business Overview

The Group has secured its leading position among the manufacturers of solar monocrystalline silicon ingots and wafers in China. The Group is China's second largest manufacturer of monocrystalline silicon ingots, measured in terms of production output and sales. Besides, the Group has also been widely recognized as a specialist in reclaiming and upgrading of polysilicon.

受惠全球太陽能產業的快速增長，本集團在積極開拓業務、擴大產能、提升營運效益，強化內部管理等措施下，全力把握市場機遇，於二零零七年取得理想的成績，營業額及純利均大幅增長，與本集團在二零零八年三月首次公開招股章程中所作出的盈利預測相符。

### 業務概覽

本集團已奠定其中國領先的太陽能單晶硅錠及硅片生產商的市場地位。以產量及銷售量計算，本集團為中國第二大單晶硅錠生產商，而其多晶硅料改良及回收專家的地位亦獲廣泛認同。



• Monocrystalline Solar Ingot Pullers 太陽能單晶硅錠拉制機

In addition, the Group has developed a value chain which connects global top suppliers, manufacturers of silicon as well as an extensive sales network, with strong and long term relationships established with a number of leading solar energy players, such as Sharp, Sumitomo Corporation and Suntech. Some of these leading players are both suppliers and customers of the Group. As such, the Group secures a strong international renowned customer base, and benefited from stable supply of raw materials at the same time. In this regard, the Group has enjoyed the benefits arising from such close relationship, taking the role as both customers and suppliers.

The Group integrates the advantages of high-skilled personnel and abundant low-cost labour from Mainland China with production technology and sales network of solar energy from Taiwan and Japan, allowing the Group to differentiate itself from its competitors.

## Market Overview and Business Strategies

The solar energy industry is entering a new era with immense potential. With increasing natural disasters caused by global warming, there are growing environmental concerns of cutting down carbon dioxide emission among countries and mankind. In addition to the escalating prices, conventional energy source generated from fossil fuels such as coal, crude oil and natural gas are facing a number of challenges. All these facilitated the emergence of renewable energy as alternatives. Solar energy has become a preferred choice due to its infinity nature with wide applications and installation friendliness, meeting the increasing needs of clean and safe energy with high efficiency among mankind. At present, many countries have proactively promoted the use and development of renewable energy by promulgating relevant laws and introducing incentive policies favourable to the development of solar energy industry. Such favourable conditions continue to support the rapid growth of the global solar energy industry.

此外，本集團也建立了全球頂尖硅材料供貨商、製造商及銷售網之價值鏈，與許多全球頂尖之太陽能企業成功建立長期深厚、緊扣相連的關係，包括夏普、住友商事株式會社及尚德太陽能等。這些太陽能行業內佔據領先地位的領導廠商不單是本集團的客戶，部份同時是本集團的供貨商，讓本集團一方面擁有穩固的全球知名客戶基礎，另一方面也可確保原材料供應充足，令本集團盡享客戶及供貨商之間的緊扣網絡所帶來的優勢。

本集團結合中國製造專才及當地人力資源之優勢，可在低勞工成本的基礎上，揉合臺灣及日本太陽能製造技術與銷售網絡，讓本集團相對於其他的同業於市場中，別具優勢。

## 市場概覽與佈局

太陽能產業現正面向一個潛力無可估量的市場。全球暖化，溫室效應造成天災不斷、人民的環保意識不斷提高、如何減少二氧化碳排量，以維護地球生活環境，已逐漸獲得各主要國家政府及人民之重視，加上化石燃料如煤、原油及天氣然等價格持續上升等因素，都促使可再生能源迅速掘起，成為替代能源。在眾多再生能源當中，以太陽能源能滿足人類乾淨、安全及使用便捷的需求，且其應用範圍廣、安裝方便、用之不竭等特點，成為可再生能源的首選。目前世界多個國家政府正積極推廣使用及發展可再生能源，落實有關法規，推出有利太陽能產業發展之優惠措施。這些利好因素均持續推動全球太陽能產業的快速增長。

According to Solarbuzz LLC's forecast in 2007, the global solar PV industry by MW of installations and revenues from 2006 through 2011 is expected to reach 7,630 MW and US\$31.5 billion respectively, rising at a CAGR of 34% and 24% respectively. Germany, Japan and Spain are currently the major markets in the solar photovoltaic ("PV") industry. Going forward, with the implementation of California's Million Solar Roofs initiative and the increasing efforts in developing the solar PV industry in other parts of the country, the US is expected to increase the installation capacity to 7,000MW by 2020. As one of the largest energy consumers in the world, China continues to possess immense market opportunities while Korea and Australia are expected to be the emerging countries in the solar industry.

根據 \*6s @019

Furthermore, the Chinese government has strongly supported the development of renewable energy by promulgating the Renewable Energy Law of PRC in January 2006. This has accelerated the promotion of cleaner energy technologies effectively. The Chinese government has also encouraged the use of solar energy as a clean energy by implementing subsidy programmes and incentive schemes. According to a white paper entitled China's Energy Conditions and Policies issued by the State Council of China on 26 December 2007, China will actively develop renewable energy and increase the utilization of renewable energy with the target to reach 10% and 15% of overall energy consumption in 2010 and 2020 respectively.

As for the Japan market, the Group has cooperated with another strategic shareholder Sumitomo, a leading player in the solar energy industry, to expand its business network. With Sumitomo being its distribution agent in Japan, the Group holds a positive outlook towards its future business growth in this market.

Major suppliers of polysilicon, the major raw material of the Group, are located in Europe, the US and Japan. Owing to the rapid growth of the solar energy industry, there is a serious shortage of polysilicon supply due to insufficient output, leading to escalating prices of this type of raw materials. Going forward, as the current polysilicon producing countries increases polysilicon output, along with new producers in China, Japan and Korea entering the market, the shortage is expected to be alleviated. Currently, the Group has already planned to secure the supply of polysilicon in 2008 for its own production. To ensure stable raw material supply in 2009 and further in the mid- to long-run, the Group plans to invest in the upstream polysilicon sector. The strategic investor Space Energy Corp. in Japan offers the Group stable raw material supply

for processing. Another strategic investor of the Group, Wafer Works, being the world's 7th largest semiconductor wafer manufacturer, has entered into long-term solar grade polysilicon supply agreements with two international acclaimed polysilicon suppliers to support the Group's rapid growth.

Therefore, leveraging on the Group's extensive sales network and solid foundation for production as well as sound reputation within the industry, the Group would benefit from the rapid growth in global PV industry, aiming at becoming the world's leading player in the solar energy industry.

## Operation review

### Advanced proprietary technical know-how on solar energy integrating expertise from China, Taiwan and Japan

The Group has advanced proprietary production know-how, such as the technologies on reclaimed silicon upgrading, crystal pulling for a mix of reclaimed and high-purity polysilicon, design of hot zone of crystal pulling, enhancement of slicing accuracy and yield rate, allowing the Group to occupy a leading position in the market.

Owing to its strong R&D capability, the Group has successfully secured orders from a number of major international customers in China, Japan and Europe. As the Group has strengthened its silicon reclaiming ability, cost of production has been reduced without sacrificing high quality of products. Furthermore, strengthened reclaiming ability has secured sufficient supply of reclaimed polysilicon in order to support the Group's anticipated strong growth in the production of solar ingots and wafers.

### Production model for high-efficiency vertical integration

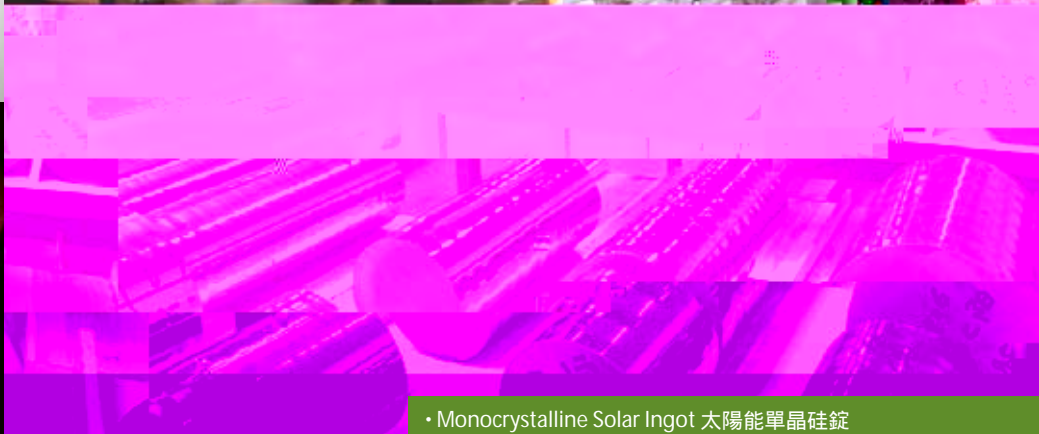
Solargiga has utilized various unique techniques to upgrade defective polysilicon which could not be used directly in technical processing, and appropriately implemented mix-use of such reclaimed polysilicon and high purity polysilicon for its production to deliver better quality at higher production efficiency and lower costs.



• Monocrystalline Solar Wafer 太陽能單晶硅片



• Monocrystalline Solar Ingot Pulling 太陽能單晶硅錠長晶過程



• Monocrystalline Solar Ingot 太陽能單晶硅錠

The Group's production facilities are located in Jinzhou and Shanghai. The Jinzhou plants are equipped with integrated production and upgrading facilities for raw materials, monocrystalline solar ingot pullers and wiresaws. The Jinzhou plants mainly engage in the manufacturing of monocrystalline solar ingots and wafers. Occasionally, at the request of customers, the Jinzhou plants also provide processing services in respect of polysilicon materials. In 2007, the annual production capacity of Jinzhou plants was 1,000 tons of ingots and 17 million pieces of wafers with light energy conversion capability of approximately 100MW, an increase of 25.0% and 89.0% respectively over the previous year.

It is expected that the annual production capacity of the Group will expand to 2,000 tons of ingots and 48 million pieces of wafers in 2008. The Group's plan is to further increase the capacity to 4,000 tons and 150 million pieces by 2009.

### Sales of Products

The Group has three main businesses:

- (a) The trading and manufacturing of monocrystalline silicon ingots and wafers;
- (b) The processing of solar ingots and wafers;
- (c) The upgrading and trading of polysilicon.

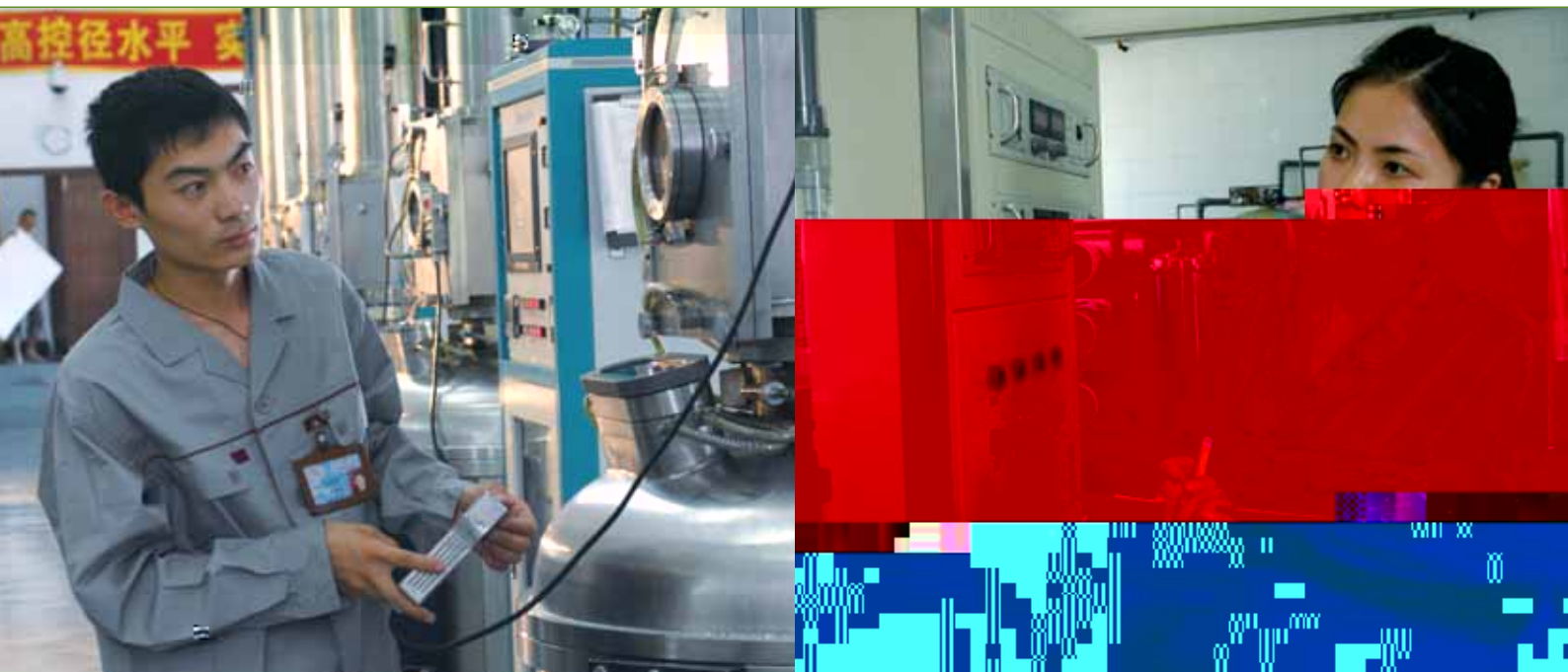
本集團的生產基地，位於錦州及上海兩地。錦州廠房擁有綜合生產基地，設有原材料改良設施，單晶硅錠拉制機及線鋸，以製造單晶硅錠及硅片為主，也會按客戶要求提供硅料加工服務。二零零七年錦州基地的年產量為1,000噸錠材及1,700萬片硅片，能轉化成約100兆瓦電力，分別較上年度上升25.0%及89.0%。

預計於二零零八年，本集團的硅錠的年產量將擴展至2,000噸，硅片的年產量達4,800萬片。預計二零零九年的年產量更會進一步增加，硅錠和硅片的年產量分別達到4,000噸和1.5億片。

### 產品銷售

本集團之收入來自三大業務，分別為

- (a) 買賣及製造單晶硅錠及硅片；
- (b) 提供太陽能硅錠及硅片的加工服務；
- (c) 改良及買賣多晶硅。



Since its inception, the Group has engaged in the manufacturing and sale of monocrystalline solar ingots. The Group currently produces monocrystalline solar ingots with various choices of diameter (ranging from 5.5 inches to 8 inches).

In response to customers' request for one-stop shop services for the products, the Group established its monocrystalline solar wafers facilities in 2006. The Group currently produces wafers of two choices of dimensions (125 x 125 mm and 156 x 156 mm) and a variety of thickness (from 180  $\mu$ m to 220  $\mu$ m).

The reclaiming, upgrading and recycling of polysilicon raw materials conducted by the Group includes the sorting of scrap silicon, separation of non-silicon material from scrap silicon and etching of scrap polysilicon with the aim to extract polysilicon raw material that can be used for production of solar ingots. Reclaiming, upgrading and recycling have become an increasingly important process in the PV manufacturing value chain because of the current polysilicon shortage. The Group has a team of skilled employees for cleaning and testing broken wafers and other reclaimable materials.

#### 產銷太陽能單晶硅錠

本集團自成立以來一直從事產銷太陽能單晶硅錠，現時生產之太陽能單晶硅錠有多種直徑（介乎5.5吋至8吋）。

#### 產銷單晶硅片

本集團於二零零六年設立太陽能單晶硅片設施，以滿足客戶對產品一站式商鋪服務之需求。本集團現時生產之太陽能硅片主要有兩種尺寸（125 x 125毫米及156 x 156毫米）及多種厚度（介乎180微米至220微米）。

#### 多晶硅原材料回收及改良服務及太陽能硅錠及太陽能硅片之加工服務

本集團提供的多晶硅原材料旅戶改芒卞標約 檣鯨 馨括廢兔日

During the year under review, revenue of the Group was primarily generated from trading and manufacturing of monocrystalline silicon ingots and wafers, accounting for 21.7% and 63.4% respectively of total revenue of the Group. Revenue from processing of solar ingots and wafers accounted for 8.3% and 1.0% respectively of total revenue of the Group. Revenue from upgrading and trading of polysilicon accounted for 1.5% and 4.1% respectively.

### Research and development

Enhancement of R&D technology has been another key focus of the Group. During the year under review, in addition to the successful expertise integration of advanced proprietary technical know-how on solar energy from China, Taiwan and Japan, the Group's future research and development activities will be principally directed towards the development and implementation of more advanced process technologies to reduce cost and achieve higher production efficiency. In particular, the Group is committed to reduce the amount of polysilicon required in its production of ingots and wafers, and makes its customers to improve the PV cell conversion rate by delivering high quality products.

During the year under review, the research and development team successfully introduced 20 inch hot zone for the production of 156 x 156 mm wafers. 156 x 156 mm wafers were previously produced by using 18-inch hot zone on a limited scale. Compared with 18 inch hot zone, 20 inch hot zone has a higher production efficiency of 156 x 156 mm wafers. 156 x 156 mm wafers produced in 20 inch hot zone were put into commercial production in 2007.

In view of the worldwide shortage of polysilicon raw material, the Group may also commence research and development on the use of metallurgical silicon in the production of monocrystalline solar ingots. Furthermore, with the increase in production capacity of monocrystalline solar wafers starting from the second quarter of 2008, the Group will explore whether the waste silicon powder produced during the wafer manufacturing process can be reclaimed for ingot production.

回顧年內，本集團的主要收入來自買賣及製造單晶硅錠及硅片，分別佔本集團總收入之21.7%及63.4%，其次為提供太陽能硅錠及硅片的加工服務，分別佔總收入之8.3%及1.0%，而改良及買賣多晶硅則分別佔總收入之1.5%及4.1%。

### 研究及發展

本集團另一發展重點是提升研發技術。回顧年內，本集團除已成功結合中國、台灣及日本的先進專有太陽能技術，未來本集團研究及發展之主要方向，為發展及採用更先進加工技術，以減低成本及達致更高生產效率。本集團致力於減少生產硅錠及硅片所需的多晶硅用量且藉由提供高質量產品以改良客戶端的電池轉換效率。

回顧年內，本集團之研發團隊為156 x 156毫米硅片的生產成功引入20吋熱場。156 x 156毫米硅片以往採用18吋熱場製造，生產規模有限。用20吋熱場生產156 x 156毫米硅片較用18吋熱場有更高的生產效率。20吋熱場生產之156 x 156毫米硅片已於二零零七年投入商業生產。

鑒於全球多晶硅原材料供應短缺，本集團亦可能會開始研發在太陽能單晶硅錠生產中採用冶金硅。此外，待二零零八年第二季開始提升太陽能單晶硅片產能後，本集團將探討硅片制程中所產生的硅粉廢料，是否可回收作生產硅錠之用。



3. *Maintain cost effective operations through R&D technology*

In relation to R&D, the Group will constantly reinforce research cooperation with other advanced science and technology institutes and universities. For instance, the Group has entered into a co-operation agreement with Dalian Polytechnic University to set up a research centre to conduct research in solar energy related technology. By constant research and development, capacities of ingot crystallization, wafer slicing, reclaim and upgrade of polysilicon of the Group will be enhanced.

With our expertise in solar energy industry, professional management team with extensive experience and clear development strategies, I am confident rapid growth in the business of the Group will be achieved and the best return will be brought to our shareholders and investors.

.....  
**TAN Wenhua**

Hong Kong, 24 April 2008

三. *提升研發技術降低成本*

在研發方面，本集團會繼續加強與其他先進科技機構及大學研究合作，如集團已與大連理工大學簽訂合作協議，建立一家研究中心進行有關太陽能技術之研究。透過持續的研發工作，提升本集團於錠材結晶、硅片切削、多晶硅料回收及改良之能力。

本集團將繼續通過我們在太陽能行業的專長及經驗豐富的專業管理團隊，清晰的發展策略，深信會令本集團的業務保持高速的發展，為我們的股東及投資者帶來最佳回報。

譚文華  
*執行董事兼總裁*

香港，二零零八年四月二十四日



With growing environmental concerns over global warming as well as surging prices of fossil fuels, the demand for green energy has escalated and many countries have proactively promoted the use and development of renewable energy. Solar energy, as a new source of energy, is the preferred renewable energy source against others due to its infinity nature with wide applications.

# Management Discussion and Analysis

## 管理層討論及分析

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### Corporate Reorganisation

The Company was incorporated in the Cayman Islands on 7 March 2007 as an exempted company with limited liability under the Company Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to the Reorganisation of the Group to rationalize the Group's structure, the Company has been re-listed on the GSE under the name of "GSE Limited" (Stock Code: 8080). The Company's shares are listed on the GSE under the name of "GSE Limited" (Stock Code: 8080).

## Turnover

The Group's turnover increased year-on-year by 145.7%, from RMB413.3 million in 2006 to RMB1,015.5 million in 2007. This increase was mainly driven by the full operations of the facilities of Jinzhou Yangguang factory since mid 2006 and the increase in the market price of monocrystalline silicon ingots. This led to the drastic growth of the following operations:

1. Strong sales of monocrystalline silicon ingots and wafers, which surged by 121.2% from RMB390.9 million to RMB864.7 million. This is attributable to both increases in sales volume and average selling prices. The volume of ingot sold increased from 123,924 kg in 2006 to 150,837 kg in 2007, while volume of wafers sold increased from 5.4 million pieces to 14.5 million pieces.
2. Increased revenue from processing service fees, which rose by 3.9 times, from RMB22.4 million in 2006 to RMB109.6 million in 2007. The volume of ingot processed increased from 39,432 kg to 424,920 kg while the volume of wafer processed increased from 907,442 pieces to 1,239,896 pieces.

In terms of geographical contribution, overseas sales especially to Japan, increased considerably by 285.2% to RMB382.6 million and accounted for 37.7% of the Group's consolidated revenue, while the remaining were generated from Taiwan (11.1%), Europe (6.5%), North America (7.5%), PRC (36.7%) and others (0.5%). This indicated that the Group's high quality products satisfied the stringent requirements of overseas customers, especially for Japanese ones.

## 營業額

本集團的營業額由二零零六年的人民幣413,300,000元增至二零零七年的人民幣1,015,500,000元，同比增長145.7%。營業額增加主要受錦州陽光設施於二零零六年中甸全面營運以及單晶硅錠的市價上升所致。這帶動以下營運大幅增長：

1. 單晶硅錠及硅片的銷售強勁，由人民幣390,900,000元增至人民幣864,700,000元，增幅達121.2%。這主要是由於銷售量及平均售價均增加所致。2007年銷量增加，由2006年的123,924公斤增至150,837公斤，而硅片銷量則由5.4 million pieces增至14.5 million pieces。



• Quality Control 質量監控

## Cost of sales

Cost of sales increased by RMB448.2 million, or 183.5%, from RMB244.2 million in 2006 to RMB692.4 million in 2007. The increase was in line with the substantial increase in turnover and reflected the increase in raw material price. As a percentage of total turnover, cost of sales increased from approximately 59.1% to 68.2%.

The increase in raw material costs was mainly due to shortage of polysilicon, which led to (i) an increase in the price of the silicon raw materials, as well as (ii) more intensive upgrading steps taken in order to make use of lower quality silicon in the ingot production process. Another reason for the increase was that there was RMB18.0 million fair value adjustments on the inventories of the Acquired Group upon the acquisition so the cost of sales of the Group increased by RMB18.0 million upon sales of those inventories.

