SUMMARY

OVERVIEW

We are a monocrystalline solar ingot and wafer manufacturer based in the PRC focusing on the design, development, manufacturing and marketing of high quality monocrystalline solar wafers. Solar wafers are the primary components of solar cells, which are devices capable of converting sunlight to electricity. The quality of the solar wafer used to produce a solar cell will largely determine the conversion efficiency rate of that solar cell. The quality of the solar cells used to produce a solar module will then determine the conversion efficiency rate of that solar module. Data from our customers which was obtained in 2009 indicates that the conversion efficiency rates of solar cells achieved in 2008 which were manufactured using our monocrystalline solar wafers were in the range of 17% to 18%. We believe we were one of the first solar wafer manufacturers in the PRC that are able to produce 156 mm by 156 mm monocrystalline solar wafers in large scale as well as one of the first solar wafer manufacturers in the PRC that were able to manufacture monocrystalline solar wafers with a thickness of approximately 170 microns in large scale, based on feedback from our top 10 solar cell-manufacturing customers. While we market most of our solar wafers to leading PRC-based solar cell manufacturers, we also market our solar products to customers based in Germany, Taiwan, Thailand, Singapore, Canada, USA and India.

We focus on the design, development, manufacturing and marketing of high quality monocrystalline solar wafers and not on other aspects of the solar products value chain. While we were primarily a semiconductor wafer manufacturer before 2004, we have changed our focus to solar products since then. The change in our business focus was mainly driven by the increasing demand for solar wafer products. As the manufacture of solar wafers and semiconductor wafers is similar in many respects, including the use of polysilicon as a principal raw material and the processing involved in growing ingots and slicing wafers, technical expertise gained from the manufacture of semiconductor wafers is easily transferable to the manufacture of solar wafers. The compatibility of production for semiconductor wafers and ingots and solar wafers and ingots is high in terms of equipment and machinery used. The only difference in the equipment used is the shaping machine, since solar wafers must be in a square shape while semiconductor wafers are in a round shape. We are therefore able to fully exploit our origin as a manufacturer of semiconductor wafers and concentrate our resources on enhancing the quality of our solar products and developing new and innovative solar wafers. Our research and development capabilities, together with our semiconductor wafer manufacturing experience, have resulted in proprietary ingot growing and slicing processes and improved energy use. As we believe that long-term success in the solar power industry will depend largely on product quality and achieving superior manufacturing processes, we will dedicate significant resources to research and development.

We believe that our focus on solar wafer production also has allowed us to develop strong relationships with our customers (most of whom are manufacturers of solar cells) and polysilicon suppliers. That we pose virtually no conflict of interest to their businesses, we believe, has encouraged them to work closely with us to improve technology, and enhance our and their expertise in the respective sectors of the solar products value chain through mutual feedback on a wide range of subjects.

RAW MATERIALS AND CONSUMABLES

We currently manufacture monocrystalline solar wafers primarily using solar-grade polysilicon which accounted for approximately 41.3%, 51.5%, 69.8% and 53.4% of our total cost of sales for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively. Our purchases of virgin polysilicon accounted for approximately 44.4%, 51.9%, 67.8% and 75.9% of our total purchases of raw materials and consumables for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively. We currently procure our virgin polysilicon primarily from our overseas suppliers through long-term supply contracts and on the spot market. Purchases from our five largest suppliers together accounted for approximately 77.4%, 69.8%, 62.4% and 82.2% of raw materials and consumables purchased during each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively. Our five largest suppliers supplied polysilicon, wires and slurry to us. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, purchases from our largest polysilicon supplier amounted to approximately RMB12.3 million, RMB42.9 million, RMB99.3 million and RMB121.8 million, respectively, representing approximately 26.4%, 34.0%, 22.0% and 69.7% of our total purchases of raw materials and consumables for the relevant periods, respectively. The total purchases of polysilicon from our largest polysilicon supplier as a percentage of our total purchase of raw materials and consumables decreased during the period from 2006 to 2008 due to our efforts to diversify our supplier base. The total purchase of polysilicon from our largest polysilicon supplier as a percentage of our total purchase of raw materials and consumables increased for the six months ended 30 June 2009 compared to 2008 as we were able to increase our purchase of high quality polysilicon from Major International Supplier A at attractive prices.