As a result of the acquisition of production facilities from the Acquired Group in June 2007, and as additional monocrystalline silicon ingot and wafer production facilities began production since 2006, there was an increase in depreciation expenses. Staff cost also increased with the expansion of the Original Group's production, but remained stable as a percentage of total cost of sales.

## 銷售成本

銷售成本由二零零六年之人民幣244,200,000元增加至二零零七年之人民幣692,400,000元，增加人民幣448,200,000元，或183.5%。該增加乃由於營業額大幅增加及原材料價格上升所致。銷售成本佔總營業額的百分比，由約59.1%增至68.2%。

原材料成本增加主要由於多晶硅短缺，導致(i)硅原材料的價格上漲，加上(ii)於硅錠生產過程中採用質量較次的硅材，故需採取較密集的改良步驟。增加的另一原因是，被收購集團存貨於收購時產生公平值調整人民幣18,000,000元，因而於存貨出售時，導致本集團銷售成本增加人民幣18,000,000元。

由於二零零七年六月向被收購集團收購生產設施，以及由於額外單晶硅錠及硅片的生產設施已於二零零六年開始投產，使折舊開支有所增加。隨著原集團的生產擴大，員工成本亦有所增加，但佔銷售成本總額的百分比則維持穩定。

## Gross profit and gross profit margin

The gross profit of the Group increased by RMB154.0 million, or 91.1%, from RMB169.1 million for 2006 to RMB323.1 million for 2007 because of the substantial increase in the revenue as a result of the increased sale of monocrystalline silicon ingots and wafers.

Gross profit margin declined from approximately 40.9% in 2006 to 31.8% for the year ended 31 December 2007. This was mainly because of the increase in raw material costs in 2007 and the increase in inventories by approximately RMB18.0 million, resulting from the fair value adjustment on the acquisition of the Acquired Group. Excluding this individually significant non-recurring impact, the gross profit margin for the year ended 31 December 2007 would be 33.6%.

## Other revenue

Other revenue mainly comprised gain on acquisition of the Acquired Group amounting to RMB74.8 million in 2007, government grants and interest income from bank deposits. Gain on acquisition of the Acquired Group was the difference between fair value of net assets of the Acquired Group at the acquisition date and the acquisition consideration.

## Other net loss

Other net loss mainly comprised net foreign exchange loss amounting to RMB8.4 million or 1.3% of foreign sales. The loss arose from the appreciation in RMB, the reporting currency, during the time gap between the transaction date and the settlement date, and the fact that the Group's foreign sales amount was larger than its foreign purchases.

## Selling and distribution expenses

Selling and distribution expenses comprised mainly packaging expenses, freight charges and insurance expenses. There was an increase of 108.6%, from RMB2.125 million for 2006 to RMB4.432 million for 2007, accounting for less than 0.5% of the Group's total turnover. It was in line with the increase in turnover.

## 毛利及毛利率

本集團的毛利由二零零六年的人人民幣169,100,000元，增至二零零七年的人人民幣323,100,000元，增加人民幣154,000,000元，或91.1%，此乃由於單晶硅錠及硅片的銷售增加，以致收入大幅增加所致。

毛利率由二零零六年約40.9%降至截至二零零七年十二月

級陪 ' 額

標 類續線編關種慶儲運并碧機收制前

## Administrative expenses

Administrative expenses comprised mainly staff costs and bonuses. As a result of Jinzhou Yangguang commencing full operation in mid 2006 and the recruitment of senior management to manage the expanded business after the acquisition of the Acquired Group, staff costs and related expenses increased accordingly. In line with the increase in turnover, it increased by 210.6% from RMB15.2 million for 2006 to RMB47.2 million 2007 and accounted for 4.6% of the Group's turnover.

## Finance costs

The Group's finance costs increased by RMB3.7 million, or 95.6%, from RMB3.9 million for 2006 to RMB7.6 million for 2007. Finance costs represented mainly interest on bank loans and other borrowings wholly repayable within five years and interests on municipal government loan. The reason for the increase in finance costs was due to increase in borrowings to finance operation expansion and the acquisition of the Acquired Group. However, with the increase in turnover, the percentage ratio of finance costs to total turnover reduced from approximately 0.9% to 0.7%.

## Income tax

Income tax increased by RMB16.6 million or 410.8% from RMB4.0 million for 2006 to RMB20.6 million for 2007 mainly due to increase in the profit before taxation in 2007. The effective income tax rate increased from 2.7% for 2006 to 6.1% for 2007.

## Profit before taxation and profit for the year

The Group's profit from operations increased by RMB188.6 million, or 120.9%, from RMB156.0 million for 2006 to RMB344.7 million for 2007 as a result of the increase in gross profit, the relatively stable and low operating expenses and gain on acquisition of the Acquired Group. Profits from operations represented 37.8% and 33.9% of the total turnover of the Group for 2006 and 2007, respectively.

Profit before taxation increased from RMB152.2 million for 2006 to RMB337.1 million for 2007, representing an increase of 121.6%. A substantial portion of such increase was attributable to the gain on acquisition of the Acquired Group and the increase in profit of Jinzhou Yangguang Energy Co., Ltd.. Profit before taxation as a percentage of total turnover decreased from 36.8% for 2006 to 33.2% for 2007.

## 行政開支

行政開支主要包括員工成本及花紅。因錦州陽光於二零零六年中旬開始全面營運並於收購被收購集團後聘用高級管理層管理已擴充業務，員工成本及相關開支相應增加。行政開支由二零零六年的人民幣15,200,000元，增至二零零七年的人民幣47,200,000元，增加210.6%，佔本集團營業額的百分比的4.6%，增幅與營業額增幅相符。

## 融資成本

本集團的融資成本由二零零六年的人民幣3,900,000元增至二零零七年的人民幣7,600,000元，增加人民幣3,700,000元，或95.6%。融資成本主要為銀行貸款及其他須於五年內全數償還借貸的利息，以及市政府貸款的利息。融資成本增加乃由於增加借貸撥資擴充經營業務及收購被收購集團。然而，隨著營業額增加，融資成本佔總營業額的百分比亦由約0.9%減少至0.7%。

## 所得稅

所得稅由二零零六年的人民幣4,000,000元，增至二零零七年的人民幣20,600,000元，增加人民幣16,600,000元，或410.8%，主要由於除稅前利潤增加所致。實際所得稅率由二零零六年的2.7%增至二零零七年的6.1%。

## 除稅前利潤及年度利潤

本集團的經營利潤由二零零六年的人民幣156,000,000元，增至二零零七年的人民幣344,700,000元，增加人民幣188,600,000元，或120.9%，增加主要由於毛利增加及經營開支較穩定及低，加上收購被收購集團取得的收益所致。經營利潤分別佔本集團二零零六年及二零零七年總營業額的37.8%及33.9%。

除稅前利潤由二零零六年的人民幣152,200,000元，增至二零零七年的人民幣337,100,000元，增幅為121.6%。增加主要由於獲取收購被收購集團的收益及錦州陽光能源有限公司的利潤上升所致。除稅前利潤佔總營業額的百分比，亦由二零零六年的36.8%，降至二零零七年的33.2%。

Profit for the year increased by RMB168.4 million, or 113.7%, from RMB148.1

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The inventory turnover days dropped from 107 days for 2006 to 77 days for 2007 owing to the acquisition of the Acquired Group which had a lower inventory turnover days.

### Trade receivable analysis

The trade receivable turnover days were 36 days and 31 days for 2006 and 2007, respectively.

The Group has strategically chosen to co-operate with leading international solar cell producers, measured in terms of production capacity, whose credit periods were normally longer than other local customers. The Directors consider that such turnover days were at low levels and were within the credit periods of the Group granted to its customers. The Group normally allows a credit period of 30 to 90 days to its customers.

### Trade payable analysis

The trade payable turnover days were 51 days and 24 days for 2006 and 2007 respectively.

Given the established relationship, the Acquired Group, as a supplier, allowed the Group to have a longer payment period leading to a higher trade payable turnover days in 2006. The drop to 24 days for 2007 was due to the elimination of trade payable to the Acquired Group as the acquisition of the Acquired Group was completed in June 2007.

### Turnover days calculation

For 2006, The inventory turnover day is calculated based on the average of the beginning and ending balances of the inventories divided by the cost of sales for the year, multiplied by 365 days.

For 2007, as the inventory balances as at 31 December 2007 included those of the Acquired Group, the inventory turnover days for 2007 is calculated based on the average balance of the unaudited proforma inventory balance of the Enlarged Group (ie. the Group as enlarged by the Acquired Group after completion of the acquisition of the Acquired Group on 26 June 2007) as at 31 December 2006 and the audited consolidated inventory balance of the Original Group as at 31 December 2007 divided by the unaudited proforma cost of sales of the Enlarged Group for 2007, which is then multiplied by 365 days.

存貨週轉日由二零零六年的107日降至二零零七年的77日，此乃由於收購存貨週轉日較低的被收購集團所致。

### 應收貿易賬款分析

二零零六年及二零零七年的應收貿易賬款週轉日分別為36日及31日。

本集團策略性挑選產能領先的國際太陽能電池製造商作為其合作夥伴，此等合作夥伴的信貸期一般較其他本地客戶為長。董事認為該等週轉日數處於低水平，並不超出本集團向其客戶授出的信貸期。本集團一般向其客戶授出介乎30至90日的信貸期。

### 應付貿易賬款分析

二零零六年及二零零七年的應付貿易賬款週轉日分別為51日及24日。

鑒於彼等固有的關係，被收購集團(作為供應商)於二零零六年容累其付款期，導致本集團的應付貿易賬款週轉日數。二零零七年減至24日乃由於收購被收購集團已於二零零七年六月完成，故撇銷應付被收購集團的貿易賬款所致。

### 週轉日的計算

就二零零六年，存貨週轉日乃按年初及年末存貨平均結餘除以年度銷售成本按365日計算。

就二零零七年，二零零七年十二月三十一日的存貨結餘已併入被收購集團者綜合計算，二零零七年的存貨週轉日乃按照經擴大集團(即經二零零七年六月二十六日完成收購被收購集團後獲被收購集團擴大的集團)於二零零六年十二月三十一日未經審核備考存貨結餘與原集團於二零零七年十二月三十一日經審核綜合存貨結餘的均結餘，除以經擴大集團二零零七年未經審核備考銷售成本按365日計算。

The above principle is also applied to the calculation of trade receivables and payables turnover days.

上述原則亦應用於計算應收及應付貿易賬款的週轉日。

## Liquidity and financial resources

The Group's principal sources of working capital have been the cash flow from operating activities and bank borrowings. As at 31 December 2007, the Group showed a current ratio of 2.33 and a net cash position. It represented a healthy financial position for future development. The gearing ratio of the Group was 20.5% (2006: 22.7%), which was calculated based on total borrowings over the total share capital and reserves of the Group.

## 流動資金及財務資源

本集團主要營運資金來源一直為經營活動的現金流量及銀行借貸。於二零零七年十二月三十一日，本集團的流動比率為2.33，且處於現金淨額狀況。本集團的財政狀況穩健，足以應付未來發展。本集團的負債比率為20.5%（二零零六年：22.7%），此乃將總借貸除以本公司股本及儲備之總和計算。

## Improving current ratio

The current ratio being current assets over current liabilities, increased from 2.05 as at 31 December 2006 to 2.33 as at 31 December 2007.

## 流動比率日漸改善

流動比率即流動資產除以流動負債，由二零零六年十二

## Net cash position

The Group was at a net cash position at 31 December 2007 with cash and cash equivalents of RMB349.0 million and outstanding borrowings of RMB129.9 million. Both cash and cash equivalents as well as borrowings were denominated in RMB.

## Capital Structure

Please refer to Note 27 of the Auditor's Report.

## Borrowings and bank facilities

The outstanding borrowings comprised short-term bank loans of RMB127.0 million and a long-term municipal government loan of RMB2.9 million with effective interest rates of 6.71% and 7.44% respectively.

As at 31 December 2007, the Group had total banking facilities of RMB752.0 million and utilised banking facilities amounted to RMB127.0 million. Deposits of RMB120,000 were pledged as security for issuance of letters of credit.

## Contingent liabilities

As at 31 December 2007, there were no material contingent liabilities.

## Foreign currency risk

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

## Use of net proceeds from the Company's initial public offering

The Company was listed on the Stock Exchange on 31 March 2008. The net proceeds from the Company's issue of new shares (after deducting underwriting commission and related expenses) amounted to approximately HK\$670.7 million, which are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of

## Future plans and strategies

Going forward, to achieve the goal of becoming the world's leading player in the solar energy industry, the Group will further improve the quality of its solar ingots and wafers and through the following strategies for further business expansion:

- **Expand production capacity and increase market share in the monocrystalline silicon ingot and wafer markets in the world**
  - Upon completion of the expansion plan Jinzhou Rixin, one of the Group's manufacturing bases, the Group will have 196 monocrystalline silicon ingot pullers and 24 wiresaws by the second



# Corporate Governance Report

## 企業管治報告

### Overview

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. Despite the fact that the Group was a private company in the year under review, the Board of Directors (the "Board") strived to uphold good corporate governance and adopt sound corporate governance practices. This report outlines the principles and the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which have been adopted by the Group.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in appendix 14 of the Listing Rules and appointed a qualified accountant to oversee the financial reporting procedures and internal controls of the Group so as to ensure compliance with the Listing Rules. It has also established an audit committee, a nomination committee and a remuneration committee with defined terms of reference. The terms of reference of these board committees are available upon request.

The Group has implemented a compliance manual which covers areas such as ongoing compliance obligations of the Company and the Directors, business operations of the Group, financial management systems, human resources management systems, internal control systems, quality assurance and property management systems.

Since the listing of the shares of the Company on the Main Board of the Stock Exchange on 31 March 2008, all the code provisions set out in the Code were met by the Company.

### Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions since the Company's listing on 31 March 2008.

### 概覽

在本集團管理架構及內部監控程序引進良好企業管治方面，董事肯定了這事的重要性，因為為此舉達致有效的問責性。儘管本集團於回顧年內為一家私人公司，董事會（「董事會」）致力維持良好的企業管治，採納良好的企業管治常規。本報告對已獲本集團採納香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載之企業管治常規守則（「守則」）之原則及守則條文作出略述。

根據上市規則規定，本公司根據上市規則附錄十四企業管治常規守則的規定成立審核委員會，委任合資格會計師監督本集團財務報告程序及內部監控，確保遵守上市規則。本公司亦成立審核委員會、提名委員會及薪酬委員會，該等委員會均具有界定的職權範圍。本公司備有該等董事委員會的職權範圍，需要時可供索取。

本集團亦制定遵例手冊，範圍涵蓋本公司及董事的持續遵例責任、本集團的業務運營、財務管理制度、人力資源管理制度、內部監控制度、質量保證及物業管理制度等方面。

自本公司股份於二零零八年三月三十一日在聯交所主板掛牌後，本公司已遵守守則所載的全部守則條文。

### 遵守董事進行證券交易的標準守則

本公司已採納上市規則附錄十所載的上市發行人董事進行證券交易的標準守則（「標準守則」），作為董事進行證券交易的準則。本公司已特別向全體董事查詢，全體董事確認，自本公司於二零零八年三月三十一日上市後，他們均已符合標準守則及其有關董事進行證券交易操守守則規定的準則。

## The Board of Directors

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of overall business strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have the responsibility to act objectively in the interests of the Company.

Currently, the Board comprises nine Directors, including three executive Directors including Mr. TAN Wenhua, Mr. HSU You Yuan and Ms. ZHANG Liming, two non-executive Directors including Mr. CHIAO Ping Hai and Mr. CHONG Kin Ngai and four independent non-executive Directors, including Mr. WONG King Kuen, Albert, Ms. FU Shuangye, Dr. LIN Wen and Mr. ZHANG Chun. Among the nine Directors, one of the non-executive Directors, Mr. CHIAO Ping Hai was appointed to be the G.

Since the Company was incorporated in March 2007, during the year under review, only one meeting was held by the Board and the attendance of year of the Directors is set out as follows:

The attendance of individual Directors at these meetings is set out below:

| Name of Directors  | Attendance |
|--|------------|
| <b>Executive Directors</b>   |            |
| Mr. TAN Wenhua   | 1/1        |
| Mr. HSU You Yuan   | 1/1        |
| Ms. ZHANG Liming   | 1/1        |
| <b>Non-executive Directors</b>   |            |
| Mr. CHIAO Ping Hai (chairman)  | 1/1        |
| Mr. CHONG Kin Ngai   | 1/1        |
| <b>Independent Non-executive Directors</b>                               |            |
| Mr. WONG Wing Kuen, Albert<br>(not yet appointed at the time of meeting) | 0/1        |
| Ms. FU Shuangye<br>(not yet appointed at the time of meeting)            | 0/1        |
| Dr. LIN Wen<br>(not yet appointed at the time of meeting)                | 0/1        |
| Mr. ZHANG Chun<br>(not yet appointed at the time of meeting)             | 0/1        |

### Independent non-executive Directors

All independent non-executive Directors of the Group possess a wealth of professional and industry expertise and management experience and have provided their professional advices to the Board. They have played a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. In particular, they bring an impartial view to bear on issues of the Company's strategy, performance and control. The Board also considers that independent non-executive Directors provide independent advice on the Company's business strategy, results and management so that all interests of shareholders are taken into consideration, and the interests of the Company and its shareholders are taken into account in all business decisions.

鑒於本公司於二零零七年三月方才註冊成立，回顧年內，董事會僅舉行一次會議，而董事出席情況載列如下：

個別董事出席有關會議的情況載列如下：

| <b>董事會會議</b>          |     |
|-----------------------|-----|
| 董事姓名                  | 出席率 |
| <b>執行董事</b>           |     |
| 譚文華先生                 | 1/1 |
| 許祐淵先生                 | 1/1 |
| 張麗明女士                 | 1/1 |
| <b>非執行董事</b>          |     |
| 焦平海先生(主席)             | 1/1 |
| 莊堅毅先生                 | 1/1 |
| <b>獨立非執行董事</b>        |     |
| 王永權先生<br>(於舉行會議時未獲委任) | 0/1 |
| 符霜葉女士<br>(於舉行會議時未獲委任) | 0/1 |
| 林文博士<br>(於舉行會議時未獲委任)  | 0/1 |
| 張椿先生<br>(於舉行會議時未獲委任)  | 0/1 |

### 獨立非執行董事

本集團所有獨立非執行董事均具備豐富的業界專業知識及管理經驗，能為董事會提供專業的意見。由於他們能提供獨立判斷，故在董事會中擔當重要的角色，董事會作出決定時多會考慮他們的意見。尤其在本公司策略、業績及監控方面，他們可帶出不偏不倚的觀點。董事會亦認為，獨立非執行董事就本公司的業務策略、業績及管理提供獨立意見，因此，股東的所有利益已獲考慮，亦在所有商業決定中顧及本公司及其股東的利益。

## Appointments, Re-election and Removal of Directors

Each of the executive Directors of the Company has entered into a service contract with the Company for a specific term of three years commencing from 31 March 2008. Such terms are subject to re-appointment by the Company at an annual general meeting upon retirement.

All of the independent non-executive Directors and non-executive Directors were appointed for an initial term of three years from 1 February 2008, and are subject to retirement by rotation and reelection in accordance with the articles of association of the Company. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

## Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The role of the Chairman is performed by Mr. CHIAO Ping Hai. Mr. CHIAO is a non-executive Director who is responsible for the management of the Board but does not involved in the day-to-day management of the Group's business. He has contributed valuable input to the Group's business direction with a wealth of industry expertise.

The Company has not appointed a chief executive officer during the period under review. The overall management of the Company was performed by executive directors and senior management of the Company. Mr. Tan Wenhua,

### **Remuneration Committee**

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 27 February 2008 in compliance with appendix 14 of the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee consists of five members (including the four independent non-executive Directors and Mr. TAN Wenhua, an executive Director) and Ms. FU Shuangye, an independent non-executive Director, is the Chairman of the Remuneration Committee.

### **Nomination Committee**

The Company established a Nomination Committee pursuant to a resolution of the Directors passed on 27 February 2008 in compliance with appendix 14 of the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the Company's policy and structure for recruiting Directors and senior management and on the establishment of a formal and transparent procedure for nomination procedures and process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management. The Nomination Committee consists of five members (including the four independent non-executive Directors and Mr. HSU You Yuan, an executive Director) and Dr. LIN Wen, an independent non-executive Director, is the Chairman of the Nomination Committee.

## **Financial Reporting and Internal Control**

### **Financial Reporting**

The Board, supported by the Chief Financial Officer and the Finance Department, is responsible for the preparation of the financial statements of the Company and the Group. In the preparation of financial statements, Hong Kong Financial Reporting Standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

### **External Auditor**

During the year ended 31 December 2007, the fee paid/payable to the external auditor of the Company in respect of audit services amounted to approximately RMB1.

## Internal control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. The Company conducted regular review and monitor of the Company's internal management and operation during the year. Procedures have been designed to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

In order to fulfill their fiduciary duties and duties of skill, care and diligence, the Directors will constantly seek advice and assistance from the Company's internal legal team and if in further doubt, seek advice from external legal advisors in Hong Kong and the PRC. The Company also adopted internal control procedures relating to, among others, signing authority and procedures since February 2007. The Company has an audit and legal department consisting 3

- providing legal advice and reaching major business decisions
- reviewing and drafting legal documents



**DIRECTORS** (Continued)**Executive Directors** (Continued)

Ms. ZHANG Liming (張麗明), aged 50, the Director of Administration (行政總監) of the Jinzhou Plants. She joined the Original Group (ie. the Group prior to the acquisition of the Acquired Group) on 1 April 2003 responsible for overseeing, amongst others, the administration of the Original Group. She is also the chairman of the labour union of the Jinzhou Plants. She graduated from 中共中央黨校經濟管理系 (Central Party School in Economic Management\*) in 1996. Prior to joining the Group, she was appointed as the head of the supply division of 錦州石英玻璃儀器廠 (Jinzhou Quartz Glass Instrument Factory\*), the director of management of 錦州京旭晶體材料制造有限責任公司 (Jinzhou Crystalline Material Co., Ltd.\*) during 1993 to 1994 and the general manager of 錦州華明水晶工藝品有限公司 (Jinzhou Huaming Crystal Art & Craft Co., Limited\*) during 1994 to 2003.

**Non-executive Directors**

Mr. CHIAO Ping Hai (焦平海), aged 57, the Chairman of the Board. He was appointed a non-executive Director in July 2007. He graduated from the Chung Yuen University with a bachelor degree in Chemical Engineering and master degree in Chemistry from the University of California, San Jose in 1973 and 1978, respectively. He is the Chairman and General Manager of WWX, a company listed on the Gre-Tai Securities Market in Taiwan, the President of Helitek Company Ltd., a subsidiary of WWX, and the Chairman of Shanghai Jingji, a subsidiary of the Company. Mr. Chiao is also a director of ACME Electronics Corp., which is also listed on the Gre-Tai Securities Market in Taiwan.

Mr. CHONG Kin Ngai (莊堅毅), aged 56, a non-executive Director. He joined the Group in June 2002 when Prosperity Lamps & Components ("PLC") became a joint venture partner of Jinzhou Huachang. He was appointed a non-executive Director in July 2007. Mr. CHONG obtained his bachelor of Arts degree from the University of Hong Kong and obtained his Master of Business Administration degree from the Chinese University of Hong Kong. He is the Chairman of board of director of PLC, Vice Chairman of the board of director of Foshan Electrical and Lighting Company Limited, a company listed on Shenzhen Stock Exchange, and Vice Chairman of Jinzhou Youxin. He has been engaging in the production and trading of electro-optical products for more than 30 years.

**董事(續)****執行董事(續)**

張麗明女士，50歲，錦州廠行政總監。彼於二零零三年四月一日加盟原集團(即收購被收購集團前之本集團)，專責監督(其中包括)原集團的行政，同時出任錦州廠工會主席。彼於一九九六年畢業於中共中央黨校經濟管理系。加盟本集團前，彼於一九九三年至一九九四年間獲委任為錦州石英玻璃儀器廠供應科科長及錦州京旭晶體材料制造有限責任公司管理董事，並於一九九四年至二零零三年間獲委任為錦州華明水晶工藝品有限公司總經理。

**非執行董事**

焦平海先生，57歲，董事會主席。二零零七年七月獲委任為非執行董事。彼於一九七三年畢業於中原大學，獲頒化學工程學士學位，並於一九七八年畢業於加州聖荷西大學，獲頒化學碩士學位。彼出任台灣證券櫃檯買賣中心上市公司合晶科技董事長兼總經理、合晶科技附屬公司 Helitek Company Ltd. 總裁及本集團附屬公司上海晶

體董事長。焦先生亦為越峯電子材料股份有限公司 偕來 潘董事長兼總經理。

\* 中共中央黨校經濟管理系 (Central Party School in Economic Management)



**DIRECTORS** (Continued)

**Independent Non-executive Directors** (Continued)

Mr. ZHANG Chun (張椿), aged 75, an independent non-executive Director, joined the Group on 12 January 2008. Mr. ZHANG graduated from Tianjin

## SENIOR MANAGEMENT (Continued)

Ms. ZHAO Xiuzhen (趙秀珍), aged 53, the Director of Production (生產總監) of the Jinzhou Plants. She joined the Group on 31 January 2005. She graduated from 錦州黨校黨務行政管理系 (Jinzhou Communist Party School in Administration and Management for Party Affairs\*). Prior to joining the Group, she was the deputy general manager of Jinzhou Hualian Shopping Centre.

Mr. WANG Chun Wei (王君偉), aged 36, the Chief Financial Officer of the Jinzhou Plants. He joined the Group on 1 January 2007. He obtained a Master of Business Administration from the State University of New Jersey (Rutgers). He is a certified public accountant in Maryland, the United States. Prior to joining the Group, he was a Special Assistant to President & Deputy Spokesman of The Office of General Manager of WWX, the Spokesman and Chief Financial Officer of Panram International Corp., a company listed on the Gre-Tai Securities Market in Taiwan.

Mr. ZHANG Yaowen (張躍文), aged 43, the Director of Marketing (營銷總監) of the Jinzhou Plants. He joined the Group on 16 May 2003. He graduated from 錦州黨校經濟管理本科 (Jinzhou Communist Party School in Economic Management\*). Prior to joining the Group, he worked in the supply division of Jinzhou Xinhua Quartz Glass (Group) Co., Limited as a deputy division head then the division head.

Dr. CHEN Wei (陳蔚), aged 37, the Special Assistant to the President of the Jinzhou Plants. She joined the Group on 1 July 2006. She obtained her doctorate degree of Philosophy in Management at Wuhan University of Technology in 2005. Prior to joining the Group, she was the vice president of 西安市外經貿商務展覽公司 (Xi'an International Trade Promotion Co. Ltd.\*) and the vice president of 陝西機械設備進出口公司 (International Transport Division of Shaanxi Machinery & Equipment Import & Export Corp.\*).

Mr. CHEN Limin (陳立民), aged 40, the Deputy Technical Director of Jinzhou Plants. He joined the Group on 30 December 2000. He graduated from the Ore Mining Faculty of the 四川建材學院 (Sichuan College of Construction Materials\*). Prior to joining the Group, he worked for 新華石溪玻璃(集團)有限公司 (Xinhua Shixi Glass (Group) Co., Ltd.\*).

## SENIOR MANAGEMENT (Continued)

Mr. MAO Jui Yuan (毛瑞源), aged 36, the Chief Financial Officer of the Shanghai Plants. He joined Shanghai Jingji on 1 January 2007. He obtained a bachelor degree in Accounting from Fu Jen Catholic University and was qualified as a Certified Public Accountant (Taiwan) in 1995. Prior to joining Shanghai Jingji, he was a principal of Ernst & Young based in Taiwan and a manager of the finance department of WWX. He joined the Group on 28 June 2007 upon the Original Group's acquisition of the Acquired Group.

Mr. LIU Shih Wan (劉詩灣), aged 48, the Special Assistant to the General Manager of the Shanghai Plant and the Assistant Vice President of the Greater China Region (大中華區業務協理). He joined Shanghai Jingji on 1 January 2003. He obtained a bachelor Degree in Civil Engineering from Chung Yuan University in 1988. Prior to joining the Group, he was appointed the Chief Executive Officer of TaoYuan Real Estate Investment Consortia. He joined the Group on 28 June 2007 upon the Original Group's acquisition of the Acquired Group.

## CONSULTANT

Dr. Stephen Sun Hsi CHIAO (焦生海), aged 59. He was appointed a consultant of the Company on 12 January 2008. Dr. CHIAO has been a director of Shanghai Jingji since 1998. Dr. CHIAO received his bachelor degree in Science from the National Cheng-Kung University, master degree in Science from the University of Southern California, and Ph.D. degree from Stanford University. Dr. CHIAO is a Professor in the Department of Electrical Engineering at San Jose State University. In 2002, Dr. CHIAO was appointed as the Honorary and Guest Professor at The University of Shanghai for Science and Technology and China Institute of Metrology. Dr. CHIAO has published and presented technical articles internationally, held several U.S. patents, 17 semi-conductors and

# Report of the Directors

## 董事會報告書

The Directors have pleasure in submitting the annual report together with the audited consolidated financial statements for the year ended 31 December 2007.

### PRINCIPAL PLACE OF BUSINESS

Solargiga Energy Holdings Limited was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 March 2007. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong at Rooms 4001-06, Office Tower, Convention Plaza, 1 Harbour Road, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as an oversea company under Part XI of the Companies Ordinance on 25 July 2007. Mr. Hsu You Yuan and Mr. Tong Wan Sze have been appointed as the authorised reprcth g Kong asYoue0.43137 0.a42



## PROPERTY, PLANT AND EQUIPMENT

Details of acquisitions and other movements in property, plant and equipment are set out in note 14 to the financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 27(c) to the financial statements.

## FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 4 of the annual report.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the financial year and up to the date of this report were:

### Executive Directors

Mr. TAN Wenhua (appointed on 7 March 2007)

Mr. HSU You Yuan (appointed on 4 July 2007)

Ms. ZHANG Liming (appointed on 4 July 2007)

### Non-Executive Directors

Mr. CHIAO Ping Hai (appointed on 4 July 2007)

Mr. CHONG Kin Ngai (appointed on 4 July 2007)

### Independent Non-Executive Directors

Mr. WONG Wing Kuen, Albert (appointed on 12 January 2008)

Ms. FU Shuangyev (appointed on 12 January 2008)

Dr. LIN Wen (appointed on 12 January 2008)

Mr. ZHANG Chun (appointed on 12 January 2008)

In accordance with the provisions of the Company's Articles of Association, all

directors will retire at 63.0.3n71380 ChmpaETHconted t.lasmselvatiT\*(re-elret0 380 Chmpme.3nng.gsBT/F10 1 Tf12 0 0 12 70.8661 518.854 Tm021370980.552

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into a number of agreements with parties which are regarded as a connected person to the Group under the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") to regulate the relevant transactions which are non-exempt continuing connected transactions under the Listing Rules. More details about the agreements and the transactions are set out below.

### A. Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements

The following transactions constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and would be exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules:

於二零零八年一月十二日，本集團與錦州華榮物業管理有限公司(「錦州華榮」)訂立框架服務協議(「服務協議」)，據此，錦州華榮已同意不時向本公司及其指定的附屬公司供應用水及熱能(「服務」)。協議的生效期由二零零八年三月三十一日(「上市日期」)至二零零九年十二月三十一日止。

On 12 January 2008, Jinzhou Huarong entered into a framework service agreement (the "Service Agreement") with the Company pursuant to which Jinzhou Huarong has agreed to provide water and heat (the "Services") to the Company and its subsidiaries designated by it from time to time. The agreement commenced on 31 March 2008 (the "Listing Date") and will expire on 31 December 2009.

The Service Agreement was entered in the ordinary and usual course of business and on normal commercial terms. The fees to be charged by Jinzhou Huarong in relation to the Services were determined comparable to the prevailing market prices in local markets in the PRC based on the actual consumption of the water and heat supplied to the Enlarged Group.

For year ended 31 December 2007, the aggregate fees paid by the Group to Jinzhou Huarong in relation to the Services amounted to approximately RMB1,177,000.

## 不獲豁免的持續關連交易

本集團與多名訂約方訂立多項協議，以規管根據上市規則為不獲豁免的持續關連交易的有關交易，該等訂約方根據聯交所證券上市規則(「上市規則」)被視為關連人士。有關協議及交易的詳情載於下文。

### A. 獲豁免遵守獨立股東批准規定之持續關連交易

根據上市規則第14A.34條，下列交易構成本公司持續關連交易，並獲豁免遵守獨立股東批准的規定，惟仍須遵守上市規則第14A.45至第14A.47條的申報及公告的規定：

錦州華榮物業管理有限公司(「錦州華榮」)用水及熱能供應服務

於二零零八年一月十二日，錦州華榮與本公司訂立框架服務協議(「服務協議」)，據此，錦州華榮已同意不時向本公司及其指定的附屬公司供應用水及熱能(「服務」)。協議的生效期由二零零八年三月三十一日(「上市日期」)至二零零九年十二月三十一日止。

服務協議乃於日常及一般業務過程中並按正常商業條款訂立。錦州華榮就服務收取的費用乃以經擴大集團實際耗用的用水及熱能為基準，參照中國當地市場當時可資比較的市價予以釐定。

截至二零零七年十二月三十一日止年度，本集團就服務向錦州華榮支付的費用合共約為人民幣1,177,000元。





## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

不獲豁免的持續關連交易(續)

### B. Non-Exempt Continuing Connected Transactions

(Continued)

For the year ended 31 December 2007, the aggregate amount of the purchase price paid by the Group to Jinzhou Changhua Carbon Products Co., Ltd. (錦州昌華碳素制品有限公司) for the purchase of quartz crucibles amounted to approximately RMB29,504,000.

For the year ended 31 December 2007, the aggregate amount of the purchase price paid by the Group to Jinzhou Youxin for the purchase of quartz crucibles amounted to approximately RMB29,504,000.

Based on the Directors' estimate of the purchase of graphite materials and quartz crucibles in the coming two years, it is expected that the following annual cap amounts payable by the Group for transactions under the Supply Agreement will not exceed:

(a) RMB185,177,000 for the year ending 31 December 2008; and

(b) RMB246,450,000 for the year ending 31 December 2009.

The above proposed caps are determined with reference to (a) the Group's expected increase in production (with the Group's ingot production facilities increased from 100 ingot pullers at present to 196 and that for wafer wiresaws increased from 8 to 24 in the first half of 2008) and thus the increase in demand for graphite materials and quartz crucibles for the production requirements of the Group resulting therefrom; and (b) the expected increase in the unit cost of graphite materials and quartz crucibles resulting from the increase in the size of the quartz crucible from 18 inches to 20 inches in diameter where a large portion of such modification work for the Group's ingots facilities will be implemented in 2008 with the remaining to be carried out in 2009. The increase in size of the quartz crucible from 18 inches to 20 inches in diameter for the Group's ingot production facilities allow the Group to produce better quality of ingots as well as with longer length for each ingot produced from the ingots puller.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

### B. Non-Exempt Continuing Connected Transactions (Continued)

錦州昌華碳素制品有限公司(「錦州昌華」)及錦州佑鑫電子材料有限公司(「錦州佑鑫」)均為本公司之關連人士。

Jinzhou Changhua, which was established in 2006, is owned as to 40% by Huaxin Silicon, which is owned by Mr. TAN, and as to 60% by Prosperity Lamps & Components Limited ("PLC") is owned as to 65% by Mr. CHONG Kin Ngai's wholly-owned companies. Mr. CHONG Kin Ngai is a non-executive Director. Jinzhou Changhua is therefore an associate of each of Mr. TAN and Mr. CHONG Kin Ngai and hence a connected person of the Company. Jinzhou Youxin was owned as to 70% by 錦州市鑫鑫電子材料經營部 (Jinzhou Xinxin Electronic Trading Department) ("Jinzhou Xinxin"), a wholly-owned company of Ms. ZHAO Xiu Qin, the spouse of Mr. TAN, and as to 30% by PLC from the date of incorporation of Jinzhou Youxin to 28 May 2007. On 28 May 2007, Jinzhou Xinxin transferred 70% interest in Jinzhou Youxin to an independent third party. Jinzhou Youxin has been owned as to 30% by PLC, which is in turn owned as to 65% by Mr. CHONG Kin Ngai's wholly-owned companies, and as to 70% by an independent third party. Jinzhou Youxin is therefore also an associate of Mr. CHONG Kin Ngai and hence a connected person of the Company. Consequently, the transactions under the Supply Agreement constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules.

於二零零八年一月十二日，本公司與合晶科技訂立框架供應協議(「合晶科技供應協議」)。

On 12 January 2008, the Company entered into a framework supply agreement with WWX (the "WWX Supply Agreement") pursuant to which WWX agreed to supply, and/or procure its subsidiaries ("WWX Group") to supply scrap polysilicon raw material, scrap ingots and scrap wafers to the Company or its subsidiaries as requested by them from time to time. Such scrap polysilicon, scrap ingots and scrap wafers serve as the Group's raw materials for its production of wafers. The term of the WWX Supply Agreement has become effective on the Listing Date and expire on 31 December 2009. Formal purchase agreements (by way of purchase orders and confirmations) will be entered into between the Company (and/or its subsidiaries) and WWX (and/or its subsidiaries) with the detailed terms and conditions as specified in the relevant purchase orders. The purchase arrangement under the WWX Supply Agreement is conducted on normal commercial terms and is on terms no less favourable than those available from independent third parties.

The WWX Supply Agreement was entered in the ordinary and usual course of business and on normal commercial terms. The purchase price payable by the Group to WWX under the WWX Supply Agreement will be estimated based on the expected purchase amount of the scrap polysilicon, scrap ingots and scrap wafers and is comparable to the prevailing market prices in the scrap polysilicon, scrap ingots and scrap wafers market in the PRC.

\* 錦州昌華碳素制品有限公司(「錦州昌華」)及錦州佑鑫電子材料有限公司(「錦州佑鑫」)均為本公司之關連人士。

## 不獲豁免的持續關連交易(續)

### B. 不獲豁免之持續關連交易(續)

錦州昌華碳素制品有限公司(「錦州昌華」)供應石墨材料及錦州佑鑫電子材料有限公司(「錦州佑鑫」)供應石英坩堝(續)

於二零零六年，錦州昌華成立。華新硅材料(由譚先生擁有)擁有錦州昌華40%股權，而佑昌燈光器材有限公司(「佑昌燈光」)擁有錦州昌華60%股權。莊堅毅先生之全資擁有公司擁有佑昌燈光65%股權。莊堅毅先生是非執行董事。故此，錦州昌華是譚先生及莊堅毅先生之聯繫人，錦州昌華為本公司之關連人士。錦州市鑫鑫電子材料經營部(「錦州鑫鑫」)擁有錦州佑鑫70%股權，錦州鑫鑫乃趙秀芹女士(譚先生之配偶)的全資擁有公司，而佑昌燈光則自錦州佑鑫註冊成立日期起至二零零七年五月二十八日擁有錦州佑鑫30%股權。於二零零七年五月二十八日，錦州鑫鑫向獨立第三方轉讓錦州佑鑫70%股權。佑昌燈光擁有錦州佑鑫30%股權，莊堅毅先生之全資擁有公司擁有佑昌燈光65%股權，獨立第三方擁有錦州佑鑫70%股權。故此，錦州佑鑫是莊堅毅先生之聯繫人，並為本公司之關連人士。因此，根據上市規則第14A.35條，供應協議項下之交易構成本公司不獲豁免之持續關連交易。

合晶科技股份有限公司(「合晶科技」)供應多晶硅廢碎、硅錠廢碎及硅片廢碎

於二零零八年一月十二日，本公司與合晶科技訂立框架供應協議(「合晶科技供應協議」)，據此，合晶科技同意按本公司或其附屬公司的不時要求，向彼等供應多晶硅廢碎原材料、硅錠廢碎及硅片廢碎；及或促使其附屬公司(「合晶科技集團」)按本公司或其附屬公司的不時要求，向彼等供應多晶硅廢碎原材料、硅錠廢碎及硅片廢碎。本集團將採用該等多晶硅廢碎、硅錠廢碎及硅片廢碎作為生產硅片的原材料。合晶科技供應協議的生效期由上市日期至二零零九年十二月三十一日止。本公司(及或其附屬公司)及合晶科技(及或其附屬公司)將訂立正式購買協議(以購買訂單及確認之形式)，其詳細條款及條件載列於相關購買訂單內。合晶科技供應協議項下之購買安排以正常商業條款進行，及以不遜於獨立第三方可提出的條款進行。

合晶科技供應協議乃於日常及一般業務過程中並按正常商業條款訂立。根據合晶科技供應協議，本集團向合晶科技支付的購買價，將按照預計多晶硅廢碎、硅錠廢碎及硅片廢碎的採購額作出估算，並與中國多晶硅廢碎、硅錠廢碎及硅片廢碎市場當時的市價相若。



## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

### B. Non-Exempt Continuing Connected Transactions

(Continued)

2007年12月31日止年度，本集團與WWX集團訂立了WWX銷售協議，該協議規定了本集團向WWX集團出售升級和加工多晶硅、太陽能錠和太陽能片的條款。

The WWX Sale Agreement was entered in the ordinary and usual course of business and on normal commercial terms. The purchase price payable by WWX to the Group under the WWX Sale Agreement is determined with reference to the prevailing market price of upgraded and processed polysilicon, solar ingots and solar wafers.

For the year ended 31 December 2007, the aggregate amount of the sales proceeds received by the Group from WWX Group in relation to the sale of upgraded and processed polysilicon, solar ingot and solar wafers amounted to approximately RMB179,690,000.

Based on the Directors' estimate of the sales of upgraded and processed polysilicon, solar ingots and solar wafers in the coming two years, it is expected that the following annual cap amounts receivable by the Group for transactions under the WWX Sale Agreement will not exceed:

(a) RMB190,692,000 for the year ending 31 December 2008; and

(b) RMB239,815,000 for the year ending 31 December 2009.

The Directors believe that WWX Group has been purchasing from the Group, mainly due to the Group's product quality and reliability. Sales of upgraded and processed polysilicon, solar ingots and solar wafers to WWX and its subsidiaries have increased over time and the above proposed caps are determined with reference to (a) the Group's expected increase in production capacity (with the Group's ingots production facilities expected to increase from 100 ingots pullers at present to 196 and that for wafers wiresaw expected to increase from 8 to 12 in the first half of 2008) and (b) the increase in sales to WWX resulting from the expected increase in demand for solar based products in Taiwan.

Furthermore, part of the sales of upgraded and processed polysilicon is determined by reference to WWX's expected consumption of recycled polysilicon materials as feedstock for its semi-conductor production, in light of the continued price increase in high-grade polysilicon.

As mentioned in the paragraph headed "Supply of scrap polysilicon, scrap ingots and scrap wafers by WWX" above, WWX is a connected person, the transactions under the WWX Sale Agreement therefore constituted non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules.

The provision of services in respect of acidic wash of silicon, the

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

### B. Non-Exempt Continuing Connected Transactions

(Continued)

（續）

On 12 January 2008, the Company entered into a framework processing agreement with WWX (the "WWX Processing Agreement") pursuant to which the Company agreed to provide, or procure its subsidiaries to provide the services in respect of acidic wash of silicon, the processing and recycling of top and tail scrap, pot scrap and scrap silicon into polysilicon and other raw materials necessary for the production of solar ingots as well as the processing and production of solar wafers to WWX or its subsidiaries. The WWX Processing Agreement has become effective on the Listing Date and will expire on 31 December 2009. Formal agreements (by way of processing orders and confirmations) will be entered into between the Company (and/or its subsidiaries) and WWX (and/or its subsidiaries) with the detailed terms and conditions as specified in the relevant processing orders. The processing arrangement under the WWX Processing Agreement will be conducted on normal commercial terms and will be on terms no less favourable than those available from independent third parties.

The WWX Processing Agreement was entered in the ordinary and usual course of business and on normal commercial terms. The processing fee will be subject to the individual processing orders placed by WWX Group with the Group and will be determined with reference to the prevailing market price in respect of the processing services provided by a comparable sub-contractor in the market in the PRC.

For the year ended 31 December 2007, the fees received by the Group from WWX Group in relation to acidic wash of silicon, the processing and recycling of top and tail scrap, pot scrap and scrap silicon amounted to approximately RMB3,543,000.

Based on the Directors' estimate of the processing services in the coming two years, it is expected that the following annual cap amounts receivable by the Group for transactions under the WWX Processing Agreement will not exceed:

- (a) RMB43,910,000 for the year ending 31 December 2008; and
- (b) RMB53,524,000 for the year ending 31 December 2009.

## 不獲豁免的持續關連交易(續)

### B. 不獲豁免之持續關連交易(續)

向合晶科技銷售經改良及加工的多晶硅、太陽能硅錠及太陽能硅片(續)

於二零零八年一月十二日，本公司與合晶科技訂立框架加工協議（「合晶科技加工協議」），據此，本公司同意或同意促使其附屬公司向合晶科技或其附屬公司提供有關硅材酸洗及將頭尾料、鍋底料及硅廢碎加工及循環再造為多晶硅之服務，及提供用作生產太陽能硅錠及太陽能硅片加工及生產之其他所需原材料。合晶科技加工協議於上市日期生效，並於二零零九年十二月三十一日屆滿。本公司（及其附屬公司）與合晶科技（及其附屬公司）將訂立正式協議（以加工訂單及確認之形式），其詳細條款及條件載列於相關加工訂單內。合晶科技加工協議項下之加工安排將會以正常商業條款並將以不遜於獨立第三方可提出的條款進行。

合晶科技加工協議乃於日常及一般業務過程中並按正常商業條款訂立。加工費將取決於合晶科技集團向本集團發出的個別加工訂單，並參照中國市場同類分包商所提供之加工服務當時市價予以釐定。

截至二零零七年十二月三十一日止年度，本集團就硅材酸洗、加工及循環再造頭尾料、鍋底料、硅廢碎向合晶科技集團所收取的費用約為人民幣3,543,000元。

按照董事估計未來兩年加工服務的數額，預計本集團就合晶科技加工協議項下交易應收下列年度上限金額不會超過：

- (a) 截至二零零八年十二月三十一日止年度人民幣43,910,000元；及
- (b) 截至二零零九年十二月三十一日止年度人民幣53,524,000元。

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

### B. Non-Exempt Continuing Connected Transactions (Continued)

上述建議上限則參考：(a)本集團的加工產能的預期升幅(本集團的硅錠生產設施預期由現時100台錠拉製機增加至二零零八年上半年的196台，並預期由現時的8台硅片線鋸增加至二零零八年上半年的24台線鋸)及；(b)鑒於高等級多晶硅的價格持續上漲，合晶科技用作半導體生產的循環再造多晶硅的需求之增幅予以釐定。就半導體生產而言，由於循環再造多晶硅為較相宜多晶硅原材料來源，故合晶科技可嘗試利用較大部分的循環再造多晶硅以作半導體生產之用。

The above proposed caps are determined with reference to (a) the Group's expected increase in processing capacity (with the Group's ingot production facilities expected to increase from 100 ingot pullers at present to 196 and that for wafer wiresaws expected to increase from 8 to 24 in the first half of 2008) and (b) the increase in WWX's demand for recycled polysilicon materials required for its semi-conductor production, in light of the continued price increase in high-grade polysilicon. As recycled polysilicon is a cheaper source of polysilicon raw material for semi-conductor production, WWX may seek to use a greater portion of the recycled polysilicon for its semi-conductor production.