In addition, a portion of our polysilicon is sourced from certain of our customers who sell polysilicon feedstock to us, which, however, are not directly connected to the sales of our solar products to such customers. We sourced approximately 23.9%, 26.2%, 53.9% and 2.8% of total polysilicon purchases from our customers in each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively. Our purchase of polysilicon from our customers as a percentage of our total polysilicon purchase increased for 2008 compared to 2007 because there was a shortage of polysilicon in the market during the first three quarters of 2008 and some of our customers were willing to supply more polysilicon to us in this period for our production. It was common practice in the industry to purchase polysilicon from customers. The purchases of polysilicon from our customers and the sale of our solar products to them are not "back-to-back" arrangements, which means the terms and conditions of our purchases from and sales to such customers are made independent of and without reference to each other. Due to the historical shortage of polysilicon, our customers often sourced their own polysilicon materials and sold them to wafer manufacturers in the industry in order to obtain more supply of wafers from those wafer manufacturers. We are not required to and we do not set aside polysilicon purchased from our customers for production of wafers for any specific customers. Sourcing polysilicon from our customers was a way for us to expand and diversify our supplier base. As polysilicon has not been in shortage since the end of 2008, we do not expect that we will need to purchase polysilicon from our customers in the foreseeable future.

Despite the industry-wide shortage of polysilicon raw materials before the fourth quarter of 2008, our strong relationships with various suppliers of polysilicon feedstock had allowed us to manage our procurement of polysilicon effectively. We have an average of approximately four years of relationship with our major suppliers. We continue to rely on these relationships to provide us with a stable supply of quality polysilicon feedstock to meet our production requirements. As at the Latest Practicable Date, based on our actual and planned production capacity as well as our estimated shipment volume, we believe that our inventory of polysilicon, together with expected deliveries from committed supply contracts, are sufficient for approximately 88% of our estimated polysilicon requirements from the Latest Practicable Date until the end of 2009 and approximately 13% of our estimated requirements for 2010.

PRODUCTION CAPACITY AND UTILISATION

We have increased our production capacity steadily since 2004, when we first began producing solar products. Our production capacity increased to 55 MW by the end of 2007 from 9 MW at the end of 2006, on an annualised basis. The capacity utilisation rate of our ingot production facilities for the first half of 2009 was approximately 90.6%, and the capacity utilisation rate of our wafer production facilities for the first half of 2009 was approximately 79.4%.

The following table sets forth our production capacity for the solar products set forth therein.

	Annualised Production Capacity as at 31 December			Expected Annualised Production Capacity as at 31 December	
Product	**2006**	**2007**	**2008**	**2009**	**2010**
Wafers (MW)	9	55	55	200	504
Ingots (MW)	10	58	63	208	506

The following table sets forth our utilisation rates for the solar products set forth therein during the Track Record Period.

	Utilisation Rate (%)			
	for the year ended 31 December			for the six months ended 30 June
Product	**2006**	**2007**	**2008**	**2009**
Wafers	67.3	91.2	75.1	79.4
Ingots	93.4	74.7	89.5	90.6

We calculate utilisation of our manufacturing facilities by dividing actual production for the relevant period by the averaged production capacity during the same period. The averaged production capacity for a given period is calculated by dividing the sum of the annualised production capacity as at the end of each month during such period by the number of months in the period. For details on the calculation of our production capacity, please refer to the section headed "Glossary of Technical Terms — Assumptions about conversion efficiency, and production capacity and output" in this document.