As mentioned in the paragraph headed "Supply of scrap polysilicon, scrap ingots and scrap wafers by WWX" above, WWX is a connected person of the Company. The transactions under the WWX Processing Agreement therefore constitute nonexempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules.

### Scope of Waiver

The transactions as set out in section (A) "Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements" above constituted continuing connected transactions of the Group which are exempt from independent shareholders' approval under Rule 14A.34 of the Listing Rules and are subject to the reporting and announcement requirements set out in Rule 14A.35(3) of the Listing Rules. The transactions as set out in section (B) "Non-Exempt Continuing Connected Transactions" above are subject to announcement and independent shareholders' approval requirements set out in Rules 14A.47 to 14A.48 of the Listing Rules.

The Directors, including the independent non-executive Directors, confirmed that the above continuing connected transactions (the "Continuing Connected Transactions") were entered into and conducted in the ordinary and usual course of business and on normal commercial terms; and the terms and the proposed annual caps set out above are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## 不獲豁免的持續關連交易(續)

### B. 不獲豁免之持續關連交易(續)

向合晶科技銷售經改良及加工的多晶硅、太陽能硅錠及太陽能硅片(續)

上述建議上限則參考：(a)本集團的加工產能的預期升幅(本集團的硅錠生產設施預期由現時100台錠拉製機增加至二零零八年上半年的196台，並預期由現時的8台硅片線鋸增加至二零零八年上半年的24台線鋸)及；(b)鑒於高等級多晶硅的價格持續上漲，合晶科技用作半導體生產的循環再造多晶硅的需求之增幅予以釐定。就半導體生產而言，由於循環再造多晶硅為較相宜多晶硅原材料來源，故合晶科技可嘗試利用較大部分的循環再造多晶硅以作半導體生產之用。

誠如上述「合晶科技供應多晶硅廢碎、硅錠廢碎及硅片廢碎」一段所述，合晶科技為本公司關連人士。根據上市規則14A.35條，合晶科技加工協議項下之交易構成本公司不獲豁免之持續關連交易。

### 豁免範圍

上文(A)節「獲豁免遵守獨立股東批准規定之持續關連交易」所載的交易構成本集團持續關連交易，根據上市規則第14A.34條獲豁免遵守獨立股東批准的准規荊莞 蔭靄舉 軒豁(A)

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

### Scope of Waiver (Continued)

The Stock Exchange has granted to the Company (a) a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules at the time of the Listing in respect of the transaction set out in section A above; and has granted to the Company, (b) a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.47 and 14A.48 of the Listing Rules at the time of the Listing in respect of the Non-Exempt Transactions set out in section B above expiring on 31 December 2009.

## SHARE OPTION SCHEME

The Company has conditionally approved and adopted the Share Option Scheme on 27 February 2008 in which certain participants may be granted options to subscribe for Shares. The Directors believe that the Share Option Scheme will be important for the recruitment and retention of quality executives and employees.

The subscription price for the shares under the option to be granted will be determined by the Company's Board of Directors and will be the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be sold pursuant to the exercise of the Over-allotment Option) and Capitalisation Issue, being 169,076,650 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company).

## 不獲豁免的持續關連交易(續)

### 豁免範圍(續)

聯交所已向本公司授出(a)於上市時，豁免嚴格遵守上市規則第14A.47條有關上文(A)節所載交易之公告規定；及亦已向本公司授出(b)於上市時，豁免嚴格遵守上市規則第14A.47及第14A.48條有關上文(B)節所載不獲豁免交易之公告及獨立股東批准之規定。期限於二零零九年十二月三十一日屆滿。

## 購股權計劃

本公司已於二零零八年二月二十七日有條件地批准及採納購股權計劃，而購股權計劃的若干參與者亦可能獲授購股權認購股份。董事相信購股權計劃對聘用及延留高質素的行政人員及僱員至為重要。

本公司董事會釐定將予授出購股權所涉及的股份認購價，並將以下列最高者為準：

- (i) 股份於授出日期(須為聯交所可供進行證券交易業務的日子)於聯交所每日報價表所報的正式收市價；
- (ii) 緊接授出日期前五個營業日股份於聯交所每日報價表所報的正式收市價平均數；及
- (iii) 股份面值。

根據購股權計劃及本公司任何其他購股權計劃可能授出的購股權所涉及的股份數目上限，合共不得超過緊隨全球發售(但並不計及根據超額配股權獲行使而可能出售的任何股份)及資本化發行完成後已發行股份總數的10%，即169,076,650股股份，就此而言不包括根據購股權計劃(或本公司任何其他購股權計劃)的條款已失效的購股權原應可發行的股份。

## SHARE OPTION SCHEME (Continued)

No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board of Directors of the Company, which must not be more than 10 years from the date of the grant.

As at the date of this report, no option had been granted or agreed to be granted under the Share Option Scheme.

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

There was no purchase, sales or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2007.

## 購股權計劃(續)

本公司概不得向任何人士授出購股權，致使該名人士在直至最後授出日期前任何12個月期間內已獲授或將獲授之購股權於行使時所發行及可予發行之本公司股份總數，超過本公司已發行股份1%。

購股權可根據購股權計劃條款於本公司董事會釐定的期間內隨時行使，而有關期間自授出日期起計不得超過10年。

於本報告刊發日期，本公司並無根據購股權計劃已授出或同意授出購股權。

## 購買、出售或贖回本公司上市證券

截至二零零七年十二月三十一日止年度，本公司或其任何附屬公司概無購買、出售或贖回本公司上市證券。

## INTEREST AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

The Shares of the Company commenced dealings on the Stock Exchange on 31 March 2008 (the "Listing Date"). As at the Listing Date, so far as the Directors are aware, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

| Name of Director<br>董事名稱   | Nature of interest<br>權益性質   | Number of Shares<br>(Note 1)<br>股數(附註1) | Approximate percentage of shareholding<br>持股概約百分比 |
|--|--|---|---|
| Mr. TAN Wenhua ("Mr. TAN")<br>(Notes 2 and 5)<br>譚文華先生(「譚先生」)<br>(附註2及5) | Beneficial interest<br>實益權益  | 471,910,500 (L)                         | 27.90%  |
| L) 0.07%   | Interest in an option<br>擔購權的權益  | 50,719,000 (S)                          | 3.00%   |
| Security interest<br>擔保權益  | 50 (L87)(*) Beneficiary interest<br>(50 (L87)(*) Beneficiary interest) | 71,076,000 (L)                          | 4.34%   |
| Mr. CHONG Kin Ngai ("Mr. CHONG")<br>(Note 3)<br>莊堅毅先生(「莊先生」)<br>(附註3)    | Interest of controlled corporation<br>受控法團權益                           | 1,254,500 (L)                           | 0.07%   |
|  | Personal interest<br>個人權益  | 101,709,500 (L)                         | 6.02%   |
|  |  | 1,254,500 (L)                           | 0.07%   |

## INTEREST AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Note:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) Mr. TAN has entered into a stock borrowing agreement with BNP Paribas Capital (Asia Pacific) Limited ("BNP") pursuant to which Mr. TAN agreed to lend up to 50,719,000 Shares to BNP representing approximately 15% of the Shares issued pursuant to the global offering of the Company ("Global Offering") (but taking no account of any Shares which may be sold pursuant to the exercise of the over-allotment option in connection with the Global Offering (the "Over-allotment Option") and the capitalisation Issue on the Listing Date.
- (3) Immediately after completion of the Global Offering (assuming the Over-allotment is not exercised), Prosperity Lamps & Components Limited ("PLC") is interested in 17,035,500 Shares and Prosperity Electric Corporation ("PEC") is interested in 84,674,000 Shares. PLC is held as to 20% by PEC, as to 45% by Leigh Company Limited and as to 30% by SAM Wai Keung, a director of Jinzhou Huachang Silicon Materials Co., Ltd. and 5% by an independent third party. Both PEC and Leigh Company Limited are wholly-owned by Mr. CHONG, an non-executive Director who is therefore deemed to be interested in 102,964,000 Shares, representing approximately 6.09% of the issued share capital of the Company immediately after completion of the Global Offering (but taking no account of any Shares which may be sold pursuant to the exercise of the Over-allotment Option).  
  
34,814,000 Shares were held by Mr. CHONG in trust for, among others, certain employees and consultants of Solar Technology Investment (Cayman) Corp. and its subsidiaries (the "Acquired Group"). Mr. CHONG was entrusted to exercise voting rights and hold the dividends and other distributions made in respect of the relevant Shares in trust for these employees and the 2 consultants (if any) to the extent the relevant Shares remain subject to a lock-up period.
- (4) Ms. ZHANG Liming's 3,133,500 Shares were registered in the name of Mr. CHONG as trustee who is entrusted to exercise voting rights and hold the dividends and other distributions made in respect of the relevant Shares in trust for, among others, certain employees and consultants of the Acquired Group (if any) to the extent the relevant Shares remain subject to a lock-up period.
- (5) Mr. TAN, Mr. HSU You Yuan and Mr. CHIAO Ping Hai are entitled to buy back the Shares of the relevant senior management, employees and consultants in the event that any of them cease to be employed or engaged within 4 years after the Listing. These directors also have security interest in these Shares pursuant to a share charge granted by the relevant employees and consultants to secure their obligations to pay for the purchase price of the Shares and their obligations to comply with the relevant regulatory requirements to which they are subject to (if any).

## 董事及本公司最高行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉(續)

附註：

- (1) 字母「L」指該人士於該等證券的好倉，而字母「S」則指該人士於該等證券的淡倉。
- (2) 譚先生與法國巴黎融資(亞太)有限公司(「法國巴黎融資」)訂立借股協議，據此，譚先生同意於上市日期，向法國巴黎融資借出最多50,719,000股股份，相當於本公司根據本公司全球發售(「全球發售」)但並不計及根據行使有關全球發售的超額配股權(「超額配股權」)可能予以發售的任何股份)及資本化發行將予發行的發售股份約15%。
- (3) 緊隨全球發售(假設超額配股權未獲行使)完成後，佑昌燈光器材有限公司(「佑昌燈光」)於17,035,500股股份擁有權益，而Prosperity Electric Corporation(「PEC」)則於84,674,000股股份擁有權益。佑昌燈光分別由PEC、Leigh Company Limited、錦州華昌董事沈偉強及一名獨立第三方持有20%、45%、30%及5%。PEC及Leigh Company Limited由一名非執行董事莊先生全資擁有，故莊先生被視為於102,964,000股股份中擁有權益，相當於本公司緊隨全球發售(但並不計及根據超額配股權獲行使而可能出售的任何股份)完成後已發行股本約6.09%。  
  
34,814,000股股份由莊先生以信託形式代(其中包括)Solar Technology Investment (Cayman) Corp.及其附屬公司(「被收購集團」)若干僱員及顧問持有。莊先生受託以信託形式代該等僱員及2名顧問(如有)於相關股份禁售期屆滿前就有關股份行使投票權及持有其股息及其他分派。
- (4) 張麗明女士持有以莊先生的名義登記的3,133,500股股份。莊先生作為受託人受託以信託形式代(其中包括)被收購集團若干僱員及顧問(如有)於相關股份禁售期屆滿前就有關股份行使投票權及持有其股息及其他分派。
- (5) 倘若任何該等相關高級管理人員、僱員及顧問自上市後4年內不再獲聘或獲委託，譚先生、許祐淵先生及焦平海先生有權購回彼等的股份。此外，該等董事根據相關僱員及顧問授出的股份抵押擁有該等股份的擔保權益，以確保履行支付股份收購價的責任以及遵從彼等受其限制的相關規管規定(如有)。

## INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Listing Date, so far as the Directors are aware, save as disclosed above, the persons or corporations (not being a Director of the Company) who have interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

## 主要股東於股份、相關股份及債券中的權益及淡倉

截止上市日期，據董事所悉，除上文披露者外，以下人士或法團(並非本公司董事)於本公司股份及相關股份中，擁有已記錄於根據證券及期貨條例第336條須存置的登記冊或已知會本公司的權益或淡倉：

| Name<br>姓名 名稱   | Capacity<br>身份                                 | Number of Shares<br>股數           | Percentage of<br>shareholding<br>持股百分比 |
|---|--|----------------------------------|--|
| Wafer Works Investment Corp. ("WWIC")<br>(Note 2)<br>(附註2)    | Beneficial owner<br>實益擁有人                      | 358,364,000(L) (Note 1)<br>(附註1) | 21.2%                                  |
| Wafer Works Corp. ("WWX") (Note 2)<br>合晶科技股份有限公司(「合晶科技」)(附註2) | Interest of a controlled corporation<br>受控法團權益 | 358,364,000(L)                   | 21.2%                                  |
| Space Energy Corporation<br>宇宙能源株式會社                          | Beneficial owner<br>實益擁有人                      | 152,439,500(L)                   | 9.02%                                  |
| Toshinao Nimura (Note 3)<br>(附註3)                             | Interest of a controlled corporation<br>受控法團權益 | 152,439,500(L)                   | 9.02%                                  |
| Jean Salata   | Interest of a controlled corporation<br>受控法團權益 | 114,614,000 (L)                  | 6.78%                                  |
| Baring Private Equity Asia GP IV Limited                      | Interest of a controlled corporation<br>受控法團權益 | 114,614,000 (L)                  | 6.78%                                  |
| Baring Private Equity Asia GP IV, L.P.                        | Interest of a controlled corporation<br>受控法團權益 | 114,614,000 (L)                  | 6.78%                                  |
| The Baring Asia Private Equity Fund IV, L.P.                  | Interest of a controlled corporation<br>受控法團權益 | 114,614,000 (L)                  | 6.78%                                  |
| Baring Private Equity Asia IV Holding (6) Limited             | Beneficial interest<br>實益擁有人                   | 114,614,000 (L)                  | 6.78%                                  |
| Prosperity Electric Corporation (Note 4)<br>(附註4)             | Interest of a controlled corporation<br>受控法團權益 | 84,674,000 (L)                   | 5.01%                                  |

**INTEREST AND SHORT POSITIONS OF  
SUBSTANTIAL SHAREHOLDERS IN SHARES,  
UNDERLYING SHARES AND DEBENTURES** (Continued)

Note:

1. The letter "L" denotes the person's long position in such securities.
2. WWIC is wholly-owned by WWX. By virtue of the SFO, WWX is deemed to be interested in the Shares held by WWIC.
3. Toshinao Nimura was interested in approximately 34.22% of the issued share capital.

## DIRECTORS' INTEREST IN POTENTIALLY COMPETING BUSINESSES (Continued)

### Mr. HSU

Mr. HSU has a direct interest in WWX and an indirect interest in Helitek Company Ltd., which is a subsidiary of WWX. Mr. HSU also has an indirect interest in Neo Solar Power Corp. Both WWX and Helitek Company Ltd. are engaged in the semi-conductor industry. WWX's scope of business includes the manufacture of silicon wafers for the semi-conductor industry, and Helitek Company Ltd. is involved in the sale of such silicon wafers in the USA whereas the Group is engaged in the manufacture of solar wafers.

Although polysilicon is the basic raw material used in the production of semiconductors and solar cells or solar-related products, the quality and purity level of the polysilicon required for the production of semiconductors is higher than that required for the production of solar cells or solar-related products. Even though WWX manufactures silicon wafers by using polysilicon, it is not a competitor to the Group because it would not be cost effective for solar product manufacturers to use costly semi-conductor grade polysilicon or silicon wafers to manufacture solar products. Besides, Neo Solar Power Corp., as a manufacturer of solar cells, uses wafers or other materials (not being polysilicon) as a raw material.

Neo Solar Power Corp. is a downstream company, since it uses the products that the Group manufactures. Thus, Neo Solar Power Corp. is not a competitor of the Group.

### Mr. CHIAO

Mr. CHIAO has interests in WWX, 上海合晶硅材料有限公司 (Wafer Works (Shanghai) Corp\*) and Wafer Works Epitaxial Corp. These three companies are all engaged in the business of manufacturing silicon wafers used in the semiconductor industry. Mr. CHIAO also has indirect interests in Helitek Company Ltd. and Heli-Vantech, Inc., both of which are engaged in the trading of silicon wafers used in the manufacture of semiconductors. As explained above, the semiconductor industry is different from that of the solar technology industry; thus, WWX, 上海合晶硅材料有限公司 (Wafer Works (Shanghai) Corp\*), and Wafer Works Epitaxial Corp., Helitek Company Ltd., and Heli-Vantech, Inc., are not engaged in any competing business of the Group.

### Mr. CHONG

Like Mr. TAN, Mr. CHONG holds interest in Huachang Guangfu and Jinzhou Changhua. Huachang Guangfu is engaged in the manufacture of PV and solar cells, Jinzhou Changhua is engaged in the manufacture of graphite and graphite related products. As explained above, Huachang Guangfu and Jinzhou Changhua are not competitors of the Company, as the Company, Huachang Guangfu and Jinzhou Changhua are engaged in different industries. Mr. CHONG also holds an interest in Jinzhou Youxin, which is principally engaged in the trading of quartz crucibles.

## 董事於潛在競爭業務的權益(續)

### 許先生

許先生於合晶科技擁有直接權益，並於合晶科技的附屬公司 Helitek Company Ltd. 擁有間接權益。許先生亦於新日光能源科技股份有限公司擁有間接權益。合晶科技及 Helitek Company Ltd. 均從事半導體產業。合晶科技的業務範圍包括製造供半導體產業之用的硅片，繼而 Helitek Company Ltd. 於美國銷售此等硅片，而本集團則從事太陽能硅片的製造業務。

儘管多晶硅為生產半導體及太陽能電池或其他太陽能相關產品的基本原材料，但生產半導體所需多晶硅的質量與純度，較生產太陽能電池或其他太陽能相關產品所需者為高。即使合晶科技利用多晶硅製造硅片，其並非本集團的競爭對手，因為太陽能產品製造商不會使用成本高昂較高級別的多晶硅或硅片(供生產半導體之用)生產太陽能產品，此舉並不符合成本效益。另外，作為太陽能電池製造商的新日光能源科技股份有限公司則使用硅片或其他材料(並非多晶硅)作為原材料。

新日光能源科技股份有限公司屬下游公司，由於其採用本集團製造的產品，故此新日光能源科技股份有限公司並非本集團的競爭對手。

### 焦先生

焦先生於合晶科技、上海合晶硅材料有限公司及上海晶盟硅材料有限公司擁有權益。該三家公司均從事半導體產業所用的硅片製造業務。焦先生亦於 Helitek Company Ltd. 及晶材科技股份有限公司擁有間接權益，兩家公司均從事買賣製造半導體所用的硅片。誠如上文所述，半導體產業有別於太陽能科技產業，故此，合晶科技、上海合晶硅材料有限公司及上海晶盟硅材料有限公司、Helitek Company Ltd. 及晶材科技股份有限公司並非從事本集團任何競爭業務。

### 莊先生

與譚先生無異，莊先生持有華昌光伏及錦州昌華的權益。華昌光伏乃從事光伏及太陽能電池的製造業務。錦州昌華則從事石墨及石墨相關產品的製造業務。誠如上文所述，華昌光伏及錦州昌華並非本公司的競爭對手，而本公司、華昌光伏與錦州昌華從事不同的產業。莊先生亦持有錦州佑鑫的權益，主要從事石英坩堝的買賣業務。

\* 本公司董事、監事及高級管理人員均持有本公司股份。

## DIRECTORS' INTEREST IN POTENTIALLY COMPETING BUSINESSES (Continued)

### Mr. CHONG (Continued)

Jinzhou Youxin is not a competitor to the Group because (a) quartz crucibles is an auxiliary raw material for the manufacture of polysilicon products which the Group manufactures. Jinzhou Youxin, being in the business of trading quartz crucibles, is an upstream company which supplies auxiliary raw materials to the Group; and (b) Jinzhou Youxin does not manufacture any polysilicon or polysilicon related products.

## NON-COMPETITION UNDERTAKING

The Directors confirm that they have no interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business. The Directors have also signed a non-competition undertaking with the Company.

Disclosure on how the non-competition undertaking has been complied with and enforced would be consistent with the principles of making voluntary disclosures under the Corporate Governance Report under appendix 23 to the Listing Rules.

Pursuant to the non-competition undertaking, Mr. TAN shall continue to be bound by the terms of the Non-competition Undertaking in the event that he ceases to be a Director but remains a substantial shareholder of the Company.

The interested Director shall abstain from the meeting where there is actual or potential conflict in interest.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions", no contract of significance to which the Company, its holding company, or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## 董事於潛在競爭業務的權益 (續)

### 莊先生 (續)

錦州佑鑫並非本集團的競爭對手，原因為(a)石英坩堝是本集團製造多晶硅產品所需的輔料。從事石英坩堝買賣業務的錦州佑鑫為一家上游公司，為本集團輔料的供應商；及(b)錦州佑鑫並無製造任何多晶硅或多晶硅相關產品。

## 不競爭承諾

董事確認，除本集團業務外，彼等概無擁有與本集團業務直接或間接存有競爭或極可能存有競爭的任何業務之權益。董事亦與本公司訂立不競爭承諾。

本公司就遵守及強制執行不競爭承諾的披露方式將與上市規則附錄23企業管治報告所載作自願性披露的原則相符。

根據不競爭承諾，倘若譚先生終止擔任董事職務但維持本公司主要股東的身份，彼亦須受不競爭承諾的條款所約束。

當會議上討論的事宜與其中涉及利益的董事存有實際或潛在利益衝突時，該董事須放棄出席有關會議。

## 董事之合約權益

除「持續關連交易」一節披露者外，本公司、其控股公司、或其任何同系附屬公司或附屬公司概無參與訂立任何於年終或年內任何時間仍然有效，且本公司董事於當中直接或間接擁有重大權益之重大合約。

## 薪酬政策

薪酬委員會按照僱員表現、資歷及能力，制定本集團僱員之薪酬政策。

薪酬委員會參照本公司的營運業績、董事個別表現及相約的市場統計數據，決定本公司董事的薪酬。

## BENEFIT SCHEMES

Particulars of the benefit schemes of the Group are set out in note 25 of the financial statements.

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Shares.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the law of Cayman Islands, being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholder.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuer as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Special enquiries will be made by the Company to confirm that all Directors will have complied with the Model Code for the year ended 31 December 2007.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

## 福利計劃

本集團福利計劃詳情，載於財務報表附註25。

## 購買、出售或贖回本公司股份

年內，本公司概無贖回，而本公司或其任何附屬公司亦無購買或出售任何股份。

## 優先購股權

本公司之組織章程細則或開曼群島(即本公司註冊成立的司法權區)法例均無有關優先購股權之條文，規定本公司須按持股比例向現有股東提呈新股。

## 董事進行證券交易的標準守則

本公司已採納上市規則附錄十所載的上市發行人董事進行證券交易的標準守則作為其本身董事進行證券交易的操守守則。本公司特別就此作出查詢後確認，全體董事截至二零零七年十二月三十一日止年度已遵守標準守則。

## 企業管治

本公司採納的主要企業管治常規，載於本年報企業管治報告。

## AUDIT COMMITTEE

The Company established an audit committee on 27 February 2008 with terms of references adopted on 20 March 2007 in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The members of the audit committee are the four independent non-executive Directors, and Mr. Chong Kin Ngai, a non-executive Director and Mr. Wong Wing Kuen Albert, an independent non-executive Director, is the Chairman of the audit committee.

The audit committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor (where an internal audit function exists) of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.

The audit committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the issued share capital of the Company pursuant to the Listing Rules and as agreed with the Stock Exchange, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-Executive Directors to be independent.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 36 to the financial statements of the Group.

## 審核委員會

本公司於二零零八年二月二十七日成立審核委員會，並於二零零七年三月二十日採納按照上市規則附錄十四企業管治守則制定的職權範圍。審核委員會由四名獨立非執行董事及非執行董事莊堅毅先生組成，獨立非執行董事王永權先生為審核委員會主席。

審核委員會乃作為其他董事、外聘核數師與內部核數師

## AUDITOR

The financial statements of the Company for the year have been audited by KPMG which will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**CHIAO Ping Hai**

Hong Kong, 24 April, 2008

## 核數師

本公司本年度的財務報表已獲畢馬威會計師事務所審核。畢馬威會計師事務所將任滿告退，惟彼等符合資格於應屆股東週年大會上膺選連任。

有關重聘畢馬威會計師事務所為本公司核數師的決議案將於應屆股東週年大會上提呈。

吳 介應啖 龔不謹處 璋感禎 愬彌破凜 世 延香喘 貞 釘頌八漚連憐

# Independent Auditor's Report

## 獨立核數師報告



### Independent auditor's report to the shareholders of Solargiga Energy Holdings Limited

(於開曼群島註冊成立的有限公司)

We have audited the consolidated financial statements of Solargiga Energy Holdings Limited (the "Company") set out on pages 68 to 136, which comprise the consolidated and company balance sheets as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibilities for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

致陽光能源控股有限公司股東

獨立核數師報告

(於開曼群島註冊成立的有限公司)

本核數師(以下簡稱「我們」)已審核列載於第68至136頁陽光能源控股有限公司(「貴公司」)的綜合財務報表,此綜合財務報表包括於二零零七年十二月三十一日的綜合及公司資產負債表與截至該日止年度的綜合損益表、綜合權益變動表和綜合現金流量表,以及主要會計政策概要及其他附註解釋。

### 董事就財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》編製及真實而公平地列報該等財務報表。這責任包括設計、實施及維護與編製及真實而公平地列報財務報表相關的內部控制,以使財務報表不存在由於欺詐或錯誤而導甲務報 瞿 豈 失 重

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

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

## KPMG

Chartered Accountants

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

24 April 2008

審核涉及執行情序以獲取有關財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實而公平地列報財務報表相關的內部控制，以設計適當的審核程序，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當地為我們的審核意見提供基礎。

## 意見

我們認為，該等綜合財務報表已根據《香港財務報告準則》真實而公平地反映 貴公司及 貴集團於二零零七年十二月三十一日的事務狀況及 貴集團截至該日止年度的利潤及現金流量，並已按照香港《公司條例》的披露規定妥為編製。

畢馬威會計師事務所  
執業會計師

香港中環  
遮打道10號  
太子大廈8樓

二零零八年四月二十四日







# Consolidated Statement of Changes in Equity

## 綜合權益變動表

For the year ended 31 December 2007  
截至二零零七年十二月三十一日止年度  
(Expressed in Renminbi) (以人民幣列值)

|   |                   | Attributable to equity shareholders of the Company |                          |   |                            |                             |                          |                              |          |                                     |                         |
|---|-------------------|--|--------------------------|---|----------------------------|-----------------------------|--------------------------|------------------------------|----------|-------------------------------------|-------------------------|
|   |                   | 本公司權益股東應佔權益  |                          |   |                            |                             |                          |                              |          |                                     |                         |
|   |                   | Paid-in/<br>issued<br>capital<br>繳足                | Share<br>premium<br>股份溢價 | General<br>reserve<br>fund<br>一般<br>儲備金 | Capital<br>reserve<br>資本儲備 | Exchange<br>reserve<br>匯兌儲備 | Other<br>reserve<br>其他儲備 | Retained<br>earnings<br>保留盈利 | Subtotal | Minority<br>interests<br>少數<br>股東權益 | Total<br>equity<br>權益總額 |
| Note  |                   | RMB'000  | RMB'000                  | RMB'000                                 | RMB'000                    | RMB'000                     | RMB'000                  | RMB'000                      | RMB'000  | RMB'000                             | RMB'000                 |
| 附註  |                   | 人民幣千元  | 人民幣千元                    | 人民幣千元                                   | 人民幣千元                      | 人民幣千元                       | 人民幣千元                    | 人民幣千元                        | 人民幣千元    | 人民幣千元                               | 人民幣千元                   |
|   |                   | (Note 27(d))                                       | (Note 28(a))             | (Note 28(b))                            | (Note 28(c))               |                             | (Note 28(d))             |                              |          |                                     |                         |
|   |                   | (附註27(d))  | (附註28(a))                | (附註28(b))                               | (附註28(c))                  |                             | (附註28(d))                |                              |          |                                     |                         |
| At 1 January 2006   | 於二零零六年一月一日        | 71,786   | -                        | 4,977                                   | -                          | -                           | -                        | 37,010                       | 113,773  | 40,486                              | 154,259                 |
| Profit for the year   | 年度利潤              | -  | -                        | -                                       | -                          | -                           | -                        | 109,670                      | 109,670  | 38,446                              | 148,116                 |
| Dividends   | 股息                | 9(b)   | -                        | -                                       | -                          | -                           | -                        | (34,637)                     | (34,637) | (12,932)                            | (47,569)                |
| Appropriations  | 分配                | -  | -                        | 11,962                                  | -                          | -                           | -                        | (11,962)                     | -        | -                                   | -                       |
| Capitalisation of reserves                                    | 儲備資本化             | 27(e)  | 3,072                    | (938)                                   | -                          | -                           | -                        | (2,134)                      | -        | -                                   | -                       |
| At 31 December 2006   | 於二零零六年十二月三十一日     | 74,858   | -                        | 16,001                                  | -                          | -                           | -                        | 97,947                       | 188,806  | 66,000                              | 254,806                 |
| At 1 January 2007   | 於二零零七年一月一日        | 74,858   | -                        | 16,001                                  | -                          | -                           | -                        | 97,947                       | 188,806  | 66,000                              | 254,806                 |
| Profit for the year   | 年度利潤              | -  | -                        | -                                       | -                          | -                           | -                        | 292,241                      | 292,241  | 24,248                              | 316,489                 |
| Dividends   | 股息                | 9(b)   | -                        | -                                       | -                          | -                           | -                        | (84,300)                     | (84,300) | (29,358)                            | (113,658)               |
| Arising from the Reorganisation                               | 因重組而產生的權益         | 27(f)  | (74,858)                 | -                                       | -                          | -                           | 76                       | -                            | (74,782) | -                                   | (74,782)                |
| Capitalisation of shareholder's loan                          | 股東貸款資本化           | 27(g)  | 77,160                   | -                                       | -                          | -                           | -                        | -                            | 77,160   | -                                   | 77,160                  |
| Arising from the Reorganisation                               | 因重組而產生的權益         | 27(h)  | (77,063)                 | 143,849                                 | -                          | -                           | (66,786)                 | -                            | -        | -                                   | -                       |
| Acquisition of minority interests                             | 收購少數股東權益          | 27(i)  | 33                       | 60,857                                  | -                          | -                           | -                        | -                            | 60,890   | (60,890)                            | -                       |
| Issue of new shares   | 發行新股份             | 27(j)  | 149                      | 162,856                                 | -                          | -                           | -                        | -                            | 163,005  | -                                   | 163,005                 |
| Share-based payment   | 以股份支付款項           | 28(c)  | -                        | -                                       | 10,054                     | -                           | -                        | -                            | 10,054   | -                                   | 10,054                  |
| Appropriations  | 分配                | -  | -                        | 39,170                                  | -                          | -                           | -                        | (39,170)                     | -        | -                                   | -                       |
| Exchange difference on translation of financial statements of | 換算附屬公司財務報表產生的匯兌差額 |  |                          |   |                            |                             |                          |                              |          |                                     |                         |



|   |                             | Note<br>附註 | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|---|-----------------------------|------------|-----------------------------------|-----------------------------------|
| <b>Financing activities</b>                                   | <b>融資活動</b>                 |            |                                   |                                   |
| Placement of pledged deposits                                 | 置存已抵押存款                     |            | (120)                             | (11,945)                          |
| Repayments of pledged deposits                                | 償還已抵押存款                     |            | 5,508                             | 7,441                             |
| Dividends paid  | 已付股息                        | 9(b)       | (113,658)                         | (47,569)                          |
| Proceeds from shareholder's loan                              | 股東貸款所得款項                    |            | 77,160                            | -                                 |
| Proceeds from bank loans and other borrowings                 | 銀行貸款及其他借貸<br>所得款項           |            | 392,340                           | 55,799                            |
| Repayment of bank loans and other borrowings                  | 銀行貸款及其他借貸之還款                |            | (320,340)                         | (76,400)                          |
| Issue of new shares   | 發行新股份                       | 27(j)      | 163,005                           | -                                 |
| Interest paid   | 已付利息                        |            | (7,473)                           | (3,777)                           |
| <b>Net cash generated from/(used in) financing activities</b> | <b>融資活動所得 (所用)<br/>現金淨額</b> |            | <b>196,422</b>                    | <b>(76,451)</b>                   |
| <b>Net increase in cash and cash equivalents</b>              | <b>現金及現金等價物之增加淨額</b>        |            | <b>302,631</b>                    | <b>11,150</b>                     |
| <b>Cash and cash equivalents at the beginning of the year</b> | <b>年初現金及現金等價物</b>           |            | <b>46,704</b>                     | <b>35,554</b>                     |
| <b>Effect of foreign exchange rate changes</b>                | <b>匯率變動的影響</b>              |            | <b>(357)</b>                      | <b>-</b>                          |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>年終現金及現金等價物</b>           |            | <b>348,978</b>                    | <b>46,704</b>                     |

### Non-cash transaction

During the year ended 31 December 2007, the Company acquired the 25.58% minority interest in Tayaneng by allotting and issuing of 343,708 shares of HK\$0.1 each of the Company (note 27(i)) to the then minority shareholders of Tayaneng credited as fully paid.

### 非現金交易

截至二零零七年十二月三十一日止年度，本公司以入賬列為繳足方式，向Tayaneng當時的少數股東配發與發行343,708股每股面值0.1港元的本公司股份(附註27(i))，藉以購入Tayaneng的25.58%少數股東權益。

# Notes to the Financial Statements

## 財務報表附註

(Expressed in Renminbi) (以人民幣列值)

### 1. Status of the Company

#### (a) The Company

The Company was incorporated in the Cayman Islands on 7 March 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Room 4001-06 Office Tower, Convention Plaza, Harbour Road, Wan Chai, Hong Kong. The Company was incorporated 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.

#### (b) Reorganisation

The Company and its subsidiaries are referred to as the "Group" in the consolidated financial statements. Pursuant to the Reorganisation of the Group to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), the Company became the holding company of the subsidiaries on 7 May 2007. Details of the Reorganisation are set out in note 27 to the financial statements. The shares of the Company were listed on the Stock Exchange on 31 March 2008.

#### (c) Basis of presentation

Except for Solar Technology Investment (Cayman) Corp. ("STIC") and its subsidiaries (hereinafter collectively referred to as the "Acquired Group"), which were acquired during the year ended 31 December 2007, other companies that took part in the Reorganisation and included in the financial statements 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" has been applied. The financial statements have 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.

### 1. 有關本公司的資料

#### (a) 本公司

本公司根據開曼群島第22章(經修訂)一九六一年第三號法律(經綜合及修訂),於二零零七年三月七日註冊成立。其註冊辦事處地址為Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, 而主要經營地點為香港灣仔港灣道1號會展廣場辦公室大樓4001 - 06室。

## 1. Status of the Company (Continued)

### (c) Basis of presentation (Continued)

The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group include the results of operations of the Company and its subsidiaries (except for the Acquired Group) for the years ended 31 December 2006 and 2007 or since their respective dates of incorporation, whichever is a shorter period, as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheet of the Group as at 31 December 2006 and 2007 has 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 statements. 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 consolidated balance sheet 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 consolidated income statement as an allocation of the total profit or loss for the year 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.

The Group acquired the Acquired Group on 26 June 2007. The purchase method of accounting has been used to account for this acquisition.

## 1. 有關本公司的資料(續)

### (c) 呈列基準(續)

本集團的綜合損益表、綜合權益變動表及綜合現金流量表乃包括本公司及其附屬公司(被收購集團除外)截至二零零六年及二零零七年十二月三十一日止年度或自其各自註冊成立日期以來(以較短的期間為準)的經營業績,猶如現有集團架構於所呈報兩個年度一直存在。編製本集團於二零零六年及二零零七年十二月三十一日的綜合資產負債表,乃為呈列於該等日期本集團的合併資產及負債。

集團內公司間結餘及交易以及由集團內公司間交易產生的任何未變現利潤,會在編製財務報表時全數抵銷。因集團內公司間交易產生的未變現虧損會按未變現利潤的相同方式抵銷,但以沒有減值憑據者為限。

少數股東權益為並非由本集團直接或間接通過附屬公司擁有的應佔附屬公司資產淨值部份的權益,而本集團並無就此與該等權益的持有人協定任何額外條款,致使本集團整體就該等權益承擔符合財務負債定義的合約責任。少數股東權益於合併資產負債表內的權益項下與本集團權益股東應佔權益分開列示。本集團業績的少數股東權益乃在綜合損益表中列為年度利潤或虧損總額在少數股東權益及本集團權益股東之間的分配。

倘少數股東應佔的虧損超過其應佔附屬公司的權益,則超額部份及日後任何少數股東應佔虧損便須於本集團之權益中扣除,惟倘少數股東受責任約束及可以作出額外投資彌補虧損者除外。倘附屬公司其後錄得利潤,則所有該等利潤均會分配予本集團權益,直至收回以往由本集團承擔的少數股東應佔虧損為止。

本集團於二零零七年六月二十六日收購被收購集團。此項收購乃利用購買會計方法處理。

(Expressed in Renminbi) (以人民幣列值)

## 2. Significant accounting policies

### (a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional and reporting currency of the Group. They are prepared on the historical cost basis except (ae61Swvisl stated in tht accounting )TjT\*(policies is set out below.)Tj0 -2.9412 TD(The preparation of financial statements in c

## 2. Significant accounting policies (Continued)

### (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.

An investment in a subsidiary is controlled, if 72% of the voting rights are held by the Group.

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and any other arrangements from which the Group derives or expects to derive financial benefits.

see note 7.2(g)(ii).

(Expressed in Renminbi) (以人民幣列值)

**2. Significant accounting policies (Continued)****(d) Property, plant and equipment (Continued)**

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 2(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) 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.

**2. 主要會計政策(續)****(d) 物業、廠房及設備(續)**

折舊是根據各項物業、廠房及設備的估計可使用年限，以直線法除以其估計剩餘價值(如有)計算，以撇銷其成本值，詳情如下：

- 位於租賃土地上之樓宇是按租賃未屆滿年期及其估計可使用年限之較短期間內折舊，即竣工日期起計不多於50年。
- 廠房及機器 10年
- 其他固定資產 5年

資產之可使用年限及剩餘價值(如有)均會作年度審閱。

**(e) 在建工程**

在建工程按成本減去減值虧損(見附註2(g)(ii))後列賬。

成本包括建設的直接成本。當資產投入擬定用途所需的準備工作大致完成時，此等成本不再資本化，而在建工程則轉入物業、廠房及設備。在建工程不作折舊撥備，直至在建工程大部分已就緒作擬定用途。

**(f) 租賃資產**

倘本集團決定一項安排(由一項交易或一系列交易組成)會為在協定期間內轉讓一項或一些特定資產的使用權以換取一筆或一連串付款，該安排屬於或包括一項租賃。該項決定乃基於該安排之實際內容的估量而作出，不管這項安排是否以租賃的法律形式作出。

**(i) 本集團租賃之資產分類**

本集團根據租賃持有並獲轉讓與所有權有關的大部分風險及回報的資產均列為融資租賃持有資產，如本集團的租賃並無獲轉讓大部分與所有權有關的風險及回報，則均列為經營租賃。

## 2. Significant accounting policies (Continued)

### (f) Leased assets (Continued)

#### (i) Operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement 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 receivables 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.

If any such evidence exists, 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.

## 2. 主要會計政策(續)

### (f) 租賃資產(續)

#### (ii) 經營租賃費用

除非有更具代表性的基準衡量從租賃資產獲取利益的模式，否則本集團透過經營租賃使用資產，則根據租賃作出的付款會在租賃期所涵蓋的會計期間內分期在收益表中等額計提。

在經營租賃下的土地購置成本會在租賃期間以直線法攤銷。

### (g) 資產減值

#### (i) 應收貿易賬款及其他應收款項的減值

以成本或攤銷成本列賬的應收貿易賬款及其他應收款項，於各結算日予以審議，以釐定是否存在客觀的減值證據，包括本集團得悉的有關下列一項或多項虧損制 兒垵 瞿瑋崎

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(Expressed in Renminbi) (以人民幣列值)

**2. Significant accounting policies (Continued)****(g) Impairment of assets (Continued)***(i) Impairment of trade and other receivables (Continued)*

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 the income statement. 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 years.

Impairment losses are written off against the corresponding trade and other receivables directly, except for impairment losses recognised in respect of trade debtors whose recovery 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 the income statement.

*(j) Indicators of impairment*

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;
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investment in subsidiaries.

**2. 主要會計政策(續)****(g) 資產減值(續)***(i) 應收貿易賬款及其他應收款項的減值(續)*

倘減值虧損金額其後減少，且該等減少可客觀地與減值虧損確認後發生的事件聯繫，則減值虧損將在收益表撥回。減值虧損之撥回額不得導致資產之賬面值超過假設該資產於以往年度從來未確認減值虧損情況下確認的賬面值。

減值虧損應從相應的應收貿易賬款及其他應收款項中直接撤銷，但可收回性被視為可疑並非微乎其微的應收貿易賬項的已確認減值虧損則例外，應以撥備賬記錄呆壞賬的減值虧損。倘本集團確認能收回應收賬款的機會微乎其微，則視為不可收回金額會從應收貿易賬項中直接撤銷，而在撥備賬中持有有關該債務的任何金額會被撥回。若之前計入撥備賬款項在其後收回，則相關的撥備會被撥回。撥備賬的其他變動及之前直接撤銷而其後收回的款項，均在損益表確認。

*(ii) 其他資產減值*

本集團於各結算日審閱內部和外來的信息來源，以辨識下列資產是否可能出現減值，或以往確認的減值虧損是否已不再存在或有所減少：

- 物業、廠房及設備；
- 在建工程；
- 劃分為以經營租賃形式持有的租賃土地所預繳的權益；及
- 於附屬公司的投資。

## 2. Significant accounting policies (Continued)

### (g) Impairment of assets (Continued)

#### (i) Recoverable amount (Continued)

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 the income statement 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 the income statement in the year in which the reversals are recognised.

## 2. 主要會計政策(續)

### (g) 資產減值(續)

#### (ii) 其他資產減值(續)

如果出現任何減值跡象，便會對資產的可收回金額作出估算。

- 可收回金額之計算  
資產的可收回金額是其淨售價與使用價值兩者中的較高者。在評估使用價值時，估計未來現金流量會按可以反映當時市場對貨幣時間值及該資產獨有風險之除稅前貼現率，貼現至其現值。如果資產所產生的現金流入基本上不能獨立於其他資產所產生的現金流入，則以能夠獨立產生現金流入的最小資產組別(即現金產生單位)來釐定可收回金額。
- 確認減值虧損  
當資產的賬面金額或所隸屬的現金產生單位超過其可收回金額時，減值虧損即於損益表內確認。就現金產生單位確認的減值虧損，將按比例分配至該單位(或一組單位)的其他資產，以削減該等資產的賬面金額，惟資產的賬面值不會低於其個別公平值減銷售成本或使用價值(如可釐定)。
- 撥回減值虧損  
如果用以釐定可收回金額的估計數字出現正面的變化，有關的減值虧損便會撥回。  
  
所撥回的減值虧損以假設在以往年度沒有確認減值虧損而釐定的資產賬面金額為限。所撥回的減值虧損在確認撥回的年度內記入損益表。



2. Significant accounting policies (Continued)

(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 2(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) 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 local retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China ("the PRC"), Taiwan and Hong Kong are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

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## 2. Significant accounting policies (Continued)

### (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 the income statement 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.

## 2. Significant accounting policies (Continued)

### (n) Income tax (Continued)

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 Company or 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 Company or the Group has the right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(Expressed in Renminbi) (以人民幣列值)

**2. Significant accounting policies** (Continued)**(o) Financial guarantees issued, provisions and contingent liabilities**

(i) 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 be 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 the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(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) Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. The amount of the provision is the best estimate of the amount of resources expected to be required to settle the obligation at the reporting date.

## 2. Significant accounting policies (Continued)

### (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) **銷售貨品**  
Revenue from the sale of goods is recognised in the income statement 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) **提供服務**  
Revenue from services rendered is recognised in the income statement as and when the services are performed or rendered.
- (iii) **利息收入**  
Interest income is recognised in the income statement as it accrues using the effective interest method.
- (iv) **政府撥款**  
Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement 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 the income statement over the useful life of the asset.
- (v) **經營租賃之租金收入**  
Rental income receivable under operating leases is recognised in the income statement 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 the income statement as an integral part of the aggregate net lease payments receivable.

### (q) Translation of foreign currencies

Foreign currency transactions during the year 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 date. Exchange gains and losses are recognised in the income statement.