The utilisation rate for our wafer production was only at 67.3% for 2006 as the wafer production line was only installed in the second half of 2005 and some ramp up time was required in 2006, which reduced our utilisation rate. The utilisation rate for our wafer production increased to 91.2% for 2007, which reflected our increased focus on our wafer manufacturing business. The utilisation rate for our wafer production decreased to 75.1% for 2008 mainly due to the ramp-up of newly installed capacity and additional maintenance time in the first half of 2008. The utilisation rate for our wafer production increased to approximately 79.4% for the six months ended 30 June 2009 mainly due to the increase in customer demand for our solar products as they sought to obtain stable supply of monocrystalline solar wafers.

The utilisation rate for our ingot production was approximately 93.4% for 2006 and decreased to approximately 74.7% for 2007 due to the ramp-up of newly installed capacity for our production capacity expansion to 55 MW and additional maintenance time during 2007. The utilisation rate for our ingot production increased to approximately 89.5% for 2008 due to the increase in the demand for our solar products, despite the ramp-up of newly installed capacity. The utilisation rate for our ingot production further increased to approximately 90.6% for the six months ended 30 June 2009 mainly driven by the increase in demand from our customers for our solar wafer products.

OUR EXPANSION PLAN

We will continue to expand our production capacity to capture the anticipated global demand for solar products. To capitalise on the rising global demand for solar wafers, we currently intend to further increase our annual production capacity to 504 MW by the end of June 2010. We have acquired land adjacent to one of our existing Nanhui plants on which we are installing manufacturing facilities to expand our annual production capacity to 200 MW. The construction of the building for our production capacity expansion was substantially completed in December 2008 and installation of production equipment for the capacity expansion to 200 MW is expected to be completed by the end of November 2009. Our annualised production capacity as at the end of September 2009 was approximately 130 MW. On a weighted average basis and taking into account our anticipated annual production capacity expansion from 55 MW to 200 MW by the end of November 2009, our total production capacity for the year ending 31 December 2009 is approximately 84.6 MW. The increased capacity will be allocated to the production of solar wafers and solar ingots, with a stronger emphasis on production of solar wafers. The projected amount of capital expenditure to expand our annual production capacity to 200 MW in 2009 is RMB260.0 million, of which RMB114.6 million has been paid as of 30 June 2009 and the remainder of RMB145.4 million will be paid between the third quarter of 2009 to the end of 2010 and will be funded by cash flows from our operations and bank loans. We plan to further expand our production capacity to 504 MW by the end of June 2010. The total budget for such expansion is RMB410.8 million and is expected to be paid from the fourth quarter of 2009 to the second quarter of 2011 and is expected to be funded by proceeds from the [●] as to approximately half and our cash flows from operations and/or bank loans as to the remaining half. Please refer to the paragraphs headed "Planned expansion" under the section headed "Business" in this document for further details of our capacity expansion plans.

Our expansion plan is formulated based on the expected growth of the solar power market and the demand for our solar products. We have adopted a multi-faceted approach to manage our rapid capacity expansion. For example, we have drawn on our strong technical expertise for the fast ramp-up of our production capacity. On the supply front, we intend to maintain the strong relationships established with our long-term suppliers as part of our plan to secure sufficient raw materials for our increased production capacity. On the customer front, we have continued to strengthen our relationship with a diversifying group of customers which has enabled us to obtain ideas from exchanges of market intelligence with them for the enhancement of our solar products. We also strive and will continue to maintain sufficient financial liquidity to facilitate our rapid expansion and future planned expansion. Based on our operating results during the Track Record Period, we believe that, with the increase in our production capacity, our production and sales volumes would increase, which would have a positive effect on our revenues. However, our operations and growth prospects may be negatively affected if the recent global economic turmoil and credit crisis continue or the demand for solar products does not increase as anticipated. As our industry relies on government subsidies in the end-users market for solar power applications, the purchasing power of our customers may be negatively affected if government subsidies are reduced. We have not yet procured orders to utilise the additional production capacity we will have after our capacity expansion from 200 MW to 504 MW. We currently have no plan to expand the production of semiconductor products.

SALES ANALYSIS

Our revenues for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 were RMB135.4 million, RMB349.1 million, RMB762.1 million and RMB184.3 million, respectively. Our five largest customers together accounted for approximately 69.5%, 84.4%, 66.1% and 62.8% of our total revenues for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively. Our largest customer in each of the three years ended 31 December 2008 and the six months ended 30 June 2009 accounted for approximately 34.8%, 53.8%, 21.6% and 18.3% of our total revenues for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively. Our percentage of sales to our largest customer decreased since 2008 due to our efforts to diversify our customer base. The following table sets forth the analysis of our revenue by geographical market for the Track Record Period (note):

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
The PRC	120,970	89.3	332,322	95.2	659,938	86.6	299,324	90.4	159,505	86.6
Taiwan	—	—	—	—	25,086	3.3	10,577	3.2	6,702	3.6
Japan	11,511	8.5	6,337	1.8	23,028	3.0	10,150	3.0	—	—
Thailand	—	—	4,947	1.4	49,383	6.5	7,139	2.2	5,483	3.0
Germany	—	—	—	—	92	0.0	—	—	11,346	6.2
Other countries	2,935	2.2	5,458	1.6	4,576	0.6	3,994	1.2	1,217	0.6
Total	135,416	100.0	349,064	100.0	762,103	100.0	331,184	100.0	184,253	100.0

Note: Our revenue by geographical market may be different from our revenue by domicile of group entities as set out in “E. Notes to the Financial Information — 6. Revenue and Segment Information” of Appendix I to this document.

SUMMARY

The following table sets forth a breakdown of our revenue from the sale of solar wafers, solar ingots, semiconductor products and other revenues, for each of the three years ended 31 December 2008 and the six months ended 30 June 2009:

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Monocrystalline solar wafers										
156 mm by 156 mm	—	—	132,084	37.9	227,737	29.9	90,639	27.3	63,367	34.3
125 mm by 125 mm[1]	107,613	79.5	162,828	46.6	324,512	42.6	157,533	47.6	87,829	47.7
Total wafers	107,613	79.5	294,912	84.5	552,249	72.5	248,172	74.9	151,196	82.0
Monocrystalline solar ingots	12,297	9.1	25,640	7.4	173,217	22.7	56,894	17.2	18,324	10.0
Semiconductor products	9,895	7.3	27,369	7.8	32,272	4.2	22,592	6.8	9,046	4.9
Other revenues[2]	5,611	4.1	1,143	0.3	4,365	0.6	3,526	1.1	5,687	3.1
Total Revenue	135,416	100.0	349,064	100.0	762,103	100.0	331,184	100.0	184,253	100.0

1. Includes revenue of RMB4.5 million from the sale of 103 mm by 103 mm wafers in 2006.
2. Includes revenue from the sale of materials, such as monocrystalline silicon and recyclable silicon.

Despite the impact of the global economic downturn on the solar power industry since the fourth quarter of 2008, we believe that our operating environment is improving as our sales volume and revenue continue to improve since the six months ended 30 June 2009. Our sales volume for the two months ended 31 August 2009 was 11.6 MW, representing an average monthly sales volume of 5.8 MW, which was approximately 34.9% higher than our average monthly sales volume of approximately 4.3 MW for the six months ended 30 June 2009. Our unaudited revenue for the two months ended 31 August 2009 was approximately RMB69.0 million, representing an average monthly unaudited revenue of approximately RMB34.5 million, which was approximately 12.4% higher than our average monthly revenue of approximately RMB30.7 million for the six months ended 30 June 2009. In comparison, our average monthly sales volume for the two months ended 31 August 2008 was 30.0% higher than our average monthly sales volume for the six months ended 30 June 2008. The increase in our average monthly sales volume for the two months ended 31 August 2008 was attributable to the decrease in our utilisation rate during the six months ended 30 June 2008, however, the increase in our average monthly sales volume for the two months ended 31 August 2009 was attributable to an increase in our sales volume. Please refer to the section titled "Financial Information" of this document for more details.