## 2. 主要會計政策(續)

### (p) 收入確認

如果有關交易的經濟效益可能會流入本集團，而收入又能夠可靠地計算時，收入便會確認。

- (i) **銷售貨品**  
銷售貨品所獲的收入在客戶接收貨品的所有權及其隨附相關重大風險及回報時於收益表內確認。收入不包括增值稅，並已扣除任何營業折扣。
- (ii) **提供服務**  
當服務已獲履行或提供時，提供服務所獲的收入於收益表內確認。
- (iii) **利息收入**  
利息收入產生時以實際利息法計算，於收益表內確認。
- (iv) **政府撥款**  
倘有合理保證可獲取政府撥款，而所有附帶條件可予以遵從，則政府撥款首先於資產負債表內確認。倘撥款與本集團所產生的支出項目有關，則撥款按有系統之基準在支出產生期間內於損益表內確認為收入。補助本集團就一項資產所產生的成本之撥款，於該項資產的可使用年限期間於收益表內確認。
- (v) **經營租賃之租金收入**  
經營租賃之應收租金收入在租賃期所涵蓋的期間內，除非有其他基準能更清楚地反映租賃資產所產生之收益模式，否則，以等額在收益表確認。獲授租賃優惠於收益表中確認為總應收租金收入淨額之組成部份。

### (q) 外幣換算

年內，外幣交易按交易日當日之匯率兌換為人民幣。以外幣為單位之貨幣性資產及負債按結算日當日之匯率兌換為人民幣。匯兌利潤及虧損於損益表內確認。

(Expressed in Renminbi) (以人民幣列值)

## 2. Significant accounting policies (Continued)

### (q) Translation of foreign currencies (Continued)

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

## 2. Significant accounting policies (Continued)

### (t) Related parties

For the purposes of these financial statements, 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;
- (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; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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. 主要會計政策(續)

### (t) 關連方

就本財務報表而言，下列的另一方被視為本集團關連方：

- (i) 該另一方能夠透過一個或多個中介機構直接或間接控制本集團或對本集團的財務及經營政策決策發揮重大影響力，或共同控制本集團；
- (ii) 本集團及該另一方受到共同控制；
- (iii) 該另一方為本集團之聯營公司或本集團為合營方之合營企業；
- (iv) 該另一方為本集團或本集團母公司之主要管理人員、或與該等個別人士關係密切之家族成員、或受該等個別人士控制、共同控制或重大影響之實體；
- (v) 該另一方為與(i)所指之一方關係密切之家族成員或受該等個別人士控制、共同控制或重大影響之實體；或
- (vi) 該另一方為本集團或本集團關連人士之僱員終止受僱後福利計劃之受益人。

與個別人士關係密切之家族成員指可影響該個別人士與該實體交易之家族成員，或受該個別人士與該實體交易影響之家族成員。

### (u) 分部報告

分部是指本集團可明顯區分的組成部分，其為提供產品或服務(業務分部)，或在特定經濟環境中提供產品或服務(地區分部)，並且承擔不同於其他分部的風險及回報。

本集團的業務被視作單一業務分部，即一個從事多晶硅及太陽能單晶硅錠、硅片的貿易、製造及提供加工服務的實體。此外，絕大部分本集團的營業額及經營利潤均來自其於中國的業務，故此，並無呈列區域分部的分析。

(Expressed in Renminbi) (以人民幣列值)

### 3. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, "Financial instruments: Disclosures" and the amendment to HKAS 1, "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 33.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 28.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

### 4. Turnover

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

### 3. 會計政策之變動

#### 4. Turnover (Continued)

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 year is as follows:

|  |                      | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|--|----------------------|-----------------------------------|-----------------------------------|
| Sales of polysilicon and solar silicon monocrystalline ingots/wafers | 銷售多晶硅及太陽能單晶<br>硅錠 硅片 | 905,975                           | 390,935                           |
| Processing service fees  | 加工服務費                | 109,563                           | 22,368                            |
|  |                      | 1,015,538                         | 413,303                           |

#### 4. 營業額(續)

營業額乃指供應予客戶的貨物的銷售值減增值稅及貿易折扣，並提供加工服務的所得收入。年內，各項確認於營業額中的重大收入類別如下：

#### 5. Other revenue

|   |                 | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|---|-----------------|-----------------------------------|-----------------------------------|
| Gain on acquisition of subsidiaries (note 29) | 收購附屬公司之收益(附註29) | 74,771                            | –                                 |
| Government grants (note 24)                   | 政府補貼(附註24)      | 3,437                             | 4,444                             |
| Insurance claims received                     | 已收保險索償金         | 1,109                             | 421                               |
| Interest income from bank deposits            | 銀行存款利息收入        | 2,017                             | 593                               |
| Rental income from operating leases           | 經營租賃之租金收入       | 69                                | –                                 |
| Others  | 其他              | 180                               | –                                 |
|   |                 | 81,583                            | 5,458                             |

#### 5. 其他收入

#### 6. Other net loss

|  |               | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|--|---------------|-----------------------------------|-----------------------------------|
| Net foreign exchange loss                          | 外匯虧損淨額        | (8,443)                           | (1,216)                           |
| Gain on disposals of property, plant and equipment | 出售物業、廠房及設備的收益 | 1                                 | 31                                |
|  |               | (8,442)                           | (1,185)                           |

#### 6. 其他虧損淨額



## 8. Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

|  |                          | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|--|--------------------------|-----------------------------------|-----------------------------------|
| <b>Current tax – the PRC</b>                                   | <b>即期稅項 - 中國</b>         |                                   |                                   |
| Provision for the year   | 年度撥備                     | 24,128                            | 4,653                             |
| Over-provision in respect of prior years                       | 過往年度超額撥備                 | (8)                               | (62)                              |
|  |                          | 24,120                            | 4,591                             |
| <b>Deferred tax</b>  | <b>遞延稅項</b>              |                                   |                                   |
| Origination and reversal of temporary differences (note 23(b)) | 暫時性差額之出現及撥回<br>(附註23(b)) | (3,514)                           | (557)                             |
|  |                          | 20,606                            | 4,034                             |

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 year.

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.

## 8. 綜合損益表內所得稅

(a) 綜合損益表內所得稅代表：

由於本集團於年內並無任何應繳納香港利得稅的利潤，故並無作出香港利得稅撥備。

根據開曼群島及英屬處女群島規則及規例，本集團毋須繳納任何開曼群島及英屬處女群島所得稅。

根據中國所得稅規則及規例，中國附屬公司自錄得應課稅利潤首年起計兩年，可獲全數豁免繳納中國企業所得稅，其後三年，中國企業所得稅按適用稅率減免一半。本集團中國附屬公司於上海及遼寧省錦州登記為生產性企業，上海及錦州均位於中國沿海開放地區。故此，根據中國所得稅務規則及規例，該等附屬公司享有中國企業所得稅優惠按稅率27%納稅。

(Expressed in Renminbi) (以人民幣列值)

## 8. Income tax in the consolidated income statement (Continued)

### (a) Income tax in the consolidated income statement represents: (Continued)

The first year that Jinzhou Xinri Silicon Materials Co., Ltd. ("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 2006 and 2007.

The first year that Jinzhou Huachang Silicon Materials Co., Ltd. ("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 2006 and 2007.

The first year that Jinzhou Huari Silicon Materials Co., Ltd. ("Huari") recorded assessable profits was 2005. It was fully exempted from PRC Enterprise Income Tax for the year ended 31 December 2006 and subject to a preferential tax rate of 13.5% for the year ended 2007.

The first year that Jinzhou Yangguang Energy Co., Ltd. ("Yangguang") recorded assessable profits was 2006. It was fully exempted from PRC Enterprise Income Tax for the year ended 31 December 2006 and 2007.

Jinzhou Youhua New Energy Co., Ltd. ("Youhua") and Shanghai Jingji Electron Materials Co., Ltd. ("Jingji") are subject to preferential tax rates of 13.5% and 27% respectively for the year ended 31 December 2007 (2006: 13.5% and 27% respectively).

## 8. 綜合損益表內所得稅(續)

### (a) 綜合損益表內所得稅代表:(續)

錦州新日硅材料有限公司(「錦州新日」)於二零零一年首度錄得應課稅利潤,因此,錦州新日自二零零三年起獲豁免繳納50%稅項。由於錦州新日從事中國高新技術業務,故額外獲三年豁免繳納50%稅項。故此,截至二零零六年及二零零七年十二月三十一日止年度,錦州新日按優惠稅率13.5%納稅。

錦州華昌硅材料有限公司(「錦州華昌」)於二零零三年首度錄得應課稅利潤。截至二零零四年十二月三十一日止年度,錦州華昌獲全數豁免繳納中國企業所得稅。截至二零零六年及二零零七年十二月三十一日止年度,錦州華昌則按優惠稅率13.5%納稅。

錦州華日硅材料有限公司(「錦州華日」)於二零零五年首度錄得應課稅利潤。截至二零零六年十二月三十一日止年度,錦州華日獲全數豁免繳納中國企業所得稅。截至二零零七年十二月三十一日止年度,錦州華日則按優惠稅率13.5%納稅。

錦州陽光能源有限公司(「錦州陽光」)於二零零六年首度錄得應課稅利潤。截至二零零六年及二零零七年十二月三十一日止年度,錦州陽光獲全數豁免繳納中國企業所得稅。

截至二零零七年十二月三十一日止年度,錦州佑華新能源有限公司(「錦州佑華」)及上海晶技電子材料有限公司(「上海晶技」)須分別按優惠稅率13.5%及27%納稅(二零零六年:分別為13.5%及27%)。

## 8. Income tax in the consolidated income statement (Continued)

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

|  |                          | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|--|--------------------------|-----------------------------------|-----------------------------------|
| Profit before taxation                                       | 除稅前利潤                    | 337,095                           | 152,150                           |
| Notional tax on profit before taxation calculated at 27%     | 除稅前利潤之名義稅項，<br>按27%之稅率計算 | 91,016                            | 41,081                            |
| Effect of non-deductible expenses                            | 不可扣稅支出之影響                | 4,815                             | 2,171                             |
| Effect of non-taxable income                                 | 免課稅收入之影響                 | (20,188)                          | -                                 |
| Effect of tax concessions obtained                           | 所得稅務優惠之影響                | (57,340)                          | (39,156)                          |
| Effect of different taxation rate used in other jurisdiction | 於其他司法權區適用<br>不同稅率之影響     | 2,311                             | -                                 |
| Over-provision in prior years                                | 過往年度超額撥備                 | (8)                               | (62)                              |
| Actual tax expense   | 實際稅務開支                   | 20,606                            | 4,034                             |

### (c) Law on Corporate Income Tax in 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. From 1 January 2008, the corporate income tax rate will adjust to the standard rate of 25% with effect from 1 January 2008. For Foreign Investment Enterprises ("FIE"s) which have not fully utilised their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate) will be allowed to continue to receive the benefits of the tax holiday during the five-year grandfathering period. For those FIEs which have not yet begun their five-year tax holiday period, the tax holiday period will be deemed to have commenced from the effective date of the new tax law.

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 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax.

## 8. 綜合損益表內所得稅(續)

### (b) 稅務開支與會計利潤按適用稅率計算之對賬：

### (c) 中國企業所得稅法

於二零零七年三月十六日，第十屆全國人民代表大會第五次全體會議通過

(Expressed in Renminbi) (以人民幣列值)

**9. Dividends****(a) Dividends attributable to the year**

|   |                                | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|---|--------------------------------|-----------------------------------|-----------------------------------|
| Final dividend proposed after the balance sheet date of RMB5.2 cents (HK\$5.8 cents) per share by the Company | 本公司於結算日後擬派終期股息每股人民幣5.2分(5.8港仙) | 87,920                            | –                                 |
| Final dividend proposed after the balance sheet date by certain subsidiaries of the Company                   | 本公司若干附屬公司於結算日後擬派終期股息           | –                                 | 113,658                           |
|   |                                | 87,920                            | 113,658                           |

Pursuant to the resolutions passed at the board of directors' meeting on 27 February 2007, dividends of RMB113,658,000 were declared by certain subsidiaries of the Company to their then shareholders.

The 2006 final dividend per share and the number of shares ranking for dividend are not presented above as such information is not meaningful having regard to the purpose of the consolidated financial statements.

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

根據二零零七年二月二十七日舉行董事會會議通過之決議案，本公司若干附屬公司向彼等股東宣派股息。

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

|   |                    | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
|---|--------------------|-----------------------------------|-----------------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year | 於年度批准及支付以往財政年度終期股息 | 113,658                           | 47,569                            |

## 10. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the ordinary equity shareholders of the Company of RMB292,241,000 (2006: RMB109,670,000) and the 501,874,333 ordinary shares of the Company in issue and issuable, comprising 2,874,333 ordinary shares in issue at 31 December 2007 and 499,000,000 ordinary shares to be issued to the shareholder of this 2,874,333 ordinary shares as if the shares were outstanding throughout 2006 and 2007.

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the year ended 31 December 2006 and 2007.

## 10. 每股盈利

### (a) 每股基本盈利

每股基本盈利乃根據本公司普通股權益股東應佔利潤人民幣292,241,000元(二零零六年：人民幣109,670,000元)以及本公司已發行及可予發行普通股501,874,333股(包括二零零七年十二月三十一日已發行普通股2,874,333股及將發行予股東普通股499,000,000股，其中2,874,333股普通股乃假設於二零零六年及二零零七年整個年度已經發行)計算。

### (b) 每股攤薄盈利

截至二零零六年及二零零七年十二月三十一日止年度，並無具攤薄影響的潛在普通股。

## 11. Directors' remuneration

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

## 11. 董事酬金

根據香港公司條例161條而披露的董事酬金如下：

|                            |             | 2006<br>二零零六年                                   |                                 |                      |           |         |         |     |
|----------------------------|-------------|---|---------------------------------|----------------------|-----------|---------|---------|-----|
|                            |             | Basic salaries, allowances and benefits in kind | Retirement scheme contributions | Share-based payments |           |         | Total   |     |
|                            |             | 基本薪金、袍金   | 退休計劃供款                          | 以股份支付款項              | Sub-Total |         |         |     |
|                            |             | Fees  | Bonus                           |                      |           |         |         |     |
|                            |             | 津貼及實物利益   | 花紅                              | 退休計劃供款               | 小計        |         |         |     |
|                            |             | RMB'000   | RMB'000                         | RMB'000              | RMB'000   | RMB'000 | RMB'000 |     |
|                            |             | 人民幣千元   | 人民幣千元                           | 人民幣千元                | 人民幣千元     | 人民幣千元   | 人民幣千元   |     |
| <b>Executive directors</b> | <b>執行董事</b> |   |                                 |                      |           |         |         |     |
| Tan Wen Hua                | 譚文華         | -   | 124                             | 150                  | 9         | 283     | -       | 283 |
| Yu Jian Yun                | 于建運         | -   | 75                              | 133                  | 2         | 210     | -       | 210 |
| Zhang Li Min               | 張麗明         | -   | 76                              | 100                  | 6         | 182     | -       | 182 |
| Zhang Yue Wen              | 張躍文         | -   | 70                              | 80                   | 5         | 155     | -       | 155 |
| <b>Total</b>               | <b>總計</b>   | -   | 345                             | 463                  | 22        | 830     | -       | 830 |

(Expressed in Renminbi) (以人民幣列值)

### 11. Directors' remuneration (Continued)

|  | 2007 |
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## 12. Individuals with highest emoluments (Continued)

The emoluments of the remaining two (2006: one) individuals with the highest emoluments are within the following bands:

|   |   | 2007<br>二零零七年<br>Number of<br>individuals<br>人數 | 2006<br>二零零六年<br>Number of<br>individuals<br>人數 |
|---|---|---|---|
| Nil – RMB933,532<br>(equivalent to Nil to HK\$1,000,000)                    | 零元至人民幣933,532元<br>(相等於零元至1,000,000港元)                     | 1   | 1   |
| RMB933,533 – RMB1,400,298<br>(equivalent to HK\$1,000,001 to HK\$1,500,000) | 人民幣933,533元至人民幣1,400,298元<br>(相等於1,000,001港元至1,500,000港元) | 1   | –   |
|   |   | 2   | 1   |

During the year, 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.

## 12. 最高薪酬人士(續)

餘下兩名最高薪酬人士(二零零六年：一名)的薪酬屬以下組別：

於本年度，本集團概無向董事、高級行政人員或五位最高薪酬人士支付薪酬，作為加盟本集團或加盟本集團後的獎勵金，或作為離任補償。

## 13. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB2,405,000 (2006: RMB nil) which has been dealt with in the financial statements of the Company.

## 13. 本公司權益股東應佔利潤

本公司權益股東應佔綜合利潤包括人民幣2,405,000元的虧損(二零零六年：人民幣零元)，並已計入本公司財務報表內。



## 14. Property, plant and equipment (Continued)

### (a) The Group (Continued)

|   |                      | Construction<br>in progress<br>在建工程<br>RMB'000<br>人民幣千元 | Buildings<br>樓宇<br>RMB'000<br>人民幣千元 | Plant,<br>machinery<br>and<br>equipment<br>廠房、機器<br>及設備<br>RMB'000<br>人民幣千元 | Motor<br>vehicles<br>汽車<br>RMB'000<br>人民幣千元 | Furniture<br>and<br>fittings<br>家具及<br>固定裝置<br>RMB'000<br>人民幣千元 | Total<br>總計<br>RMB'000<br>人民幣千元 |
|---|----------------------|---|-------------------------------------|---|---|---|---------------------------------|
| <b>Cost:</b>                                    | <b>成本：</b>           |   |                                     |   |   |   |                                 |
| At 1 January 2007                               | 於二零零七年一月一日           | 3,032   | 17,545                              | 101,339   | 2,982                                       | 4,063   | 128,961                         |
| Additions                                       | 添置                   |   |                                     |   |   |   |                                 |
| - through acquisition of subsidiaries (note 29) | - 透過收購附屬公司<br>(附註29) | 698   | 5,865                               | 24,416  | 2,074                                       | 701   | 33,754                          |
| - others  | - 其他                 | 21,297  | 1,115                               | 22,105  | 2,274                                       | 1,340   | 48,131                          |
| Transfer  | 轉撥                   | (3,994)   | 539                                 | 3,455   | -   | -   | -                               |
| Disposals                                       | 出售                   | -   | -                                   | (2,439)   | (245)                                       | -   | (2,684)                         |
| At 31 December 2007                             | 於二零零七年十二月三十一日        | 21,033  | 25,064                              | 148,876   | 7,085                                       | 6,104   | 208,162                         |
| <b>Accumulated depreciation:</b>                | <b>累計折舊：</b>         |   |                                     |   |   |   |                                 |
| At 1 January 2007                               | 於二零零七年一月一日           | -   | 900                                 | 11,455  | 483   | 865   | 13,703                          |
| Through acquisition of subsidiaries (note 29)   | 透過收購附屬公司<br>(附註29)   | -   | 1,392                               | 6,291   | 765   | 179   | 8,627                           |
| Charge for the year                             | 年度折舊                 | -   | 743                                 | 9,323   | 637   | 809   | 11,512                          |
| Written back on disposals                       | 出售時撥回                | -   | -                                   | (837)   | (222)                                       | -   | (1,059)                         |
| At 31 December 2007                             | 於二零零七年十二月三十一日        | -   | 3,035                               | 26,232  | 1,663                                       | 1,853   | 32,783                          |
| <b>Net book value:</b>                          | <b>賬面淨值：</b>         |   |                                     |   |   |   |                                 |
| At 31 December 2007                             | 於二零零七年十二月三十一日        | 21,033  | 22,029                              | 122,644   | 5,422                                       | 4,251   | 175,379                         |

## 14. 物業、廠房及設備(續)

### (a) 本集團(續)

(Expressed in Renminbi) (以人民幣列值)

**14. Property, plant and equipment** (Continued)**(b) The Company**

|                                  |               | Office<br>equipment<br>辦公室設備<br>RMB'000<br>人民幣千元 |
|----------------------------------|---------------|--|
| <b>Cost:</b>                     | <b>成本：</b>    |  |
| As at 7 March 2007               | 於二零零七年三月七日    | –  |
| Additions                        | 添置            | 121  |
| As at 31 December 2007           | 於二零零七年十二月三十一日 | 121  |
| <b>Accumulated depreciation:</b> | <b>累計折舊：</b>  |  |
| As at 7 March 2007               | 於二零零七年三月七日    | –  |
| Charge for the year              | 年度折舊          | 10   |
| As at 31 December 2007           | 於二零零七年十二月三十一日 | 10   |
| <b>Net book value:</b>           | <b>賬面淨值：</b>  |  |
| As at 31 December 2007           | 於二零零七年十二月三十一日 | 111  |

- (c) All of the Group's property, plant and equipment is located in the PRC.
- (d) Certain buildings, machinery and equipment as at 31 December 2006 were pledged against bank loans granted to the Group as disclosed in note 21(a).
- (e) The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB3,149,000 (2006: RMB nil) as at 31 December 2007. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2007.

**14. 物業、廠房及設備**(續)**(b) 本公司**

- (c) 本集團全部物業、廠房及設備均位於中國。
- (d) 誠如附註21(a)所披露，於二零零六年十二月三十一日，若干樓宇、機器及設備作為授予本集團的銀行貸款之抵押。
- (e) 本集團尚未獲得若干樓宇的房屋所有權證，於二零零七年十二月三十一日，該等樓宇的賬面淨值總額為人民幣3,149,000元(二零零六年：人民幣零元)。然而，董事認為本集團於二零零七年十二月三十一日擁有該等樓宇的實益業權。



(Expressed in Renminbi) (以人民幣列值)

**16. Investments in subsidiaries** (Continued)

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

| Names of companies<br>公司名稱            | Place and date of incorporation/<br>operation<br>註冊成立<br>經營地點及日期 | Authorised/<br>registered/<br>paid-in/<br>issued capital<br>法定 註冊<br>繳足已發行資本     | Proportion of<br>ownership interest<br>所有權益比重 |   | Principal activities<br>主要業務   | Legal form<br>法定形式                        |
|---------------------------------------|--|--|---|---|--|---|
|                                       |  |  | held by the<br>Company<br>由本公司<br>持有<br>%     | held by a<br>subsidiary<br>由附屬<br>公司持有<br>% |  |   |
| 錦州華昌硅材料有限公司<br>(Huachang)<br>(「錦州華昌」) | The PRC<br>11 June 2002<br>中國<br>二零零二年<br>六月十一日                  | Registered and paid-in<br>capital of RMB 11,000,000<br>註冊及繳足資本<br>人民幣11,000,000元 | –   | 100   | Manufacturing and<br>processing of<br>monocrystalline<br>ingots<br>製造及加工單晶硅錠 | Limited<br>liability<br>company<br>有限責任公司 |
| 錦州華日硅材料有限公司                           |  |  |   |   |  |   |

## 16. Investments in subsidiaries (Continued)

## 16. 於附屬公司的投資(續)

| Names of companies<br>公司名稱                        | Place and date of incorporation/<br>operation<br>註冊成立<br>經營地點及日期     | Authorised/<br>registered/<br>paid-in/<br>issued capital<br>法定 註冊<br>繳足已發行資本  | Proportion of<br>ownership interest<br>所有權權益比重 |   | Principal activities<br>主要業務   | Legal form<br>法定形式                        |
|---|--|---|--|---|--|---|
|   |  |   | held by the<br>Company<br>由本公司<br>持有<br>%      | held by a<br>subsidiary<br>由附屬<br>公司持有<br>% |  |   |
| 錦州佑華新能源有限公司<br>(Youhua)<br>(「錦州佑華」)               | The PRC<br>28 March 2005<br>中國<br>二零零五年<br>三月二十八日                    | Registered and paid-in<br>capital of RMB59,000,000<br>註冊及繳足資本<br>人民幣59,000,000元   | –  | 100   | Manufacturing and<br>processing of<br>monocrystalline<br>ingots<br>製造及加工單晶硅錠                             | Limited<br>liability<br>company<br>有限責任公司 |
| 上海晶技電子材料有限公司<br>(Jingji)<br>(「上海晶技」)              | The PRC<br>16 March 1998<br>中國<br>一九九八年<br>三月十六日                     | Registered and paid-in<br>capital of United States<br>Dollars ("US\$") 700,000<br>註冊及繳足資本<br>700,000美元(「美元」)  | –  | 100   | Processing and trading<br>of polysilicon and<br>monocrystalline<br>ingots/wafers<br>加工及買賣多晶硅及<br>單晶硅錠 硅片 | Limited<br>liability<br>company<br>有限責任公司 |
| Solar Technology Investment<br>(Cayman) Corp.     | Cayman Islands<br>15 December 2006<br>開曼群島<br>二零零六年<br>十二月十五日        | Authorised capital of ("HK\$")<br>400,000,000 of HK\$0.10<br>each and issued share<br>capital of HK\$167,895,494<br>法定資本400,000,000港元(「港元」),<br>每股面值0.10港元及已<br>發行股本167,895,494港元 | 100  | –   | Investment holding<br>投資控股   | Limited<br>company<br>liability<br>有限責任公司 |
| Tayaneng Investments Limited<br>(「Tayaneng」)      | British Virgin Islands<br>15 August 2006<br>英屬處女群島<br>二零零六年<br>八月十五日 | Authorised share capital<br>of US\$50,000 of US\$1<br>each and issued share<br>capital of US\$13,437<br>法定股本50,000美元,<br>每股面值1美元及<br>已發行股本13,437美元                                | 100  | –   | Investment holding<br>投資控股   | Limited<br>liability<br>company<br>有限責任公司 |
| Wealthy Rise International<br>Limited<br>鉅升國際有限公司 | Hong Kong<br>21 June 2007<br>香港<br>二零零七年<br>六月二十一日                   | Authorised share capital<br>of HK\$10,000 of HK\$1<br>each and issued share<br>capital of HK\$1<br>法定股本10,000港元,<br>每股面值1港元及<br>已發行股本1港元  | –  | 100   | Dormant<br>暫無經營  | Limited<br>liability<br>company<br>有限責任公司 |

(Expressed in Renminbi) (以人民幣列值)

**17. Inventories**

- (a) Inventories in the consolidated balance sheet comprise:

|                  |     | The Group<br>本集團                  |                                   |
|------------------|-----|-----------------------------------|-----------------------------------|
|                  |     | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Raw materials    | 原材料 | 95,929                            | 79,989                            |
| Work-in-progress | 在製品 | 15,170                            | 5,513                             |
| Finished goods   | 製成品 | 26,733                            | 42,069                            |
|                  |     | <b>137,832</b>                    | <b>127,571</b>                    |

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

|                                     |          | The Group<br>本集團                  |                                   |
|-------------------------------------|----------|-----------------------------------|-----------------------------------|
|                                     |          | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Carrying amount of inventories sold | 已售存貨的賬面值 | 692,412                           | 244,240                           |

**17. 存貨**

- (a) 綜合資產負債表之存貨包括：

- (b) 確認為支出的存貨金額分析如下：

## 18. Trade and other receivables

|                                |      | The Group<br>本集團                  |                                   | The Company<br>本公司                |
|--------------------------------|------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                |      | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 |
| Trade receivables (note 18(a)) | 應收賬項 |                                   |                                   |                                   |
|                                |      |                                   |                                   |                                   |
|                                |      |                                   |                                   |                                   |

(Expressed in Renminbi) (以人民幣列值)

**18. Trade and other receivables** (Continued)

- (b) Included in the Group's other receivables, prepayments and deposits are prepayments for the purchase of raw materials from related parties of RMB351,000 (2006: RMB nil) as at 31 December 2007 (note 30(c)).
- (c) The ageing analysis of trade receivables that are past due but not impaired as of the balance sheet date:

|                            |          | The Group<br>本集團                  |                                   |
|----------------------------|----------|-----------------------------------|-----------------------------------|
|                            |          | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Less than 1 month past due | 逾期少於1個月  | 9,826                             | 3,892                             |
| 1 to 3 months past due     | 逾期1至3個月  | 2,413                             | 3,170                             |
| 3 to 6 months past due     | 逾期3至6個月  | 1,236                             | 401                               |
| 6 to 12 months past due    | 逾期6至12個月 | 1,571                             | -                                 |
| 1 to 2 years               | 1至2年     | 454                               | -                                 |
|                            |          | 15,500                            | 7,463                             |

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 which are still considered fully recoverable. The Group does not hold any collateral over these balances.