OUR GROSS PROFIT MARGIN

Our gross profit margins for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 were 49.6%, 45.5%, 30.4% and 10.1%, respectively. Since the fourth quarter of 2008, our revenue and net profit has been materially and adversely affected. Despite the contraction in revenues as a result of a decrease in the average selling price of our solar products, we were able to remain profitable and recorded a net profit of RMB4.4 million for the six months ended 30 June 2009, which represented a decrease of 96.6% compared to RMB128.4 million for the six months ended 30 June 2008.

SUMMARY

The recent financial crisis and deteriorated worldwide economic conditions have resulted in downward pressure on prices of solar wafers. The average selling prices of our Company's solar wafer products have been reduced since November 2008. The average selling prices of our 125 mm by 125 mm solar wafer products decreased from RMB17.3 per Watt for the six months ended 30 June 2008, to RMB6.8 per Watt for the six months ended 30 June 2009, representing a decrease of approximately 60.7%. The average selling prices of our 156 mm by 156 mm solar wafer products decreased from RMB19.2 per Watt for the six months ended 30 June 2008, to RMB6.5 per Watt for the six months ended 30 June 2009, representing a decrease of approximately 66.1%. While the average selling prices of our solar products have decreased in the six months ended 30 June 2009, our raw material costs have decreased at a lower rate during the same period as the market prices for polysilicon decreased at a slower rate. As a result, our gross profit margin and gross profit for the six months ended 30 June 2009 have decreased. Nevertheless, our long-term supply contracts did not contribute to the decrease in our gross profit margin for the six months ended 30 June 2009 because the prices we paid for our purchases of polysilicon under our long-term supply contract with a Major International Supplier were below the prevailing market prices for polysilicon during this period and we did not purchase any polysilicon from Major International Supplier B during the same period as we were re-negotiating the terms of the our long-term supply agreement with them during the period. We believe prices of polysilicon and wafers will continue to fluctuate in the near future and we will continue to adopt cost efficiency measures to maintain or improve our gross profit margins.

OUR STRENGTHS AND STRATEGIES

We believe that our key competitive strengths are:

- One of the leaders in product quality and production technologies among monocrystalline solar wafer manufacturers in the PRC
- Cost-effective and efficient manufacturing model
- Strong relationships with suppliers and customers
- Experienced management team

Our objective is to maintain our market position as a leader in the design, development, manufacturing and marketing of high quality monocrystalline solar wafers. We believe we will be well-positioned to achieve this objective by implementing the following strategies:

- Continued focus on manufacturing high quality monocrystalline solar wafers
- Expand our production capacity while maintaining a low cost production structure
- Improve manufacturing efficiency through continuous process innovation
- Procure sufficient supplies of quality polysilicon at favourable prices
- Continue to grow our existing PRC customer base and develop new customer relationships both locally and abroad

OUR SUPPLY CONTRACTS

Long-term supply contract with Major International Supplier A

We have purchased polysilicon from Major International Supplier A, since 2000, although these purchases were pursuant to spot contracts. Our purchases of polysilicon from Major International Supplier A were made at prices generally more favourable than our average purchase price from our other suppliers for polysilicon of comparable quality. Our total purchases of polysilicon from Major International Supplier A, including spot purchases and purchases under the long-term supply contract with them, accounted for approximately 28.6%, 59.1%, 27.8% and 91.2% of our Group's total polysilicon purchases by value for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively. In 2006, we entered into an eight-year supply contract with Major International Supplier A for the supply of polysilicon from 2008 to 2015 and received our first shipment of polysilicon from Major International Supplier A in January 2008 in accordance with the terms of the supply contract. As a general industry practice, long-term supply contracts for virgin polysilicon, such as the long-term supply contract with Major International Supplier A, are typically entered into significantly in advance of the date of the first shipment in order to accommodate the capacity planning of the supplier. The salient terms of our long-term supply contract with Major International Supplier A are as follows.

- *Effective period*. The contract took effect on 1 January 2007 and will expire on 31 December 2015.