- (d) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

**18. 應收貿易賬款及其他應收款項** (續)

- (b) 於二零零七年十二月三十一日，本集團的其他應收款項、預付款項及按金包括向關連方購買原材料所支付之預付款項人民幣351,000元(二零零六年：人民幣零元)(附註30(c))。
- (c) 於結算日，逾期未收回但並無減值的應收貿易賬款之賬齡分析：

逾期未收回但並無減值的應收款項與本集團許多擁有良好往績記錄的個別客戶有關。根據以往經驗，管理層相信無需就該等結餘計提減值撥備，且認為該等結餘仍可全數收回。本集團無就該等結餘持有任何抵押品。

- (d) 應收附屬公司款項為無抵押、免息及須按要求即時收回。

**19. Pledged deposits**

Guarantee deposits for issuance of letters of credit

作為發出信用證之存款擔保

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

**19. 已抵押存款**

|  |              | The Group<br>本集團                  |                                   |
|--|--------------|-----------------------------------|-----------------------------------|
|  |              | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Guarantee deposits for issuance of letters of credit | 作為發出信用證之存款擔保 | 120                               | 5,508                             |

作為銀行貸款之抵押存款為不計息。

## 20. Cash and cash equivalents

|                          |         | The Group<br>本集團                  |                                   | The Company<br>本公司                |
|--------------------------|---------|-----------------------------------|-----------------------------------|-----------------------------------|
|                          |         | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 |
| Cash at bank and in hand | 銀行存款及現金 | 348,978                           | 46,704                            | 416                               |

Cash and cash equivalents of RMB313,208,000 (2006: RMB34,602,000) as at 31 December 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.

於二零零七年十二月三十一日，本集團持有現金及現金等價物人民幣313,208,000元(二零零六年：人民幣34,602,000元)，均以人民幣列值。人民幣為不可自由兌換的貨幣，而在國內匯出資金須受中國政府的外匯管制所限。

## 21. Interest-bearing borrowings

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

## 21. 計息借貸

計息借貸的賬面金額分析如下：

|  |                  | The Group<br>本集團                  |                                   |
|--|------------------|-----------------------------------|-----------------------------------|
|  |                  | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Short-term bank loans                    | 短期銀行貸款           |                                   |                                   |
| - unsecured                              | - 無抵押            | 127,000                           | 30,000                            |
| - secured (note 21(a))                   | - 已抵押(附註21(a))   | -                                 | 10,000                            |
|  |                  | 127,000                           | 40,000                            |
| Long-term loan                           | 長期貸款             |                                   |                                   |
| - municipal government loan (note 21(b)) | - 市政府貸款(附註21(b)) | 2,890                             | 2,785                             |
|  |                  | 129,890                           | 42,785                            |



## 22. Trade and other payables

## 22. 應付貿易賬款及其他應付款項

|  |                    | The Group<br>本集團                  |                                   | The Company<br>本公司                |
|--|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|  |                    | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 |
| Trade payables (note 22(a))                    | 應付貿易賬款(附註22(a))    | 38,367                            | 58,381                            | –                                 |
| Other payables and accrued expenses            | 其他應付賬款及應計開支        | 105,701                           | 9,752                             | 33,837                            |
| Amount due to a subsidiary (note 22(b))        | 應付附屬公司款項(附註22(b))  | –                                 | –                                 | 15,774                            |
| Amounts due to related parties<br>(note 30(d)) | 應付關連方款項(附註30(d))   | –                                 | 20,000                            | –                                 |
| Amount due to a director (note 30(e))          | 應付一名董事之款項(附註30(e)) | –                                 | 50                                | –                                 |
|  |                    | 144,068                           | 88,183                            | 49,611                            |

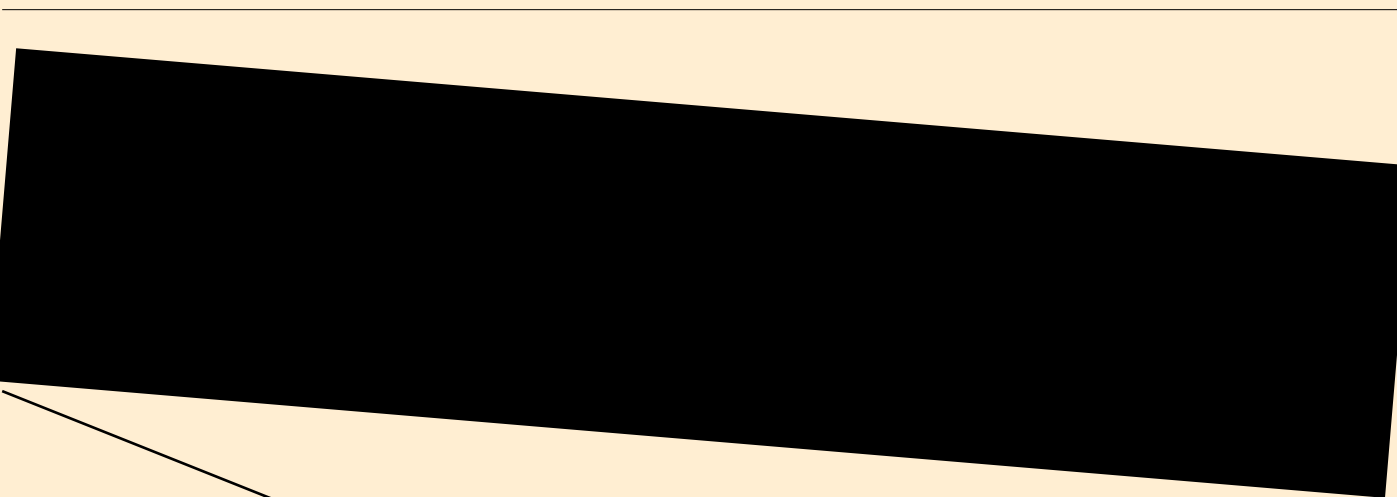
All of the trade and other payables (including amounts due to related parties, a subsidiary and a director) are expected to be settled within one year.

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

|                |        | The Group<br>本集團                  |                                   |
|----------------|--------|-----------------------------------|-----------------------------------|
|                |        | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Within 1 month | 1個月內   | 24,627                            | 44,216                            |
| 1 – 3 months   | 1至3個月  | 9,584                             | 9,411                             |
| 3 – 6 months   | 3至6個月  | 1,858                             | 1,306                             |
| 6 – 12 months  | 6至12個月 | 1,164                             | 3,230                             |
| 1 – 2 years    | 1至2年   | 1,134                             | 218                               |
|                |        | 38,367                            | 58,381                            |

Included in trade payables are amounts due to related parties of RMB26,762,000 (2006: RMB26,533,000) at 31 December 2007 (note 30(d)).

- (b) The amount due to a subsidiary is unsecured, interest-free and repayable on demand.





(Expressed in Renminbi) (以人民幣列值)

## 26. 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 are subject to the Return Condition. Accordingly, at the end of each year end, 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 RMB17.0 million, RMB9.0 million, RMB4.8 million and RMB1.9 million for each of the financial years ending 31 December 2008, 2009, 2010 and 2011, respectively, assuming there is no termination of the Relevant Employees' employment before the end of the relevant vesting period. In respect of those shares which are not subject to the Return Condition, the value of such shares over the subscription cost was recognised as an employee expense on the allotment date.

On 26 June 2007, the Company acquired the entire interest of the Acquired Group. As shareholders of the Acquired Group, the Relevant Employees and the Other Relevant Officers were entitled to and did subscribe for 114,973 shares of HK\$0.1 each of the Company for an aggregate consideration of HK\$12,611,481 (equivalent to RMB12,244,000). The Return Condition remains applicable to those Relevant Employees to the effect that if the Relevant Employees cease to be employed for reasons other than becoming incapacitated by work-inflicted injury which would prevent them from performing their duties or 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.

## 26. 股份獎勵福利

為向被收購集團若干高級管理人員及僱員(「有關僱員」)及過往曾向被收購集團作出貢獻者(「其他有關高級職員」), 就彼等過往對被收購集團發展作出的貢獻及 或作為其日後表現的鼓勵而提供獎勵, 根據STIC於二零零七年六月二十四日通過的董事會決議案, STIC以總認購價12,611,481港元(相等於人民幣12,244,000元)配發及發行合共126,114,814股每股面值0.1港元的股份予有關僱員及其他有關高級職員。有關僱員已向許祐淵、譚文華及焦平海(「有關董事」)同意, 且有關董事已彼此承諾, 倘有關僱員停止受聘(因工傷未能履行其職責, 或於有關禁售期完結前身故原因則除外), 有關董事有權以認購成本向有關僱員購回該等股份(「歸還條件」)。

已配發及發行股份總數126,114,814股, 其中116,961,911股受歸還條件所限。因此, 於各年度結束時, 被收購集團須估計於有關禁售期結束時繼續由原有有關僱員持有的股份數目, 並以直線法於有關禁售期內確認股份價值超出認購成本之數為僱員開支。假設概無有關僱員於有關歸屬期完結前停止受聘, 截至二零零八年、二零零九年、二零一零年及二零一一年十二月三十一日止財政年度各年, 因配發該等受歸還條件所限的股份予有關僱員而引致的僱員開支將分別約為人民幣17,000,000元、人民幣9,000,000元、人民幣4,800,000元及人民幣1,900,000元。就該等不受歸還條件所限的股份而言, 該等扣除認購成本的股份價值已於配發日期確認為僱員開支。

於二零零七年六月二十六日, 本公司收購被收購集團的全部權益。作為被收購集團的股東, 有關僱員及其他有關高級職員有權以總代價12,611,481港元(相等於人民幣12,244,000元)認購114,973股每股面值0.1港元的本公司股份, 而上述僱員已認購相關股份。歸還條件仍適用於有關僱員, 倘有關僱員不再受聘(不包括因工傷未能履行其職責, 或於有關禁售期完結前身故的有關僱員), 有關董事有權向有關僱員購回該等依然處於禁售期的股份, 前提是倘有關僱員於上市日期後一年內不再受聘, 有關董事於上市日期一周年屆滿前不得購回相關股份。



(Expressed in Renminbi) (以人民幣列值)

**26. Equity compensation benefits** (Continued)**(b) Fair value of shares and assumptions** (Continued)

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.

**27. Paid-in/issued capital****(a) The Group**

Details of the movements in capital and reserves of the Group are set out on page 71.

**(b) The Company**

|                                   |               |       | Share capital | Share premium | Accumulated loss | Total   |
|-----------------------------------|---------------|-------|---------------|---------------|------------------|---------|
|                                   |               | Note  | RMB'000       | RMB'000       | RMB'000          | RMB'000 |
|                                   |               | 附註    | 人民幣千元         | 人民幣千元         | 人民幣千元            | 人民幣千元   |
| At 1 January 2007                 | 於二零零七年一月一日    |       | -             | -             | -                | -       |
| Loss for the year                 | 本年度虧損         |       | -             | -             | (2,405)          | (2,405) |
| Arising from the Reorganisation   | 因重組產生的股本      | 27(h) | 97            | 143,849       | -                | 143,946 |
| Acquisition of minority interests | 收購少數股東權益      | 27(i) | 33            | 60,857        | -                | 60,890  |
| Issue of new shares               | 發行新股份         | 27(j) | 149           | 162,856       | -                | 163,005 |
| At 31 December 2007               | 於二零零七年十二月三十一日 |       | 279           | 367,562       | (2,405)          | 365,436 |

**26. 股份獎勵福利**(續)**(b) 股份的公平值及假設**(續)

經參考可資比較上市公司，並扣除反映於授出日期非流動資金性質的可銷性折扣後釐定市盈率。

若干股份乃按服務條件授出。該條件並未納入計算於授出日期獲得服務的公平值。授予股份不附設市場條件。

**27. 繳足 已發行股本****(a) 本集團**

本集團資本及儲備變動的詳情載於第71頁。

**(b) 本公司**

## 27. Paid-in/issued capital (Continued)

### (c) Authorised and issued share capital

|                                 |               | The Company<br>本公司<br>2007<br>二零零七年 |                |
|---------------------------------|---------------|-------------------------------------|----------------|
|                                 |               | No. of shares<br>股份數目               | '000<br>千元     |
| Authorised:                     | 法定：           |                                     |                |
| Ordinary shares of HK\$0.1 each | 每股面值0.1港元的普通股 | 3,800,000                           | HK\$380<br>380 |
|                                 |               |                                     |                |
|                                 |               |                                     |                |
|                                 |               |                                     |                |
|                                 |               |                                     |                |

(Expressed in Renminbi) (以人民幣列值)

**27. Paid-in/issued capital** (Continued)

- (d) Paid-in capital in the Group's consolidated balance sheet as at 31 December 2006 represents the aggregate amount of the Company's controlling equity shareholder's paid-in capital of the PRC incorporated companies comprising the Group.

The issued capital in the Group's consolidated balance sheet as at 31 December 2007 represents the issued capital of the Company comprising 2,874,333 shares of HK\$0.1 each (equivalent to RMB279,000).

- (e) 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.
- (f) 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 consideration of RMB74,782,000 and became the holding company of Yanguang, Huachang, Huari and Xinri.
- (g) Pursuant to written resolutions of the board of directors of Tayaneng passed on 7 May 2007, a shareholder's loan of US\$10,000,000 (equivalent to RMB77,160,000) was capitalised by Tayaneng by the allotment and issue of 9,999 shares of US\$1 each in Tayaneng, credited as fully paid, to the shareholders.
- (h) 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 Mr. Tan Wen Hua referred to in note 27(g) 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.

**27. 繳足 已發行股本**(續)

- (d) 於本集團二零零六年十二月三十一日之綜合資產負債表內，繳足股本指在中國註冊成立且組成本集團之公司中，本公司控股股東之繳足股本總額。

於本集團二零零七年十二月三十一日之綜合資產負債表內，已發行股本指本公司之已發行股本，包括2,874,333股每股面值0.1港元之股份(相等於人民幣279,000元)。

- (e) 於二零零六年三月二十八日，錦州華昌董事會於會議上通過決議案，藉著把總額人民幣4,388,000元之一般儲備金及保留盈利資本化，而把錦州華昌註冊資本由人民幣6,612,000元增加至人民幣11,000,000元。因此，本公司所持錦州華昌之繳足股本面值增加人民幣3,072,000元。
- (f) 根據Tayaneng董事會於二零零七年三月九日通過的書面決議案，Tayaneng以代價人民幣74,782,000元分別收購錦州陽光、錦州華昌、錦州華日及錦州新日的股權75%、70%、74.17%及75%，並成為錦州陽光、錦州華昌、錦州華日及錦州新日的控股公司。
- (g) 根據Tayaneng董事會於二零零七年五月七日通過的書面決議案，Tayaneng透過向股東配發及發行9,999股每股面值1美元入賬列作繳足股份，以將10,000,000美元(相等於人民幣77,160,000元)的股東貸款撥充資本。
- (h) 根據本公司董事會於二零零七年五月八日通過的書面決議案，本公司透過發行999,999股每股面值0.1港元的股份(相等於人民幣97,000元)，以及譚文華先生持有1股未繳股款入賬列作繳足股份(誠如附註27(g)所述)，向Tayaneng當時股東獲取Tayaneng全部股權。Tayaneng及其附屬公司所收購的資產淨值與本公司已發行股份的面值之差額，為人民幣143,849,000元，已於股份溢價賬中入賬。

## 27. Paid-in/issued capital (Continued)

- (i) 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.

Accordingly, the allocation of the profit or loss for the year attributable to minority interests presented on the face of the consolidated income statement is for the period from 1 January 2007 up to the date of acquisition of the minority interests.

- (j) 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.

## 28. 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 a minimum of 10% of their profits after taxation to the general reserve fund until the balance of the fund is at least half of the paid-in-capital. The amounts allocated to this reserve are determined by the respective boards of directors with reference to the minimum requirement.

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.

## 27. 繳足 已發行股本(續)

- (i) 根據本公司董事會於二零零七年六月二十六日通過的書面決議案，本公司透過發行343,708股每股面值0.1港元的股份(相等於人民幣33,000元)，取得

(Expressed in Renminbi) (以人民幣列值)

## 28. Reserves (Continued)

### (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 2(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 and 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 the issued share capital of Tayaneng.

The other reserve is non-distributable.

### (e) Distributability of reserves

At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB367,562,000. After the balance sheet date, the directors proposed a final dividend of RMB5.2 cents (HK\$5.8 cents) per Distat62,000. After the b,000 Tw0nlandistributable.

## 28. Reserves (Continued)

### (f) Capital management (Continued)

At 31 December 2007, the Group has short-term bank loans amounting to RMB127,000,000 (2006: RMB40,000,000) which are repayable within one year and a municipal government loan of RMB2,890,000 (2006: RMB2,785,000) which will be fully repaid by 2020. The gearing ratio, representing the ratio of total borrowings to the total share capital and reserves of the Group was 20.5% at 31 December 2007 (2006: 22.7%). The Group had cash and bank deposits as at 31 December 2007 amounting to RMB349,098,000 (2006: RMB52,212,000).

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

## 29. 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 RMB158,585,000 and aggregate net profit of RMB38,246,000 during the period from 26 June 2007 to 31 December 2007. The aggregate revenue and net profit of the Acquired Group as if the acquisition for the business combination effected during the year ended 31 December 2007 had been at the beginning of the year are RMB363,784,000 and RMB101,359,000 respectively.

## 28. 儲備(續)

### (f) 資金管理(續)

於二零零七年十二月三十一日，本集團的短期銀行貸款達人民幣127,000,000元(二零零六年：人民幣40,000,000元)，須於一年內償還；本集團的市政府貸款為人民幣2,890,000元(二零零六年：人民幣2,785,000元)，將於二零二零年悉數償還。負債比率即借貸總額除以本集團的總股本及儲備後之比率，於二零零七年十二月三十一日，比率為20.5%(二零零六年：22.7%)。於二零零七年十二月三十一日，本集團持有現金及銀行存款人民幣349,098,000元(二零零六年：人民幣52,212,000元)。

本集團積極定期檢討和管理其資本結構，在高借貸水平所可能帶來更高股東回報，以及穩健資本狀況所提供的優勢和保障兩者中間取得平衡，並因應經濟情況轉變而調整資本結構。

## 29. 業務合併

於二零零七年六月二十六日，本公司以現金代價167,895,000港元(相等於人民幣163,005,000元)收購被收購集團全部股權。本公司於二零零七年六月二十六日獲得控制權當日，被收購集團之資產淨值公平值為人民幣237,776,000元。

二零零七年六月二十六日至二零零七年十二月三十一日期間，被收購集團的收入貢獻總額為人民幣158,585,000元，純利貢獻總額為人民幣38,246,000元。被收購集團之收入及純利總額分別為人民幣363,784,000元及人民幣101,359,000元(猶如截至二零零七年十二月三十一日止年度落實之業務合併收購於年初已存在)。

(Expressed in Renminbi) (以人民幣列值)

### 30. Related party transactions

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

### 30. 關連方交易

年內，下列人士之交易被視為關連方交易：

| Name of party<br>各方名稱   | Relationship<br>關係  |
|---|---|
| Tan Wen Hua<br>譚文華  | Executive director of the Group<br>本集團之執行董事   |
| Zhao Xiu Qin<br>趙秀芹   | Spouse of Tan Wen Hua<br>譚文華之配偶   |
| Jinzhou Changhua Carbon Production Co., Ltd. ("Changhua")<br>錦州昌華碳素製品有限公司(「錦州昌華」)   | Significantly influenced by Tan Wen Hua<br>受譚文華重大影響   |
| Wafer Works Corp. Group ("WWX")<br>合晶科技股份有限公司(「合晶科技」)                               | Equity shareholder of the Group<br>本集團權益股東  |
| Helitek International Company Limited ("Helitek")<br>漢崧國際有限公司(「漢崧」)                 | Subsidiary of Wafer Works Corp. Group<br>合晶科技股份有限公司附屬公司   |
| Jinzhou Huarong Property Management Co., Ltd. ("Huarong")<br>錦州華榮物業管理有限公司(「錦州華榮」)   | Controlled by Tan Wen Hua<br>由譚文華控制   |
| Jinzhou Huaxin Silicon Material Trading Department ("Huaxin")<br>錦州華新矽材料經營部(「錦州華新」) | Controlled by Tan Wen Hua<br>由譚文華控制   |
| Jinzhou Huihua Carbon Production Co., Ltd. ("Huihua")<br>錦州輝華碳素製品有限公司(「錦州輝華」)       | Controlled by Tan Wen Hua<br>由譚文華控制   |
| Jinzhou Huihua Photovoltaic Technology Co., Ltd. ("HCPV")<br>錦州華昌光伏科技有限公司(「錦州華昌光伏」) | Controlled by Tan Wen Hua<br>由譚文華控制   |
| Youhua<br>錦州佑華新能源有限公司(「錦州佑華」)   | Same key management as the Group before it became a subsidiary of the Group<br>成為本集團附屬公司之前，其主要管理人員與本集團者相同 |
| Jinzhou Youxin Electronic Materials Co., Ltd. ("Youxin")<br>錦州佑鑫電子材料有限公司(「錦州佑鑫」)    | Controlled by Zhao Xiu Qin<br>由趙秀芹控制  |
| Wafer Works (Shanghai) Corp. ("Wafer Works (Shanghai)")<br>上海合晶矽材料有限公司(「上海合晶」)      | Subsidiary of Wafer Works Corp. Group<br>合晶科技股份有限公司附屬公司   |
| Space Energy Corporation ("SEC")<br>宇宙能源株式會社(「宇宙能源株式會社」)                            | Equity shareholder of the Group<br>本集團權益股東  |

(Expressed in Renminbi) (以人民幣列值)

**30. Related party transactions (Continued)**

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

**(a) Recurring transactions**

|   |              | The Group<br>本集團                  |                                   |
|---|--------------|-----------------------------------|-----------------------------------|
|   |              | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Sales of goods to:                            | 銷售貨品予：       |                                   |                                   |
| – SEC   | - 宇宙能源株式會社   | 88,840                            | 58,887                            |
| – Wafer Works Corp. Group                     | - 合晶科技       | 69,310                            | –                                 |
| – Wafer Works (Shanghai)                      | - 上海合晶       | 965                               | –                                 |
| Provision of services to:                     | 提供服務予：       |                                   |                                   |
| – SEC   | - 宇宙能源株式會社   | 8,533                             | –                                 |
| – Wafer Works Corp. Group                     | - 合晶科技股份有限公司 | 5,264                             | –                                 |
| – Wafer Works (Shanghai)                      | - 上海合晶       | 374                               | –                                 |
| – Youhua                                      | - 錦州佑華       | 643                               | 343                               |
|   |              | <b>173,929</b>                    | <b>59,230</b>                     |
| Purchases of goods from:                      | 向下列各方購買貨品：   |                                   |                                   |
| – Changhua                                    | - 錦州昌華       | 16,873                            | 1,205                             |
| – Huihua                                      | - 錦州輝華       | –                                 | 7,697                             |
| – SEC   | - 宇宙能源株式會社   | 55,206                            | 43,992                            |
| – Youhua                                      | - 錦州佑華       | 52,310                            | 47,732                            |
| – Youxin                                      | - 錦州佑鑫       | 29,504                            | 21,751                            |
| – Wafer Works Corp. Group                     | - 合晶科技       | 36,027                            | –                                 |
| – Wafer Works (Shanghai)                      | - 上海合晶       | 415                               | –                                 |
| – Helitek                                     | - 漢崧         | 848                               | –                                 |
| Provision of services by Youhua               | 錦州佑華提供服務     | 1,550                             | –                                 |
| Provision of electricity and water by Huarong | 錦州華榮提供水電     | 1,177                             | 766                               |
|   |              | <b>193,910</b>                    | <b>123,143</b>                    |

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.

**30. 關連方交易(續)**

本年度，本集團與上述關連方之間主要交易詳情如下：

**(a) 經常性交易**

|   |              | The Group<br>本集團                  |                                   |
|---|--------------|-----------------------------------|-----------------------------------|
|   |              | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Sales of goods to:                            | 銷售貨品予：       |                                   |                                   |
| – SEC   | - 宇宙能源株式會社   | 88,840                            | 58,887                            |
| – Wafer Works Corp. Group                     | - 合晶科技       | 69,310                            | –                                 |
| – Wafer Works (Shanghai)                      | - 上海合晶       | 965                               | –                                 |
| Provision of services to:                     | 提供服務予：       |                                   |                                   |
| – SEC   | - 宇宙能源株式會社   | 8,533                             | –                                 |
| – Wafer Works Corp. Group                     | - 合晶科技股份有限公司 | 5,264                             | –                                 |
| – Wafer Works (Shanghai)                      | - 上海合晶       | 374                               | –                                 |
| – Youhua                                      | - 錦州佑華       | 643                               | 343                               |
|   |              | <b>173,929</b>                    | <b>59,230</b>                     |
| Purchases of goods from:                      | 向下列各方購買貨品：   |                                   |                                   |
| – Changhua                                    | - 錦州昌華       | 16,873                            | 1,205                             |
| – Huihua                                      | - 錦州輝華       | –                                 | 7,697                             |
| – SEC   | - 宇宙能源株式會社   | 55,206                            | 43,992                            |
| – Youhua                                      | - 錦州佑華       | 52,310                            | 47,732                            |
| – Youxin                                      | - 錦州佑鑫       | 29,504                            | 21,751                            |
| – Wafer Works Corp. Group                     | - 合晶科技       | 36,027                            | –                                 |
| – Wafer Works (Shanghai)                      | - 上海合晶       | 415                               | –                                 |
| – Helitek                                     | - 漢崧         | 848                               | –                                 |
| Provision of services by Youhua               | 錦州佑華提供服務     | 1,550                             | –                                 |
| Provision of electricity and water by Huarong | 錦州華榮提供水電     | 1,177                             | 766                               |
|   |              | <b>193,910</b>                    | <b>123,143</b>                    |

本公司之董事認為上述關連方交易乃於一般業務過程中按正常商業條款進行，並參考現行市價而訂價。





### 30. Related party transactions (Continued)

#### (f) Guarantees

|   |                             | The Group<br>本集團                  |                                   |
|---|-----------------------------|-----------------------------------|-----------------------------------|
|   |                             | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| <b>Financial guarantee granted to a related party:</b>                                  | <b>向關連方授出的財務擔保：</b>         |                                   |                                   |
| Issuance of a guarantee in favour of a bank in respect of a bank loan granted to Youhua | 就向錦州佑華授出之銀行貸款，以銀行為受益人所授出之擔保 | -                                 | 6,000                             |
| <b>Maximum liability of the Company under the guarantee:</b>                            | <b>擔保項下本公司之負債上限：</b>        |                                   |                                   |
| At beginning of year  | 年初                          | 6,000                             | -                                 |
| At end of year  | 年終                          | -                                 | 6,000                             |

### 30. 關連方交易(續)

#### (f) 擔保

#### (g) 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 11 and 12. Total remuneration is included in "staff costs" as disclosed in note 7(b).

#### (g) 主要管理人員薪酬

(Expressed in Renminbi) (以人民幣列值)

**31. Capital commitments**

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

|                               |         | The Group<br>本集團                  |                                   |
|-------------------------------|---------|-----------------------------------|-----------------------------------|
|                               |         | 2007<br>二零零七年<br>RMB'000<br>人民幣千元 | 2006<br>二零零六年<br>RMB'000<br>人民幣千元 |
| Authorised and contracted for | 已授權並已訂約 |                                   |                                   |
|                               |         |                                   |                                   |
|                               |         |                                   |                                   |
|                               |         |                                   |                                   |
|                               |         |                                   |                                   |

### 33. 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.

In respect of trade and other receivables, individual credit evaluations are performed on customers on a case-by-case basis. As at 31 December 2007, the Group has a certain concentration of credit risk as 13% (2006: 11%) of the total trade and other receivables was due from the Group's largest customer and 30% (2006: 49%) was due from the five largest customers of the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. Except as disclosed in note 30(f), 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.

### 33. 金融工具

本集團所承擔的信貸、流動性、利率及貨幣風險來自本集團的日常業務。這些風險受到本集團下述的財務管理政策及常規所限制。

#### (a) 信貸風險

本集團的信貸風險主要來自現金及現金等價物和應收貿易賬款及其他應收款項。現金及現金等價物一般存放於本集團認為無甚信貸風險且有良好信貸評級的金融機構。

就應收貿易賬款及其他應收款項，本集團會個別評估客戶的信貸狀況。於二零零七年十二月三十一日，本集團有若干程度信貸過份集中的風險，因為應收貿易賬款及其他應收款項的13%(二零零六年：11%)來自本集團最大客戶的欠款，30%(二零零六年：49%)則來自本集團 = 最 大 的 信 貸 風 險 。

本集團現正封【儲蓄定期存款】以現儲備款回各

(Expressed in Renminbi) (以人民幣列值)

**33. Financial instruments (Continued)****(b) Liquidity risk (Continued)**

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

|  |                     | The Group<br>本集團                  |                            |  |   |                   |                                   | The Group<br>本集團           |  |   |                   |                                   |                            |  |   |                   |         |         |         |
|--|---------------------|-----------------------------------|----------------------------|--|---|-------------------|-----------------------------------|----------------------------|--|---|-------------------|-----------------------------------|----------------------------|--|---|-------------------|---------|---------|---------|
|  |                     | 2007<br>二零零七年                     |                            |  |   |                   |                                   | 2006<br>二零零六年              |  |   |                   |                                   |                            |  |   |                   |         |         |         |
|  |                     | Total contractual carrying amount | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total contractual carrying amount | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total contractual carrying amount | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |         |         |         |
|  |                     | 賬面值                               | 現金流量總額                     | 通知時到期                                  | 少於二年                                    | 少於五年              | 超過五年                              | 賬面值                        | 現金流量總額                                 | 通知時到期                                   | 少於二年              | 少於五年                              | 超過五年                       | 賬面值                                    | 現金流量總額                                  | 通知時到期             | 少於二年    | 少於五年    | 超過五年    |
|  |                     | RMB'000                           | RMB'000                    | RMB'000                                | RMB'000                                 | RMB'000           | RMB'000                           | RMB'000                    | RMB'000                                | RMB'000                                 | RMB'000           | RMB'000                           | RMB'000                    | RMB'000                                | RMB'000                                 | RMB'000           | RMB'000 | RMB'000 | RMB'000 |
|  |                     | 人民幣千元                             | 人民幣千元                      | 人民幣千元                                  | 人民幣千元                                   | 人民幣千元             | 人民幣千元                             | 人民幣千元                      | 人民幣千元                                  | 人民幣千元                                   | 人民幣千元             | 人民幣千元                             | 人民幣千元                      | 人民幣千元                                  | 人民幣千元                                   | 人民幣千元             | 人民幣千元   | 人民幣千元   | 人民幣千元   |
| Short-term bank loans                        | 短期銀行貸款              | 127,000                           | (131,428)                  | (131,428)                              | -                                       | -                 | -                                 | 40,000                     | (42,694)                               | (42,694)                                | -                 | -                                 | -                          | 40,000                                 | (42,694)                                | (42,694)          | -       | -       | -       |
| Municipal government loan                    | 市政府貸款               | 2,890                             | (4,612)                    | -                                      | -                                       | (922)             | (3,690)                           | 2,785                      | (4,612)                                | -                                       | -                 | (466)                             | (4,146)                    | 2,785                                  | (4,612)                                 | -                 | -       | (466)   | (4,146) |
| Trade and other payable and accrued expenses | 應付貿易賬款及其他應付款項以及應計開支 | 144,068                           | (144,068)                  | (144,068)                              | -                                       | -                 | -                                 | 68,133                     | (68,133)                               | (68,133)                                | -                 | -                                 | -                          | 68,133                                 | (68,133)                                | (68,133)          | -       | -       | -       |
| Amount due to related parties                | 應付關連方款項             | -                                 | -                          | -                                      | -                                       | -                 | -                                 | 20,000                     | (20,000)                               | (20,000)                                | -                 | -                                 | -                          | 20,000                                 | (20,000)                                | (20,000)          | -       | -       | -       |
| Amount due to a director                     | 應付一名董事之款項           | -                                 | -                          | -                                      | -                                       | -                 | -                                 | 50                         | (50)                                   | (50)                                    | -                 | -                                 | -                          | 50                                     | (50)                                    | (50)              | -       | -       | -       |
|  |                     | 273,958                           | (280,108)                  | (275,496)                              | -                                       | (922)             | (3,690)                           | 130,968                    | (135,489)                              | (130,877)                               | -                 | (466)                             | (4,146)                    | 130,968                                | (135,489)                               | (130,877)         | -       | (466)   | (4,146) |

**The Company  
本公司**

|                            |            | 2007<br>二零零七年                     |                            |  |
|----------------------------|------------|-----------------------------------|----------------------------|--|
|                            |            | Total contractual carrying amount | Within 1 year or on demand | More than 1 year but less than 5 years |
|                            |            | 賬面值                               | 現金流量總額                     | 通知時到期                                  |
|                            |            | RMB'000                           | RMB'000                    | RMB'000                                |
|                            |            | 人民幣千元                             | 人民幣千元                      | 人民幣千元                                  |
| Other payables             | 其他應付款項     | 33,837                            | (33,837)                   | (33,837)                               |
| Amount due to a subsidiary | 應付一家附屬公司款項 | 15,774                            | (15,774)                   | (15,774)                               |
|                            |            | 49,611                            | (49,611)                   | (49,611)                               |

### 33. Financial instruments (Continued)

#### (c) Interest rate risk

(i) Interest rate risk profile

The following table details interest rate profile of the Group's net borrowings at the balance sheet date.

|   |                          | The Group<br>本集團              |         |                               |         |
|---|--------------------------|-------------------------------|---------|-------------------------------|---------|
|   |                          | 2007<br>二零零七年                 |         | 2006<br>二零零六年                 |         |
|   |                          | Effective<br>interest<br>rate | RMB'000 | Effective<br>interest<br>rate | RMB'000 |
|   |                          | 實際利率                          | 人民幣千元   | 實際利率                          | 人民幣千元   |
| <b>Variable rate borrowings</b>   | <b>浮息借貸</b>              |                               |         |                               |         |
| Short-term secured bank loans   | 短期已抵押銀行貸款                | 6.71                          | 127,000 | 6.12                          | 10,000  |
| Short-term unsecured bank loans   | 短期無抵押銀行貸款                | -                             | -       | 7.96                          | 30,000  |
|   |                          |                               | 127,000 |                               | 40,000  |
| <b>Fixed rate borrowing</b>   | <b>定息借貸</b>              |                               |         |                               |         |
| Municipal government loan   | 市政府貸款                    | 7.44                          | 2,890   | 7.44                          | 2,785   |
| Total borrowings  | 借貸總額                     |                               | 129,890 |                               | 42,785  |
| Net fixed rate borrowings<br>as a percentage of<br>total net borrowings | 定息借貸淨額佔<br>淨借貸總額的<br>百分比 |                               | 2.2%    |                               | 6.5%    |

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB1,270,000 (2006: RMB400,000).

### 33. 金融工具(續)

#### (c) 利率風險

(i) 實際利率及重新定價分析

下表詳列本集團於結算日借貸淨額的利率概況。

(ii) 敏感度分析

於二零零七年十二月三十一日，估計整體利率上升/下降100個基點，而所有其他可變因素維持不變，本集團的除稅後利潤及保留盈利將會下降/上升大約人民幣1,270,000元(二零零六年：人民幣400,000元)。

(Expressed in Renminbi) (以人民幣列值)

**33. Financial instruments** (Continued)**(c) Interest rate risk** (Continued)

(i) 利率風險 (續)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents change in interest rates over the period until the next annual balance sheet date. The analysis has been performed on the same basis for 2006.

**(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 US\$ 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 US\$ and JPY at spot rates where necessary to address short-term imbalances.

**33. 金融工具**(續)**(c) 利率風險**(續)

(ii) 敏感度分析(續)

以上敏感度分析基於假設利率變動發生於結算日，並把利率變動應用於當天存在的衍生及非衍生金融工具上。100個基點的增減是至下個年度結算日的利率變動，二零零六年的分析是以相同的基準進行。

**(d) 外匯風險**

本集團承受的外幣匯兌風險，主要來自與業務相關以功能貨幣以外之貨幣進行銷售及採購。產生此等風險之貨幣主要為美元及日圓。董事並不預期匯率變動會對本集團造成任何重大影響，因為本集團使用自客戶收回之外幣向供應商支付款項。此外，當有需要時，董事可藉著按即期匯率買入及賣出美元及日圓，以確保淨風險維持於可接受水平，在需要時解決短期失衡。

### 33. Financial instruments (Continued)

#### (d) Foreign currency risk (Continued)

##### (i) Currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

|                             |                   | The Group<br>本集團                           |                                     |  |                                     |
|-----------------------------|-------------------|--|-------------------------------------|--|-------------------------------------|
|                             |                   | 2007<br>二零零七年                              |                                     | 2006<br>二零零六年                              |                                     |
|                             |                   | United<br>States<br>Dollars<br>'000<br>千美元 | Hong Kong<br>Dollars<br>'000<br>千港元 | United<br>States<br>Dollars<br>'000<br>千美元 | Hong Kong<br>Dollars<br>'000<br>千港元 |
| Trade and other receivables | 應收貿易賬款及其他<br>應收款項 | 10,773                                     | –                                   | 3,460                                      | –                                   |
| Pledged deposits            | 已抵押存款             | –  | –                                   | 707  | –                                   |
| Cash and cash equivalents   | 現金及現金等價物          | 3,670                                      | 9,555                               | 1,553                                      | –                                   |
| Trade and other payables    | 應付貿易賬款及其他<br>應付款項 | (3,369)                                    | –                                   | (993)                                      | –                                   |
|                             |                   | 11,074                                     | 9,555                               | 4,727                                      | –                                   |
|                             |                   | <b>The Company<br/>本公司</b>                 |                                     |  |                                     |
|                             |                   |  |                                     | United<br>States<br>Dollars<br>'000<br>千美元 |                                     |
| Trade and other receivables | 應收貿易賬款及其他應收款項     |  |                                     |  | 255                                 |
| Trade and other payables    | 應付貿易賬款及其他應付款項     |  |                                     |  | (210)                               |
|                             |                   |  |                                     |  | 45                                  |

### 33. 金融工具(續)

#### (d) 外匯風險(續)

##### (i) 外匯風險

下表詳列本集團及本公司於結算日所承擔的外匯風險，外匯風險因已確認資產或負債以相關實體功能貨幣以外貨幣計值而產生。

(Expressed in Renminbi) (以人民幣列值)

**33. Financial instruments** (Continued)**(d) Foreign currency risk** (Continued)

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The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

**33. 金融工具****The Group**

本集團

|                       |    | 2007<br>二零零七年  |   | 2006<br>二零零六年  |   |
|-----------------------|----|--|---|--|---|
|                       |    | Increase/<br>decrease<br>in foreign<br>exchange<br>rates | Increase/<br>decrease<br>in profit<br>after tax<br>and<br>retained<br>profit<br>除稅後<br>利潤及保留<br>利潤增 減<br>RMB'000<br>人民幣千元 | Increase/<br>decrease<br>in foreign<br>exchange<br>rates | Increase/<br>decrease<br>in profit<br>after tax<br>and<br>retained<br>profit<br>除稅後<br>利潤及保留<br>利潤增 減<br>RMB'000<br>人民幣千元 |
| Hong Kong Dollars     | 港元 | 10%  | 838   | 10%  | –   |
| United States Dollars | 美元 | 10%  | 7,596   | 10%  | 3,595   |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong Dollar and the United States Dollar would be materially unaffected by any changes in movement in value of the United States Dollar against other currencies. The analysis has been performed on the same basis for 2006.

### 33. Financial instruments (Continued)

#### (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 2006 and 2007.

### 34. 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 date. 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.

### 33. 金融工具(續)

#### (e) 原材料供應風險

本集團之收入很大程度上倚重其取得充足符合其指定規格之原材料之能力。本集團從有限數目之供應商取得大部分原材料。因此，倘本集團未能確保有充足原材料供應以應付其計劃產量，則本集團的收入可能會受到重大不利影響。

#### (f) 公平值

於二零零六年及二零零七年十二月三十一日，所有金融工具的賬面金額與其公平值之間並沒有重大差異。

### 34. 重大會計估計及判斷

在釐定若干資產及負債的賬面金額時，本集團就不確定的未來事件對於結算日該等資產及負債的影響作出了假設。本集團根據過去的經驗和對未來事件的預計作出估計及假設，並定期審閱。除對未來事件的假設及估計外，本集團採用會計政策時還會作出判斷。

#### (a) 物業、廠房及設備的可使用年期

物業、廠房及設備在考慮其估計殘值後，乃以直線法於該等資產估計可使用年期計提折舊。本集團每年審閱資產的可使用年期及其殘值(如有)，並每年審閱計提折舊的期間及方法。如果原有估計發生重大變動，則會在未來期間之折舊開支作出調整。

#### (b) 減值

考慮本集團物業、廠房及設備以及在建工程可能需要計提的減值虧損時，需要釐定該等資產的可收回金額。可收回金額是淨售價與使用價值兩者中之較高者。由於上述資產並不容易在市場上獲得報價，故此難以精確估計淨售價。在釐定使用價值時，預計從有關資產所得的現金流量貼現至其現值，當中需要對銷量、售價及營運成本等項目作出重大判斷。本集團會運用一切可得資料，釐定可收回金額之合理概約數字，包括根據對銷量、售價及營運成本等項目之合理和具支持之假設和預測所作出之估計。

(Expressed in Renminbi) (以人民幣列值)

### 34. Significant accounting estimates and judgements (Continued)

#### (b) Impairment (Continued)

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.

### 35. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year beginning on 1 January 2007

Up to the date of issue of the financial statements, 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 statements.

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 development may result in new or amended disclosures in the financial statements:

Amendments to HKAS 1 – Presentation of financial statements  
Amendments to HKAS 23 – Borrowing costs  
HKFRS 8 – Operating segments

All of the above are effective for accounting periods beginning on or after 1 January 2009.

### 36. Post balance sheet events

On 31 March 2008, the Company's shares were listed on the Main Board of the Stock Exchange following the completion of the public offer and placing of 253,600,000 shares as described in the Prospectus of the Company dated 17 March 2008.

### 34. 重大會計估計及判斷(續)

#### (b) 減值(續)

呆壞賬減值虧損是根據董事定期審閱賬齡分析及可收回程度評估來作出評估及計提撥備的。董事在評估各個別客戶的信譽度及過往收賬經驗時，作出相當程度的判斷。

上述減值虧損的增減，會影響未來年度的純利。

#### (c) 存貨之估值

存貨之可變現淨值乃其於日常業務過程中之估計售價，扣除估計完成之成本及銷售開支。該等估計乃基於目前市況及製造及銷售同類產品之過往經驗，但可能會因為技術改變及競爭對手為回應嚴峻行業週期而採取之行動而出現重大改變。管理層會於各結算日重新評估該等估計。

### 35. 已頒佈但尚未於二零零七年一月一日起始年度生效的修訂、新訂準則及詮釋可能帶來的影響

截至財務報表刊發日期，香港會計師公會頒佈了多項修訂、新訂準則及詮釋，而本集團並未在財務報表中採用此等並未於二零零七年一月一日起始會計期間生效的修訂、新訂準則及詮釋。

本集團現正評估上述修訂、新訂準則及詮釋於首次應用期間的預期影響。至目前為止，本集團認為應

利集團業務的價值及財務狀況。應與此項死報項項喙 癢祀井 茂