- *Rights and obligations*. Major International Supplier A is required to supply, and we have committed to purchase, a fixed quantity of virgin polysilicon in each calendar year beginning in 2008. Such quantities were determined by arm's length negotiation between the parties, taking into account our requirements for the raw material and the International Major Supplier's production capacity during the relevant period. If we are unable to fulfill the minimum purchase commitment in any calendar year, the amount of advance payment in respect of that particular calendar year will be forfeited. The long-term supply agreement with Major International Supplier A does not expressly stipulate that our Group will be subject to any other liabilities should our Group fail to meet the minimum purchase commitment. On the other hand, we rely on our contractual rights under the long-term supply contract to ensure that the supplier will honour its commitments under the contract.

- *Advance payment*. We are required to make two advance payments, the amounts of which were determined after arm's length negotiation between the parties based on the total purchase price and generally represent a certain fixed percentage of the total purchase price for the minimum quantity of purchases over the contract period. These two advance payments were made in 2006 and 2007, respectively, and we have not suffered any material loss of such advance payments.

- *Pricing and settlement terms*. The virgin polysilicon will be sold at various fixed prices but subject to adjustments in accordance with changes to an energy price index. Despite the decrease in market prices of polysilicon, the parties agreed not to adjust the contracted prices. Further, the prices we paid for our purchases of polysilicon under this long-term supply contract were below the prevailing market spot prices for polysilicon during 2008 and the six months ended 30 June

2009 but higher than the market average for long-term contract prices for polysilicon for 2008 and 2009, according to Solarbuzz. We are invoiced for each delivery and each invoice amount is reduced on a pro-rata basis by the advance payments we made. The credit period for our purchases with this supplier is 30 days.

- *Goods return policy*. We may return our purchases of the virgin polysilicon within 5 days of receipt if the shipment does not conform to the quantity ordered or the agreed specifications.

- *Security Interest.* Pursuant to the long term supply contract with this Major International Supplier, our Group granted to Major International Supplier A a continuing security interest in the virgin polysilicon supplied by Major International Supplier A and in the proceeds of sale or insurance of such virgin polysilicon until the entire purchase of such virgin polysilicon and if applicable, all late payments, interest and expenses necessary to enforce such security interest, are paid. Major International Supplier A has the right to take all necessary measures to create, perfect, preserve and enforce the security interest.

- *Termination and renewal*. The contract does not contain any renewal clause, and does not stipulate the circumstance of when the advance payments made can be refunded. It terminates at the end of the contractual period. Other than the forfeiture of any advance payments in accordance with the terms of the contract, the contract does not stipulate any specific compensation or penalty for early termination.

- *Confidentiality*. We are subject to confidentiality obligations under the contract and may not publicly disclose details of the contract without the prior consent of Major International Supplier A. For this reason, we are unable to disclose certain commercially sensitive information, such as the amount and percentage of our total purchases from Major International Supplier A and our annual minimum purchase commitment under the contract, in this document.

Long-term supply contract with Major International Supplier B

In April 2008, we entered into a seven-year supply contract, with Major International Supplier B, a company primarily engaged in the manufacturing and distribution of polysilicon as well as various types of chemicals and an Independent Third Party, with whom our business relationship began in 2008. The salient terms of our long-term supply contract with Major International Supplier B (as amended in July 2009) are as follows.

- *Effective period*. The contract took effect on 2 April 2008 and will expire on 31 December 2015.

- *Rights and obligations*. Major International Supplier B is required to supply, and we have committed to purchase, fixed quantity of virgin polysilicon starting from 2009. Such quantities were determined by arm's length negotiation between the parties, taking into account our requirements for the raw material and Major International Supplier B's production capacity during the relevant period. Major International Supplier B has the sole and absolute discretion to require us to increase or decrease our annual purchase quantity by a percentage of no greater than 3% by providing us with three months written notice. If we fail to accept deliveries for a certain number of times in any calendar year, our payment obligations for our minimum purchase commitment in that calendar year may be accelerated. On the other hand, we rely on our contractual rights under the long-term supply contract to ensure that Major International Supplier B will honour its commitments under the contract. Although the contract does not specifically set out other available remedies, but it also does not preclude Major International Supplier B from seeking legal remedies from us should we fail to meet the minimum purchase commitment.

- *Advance payment*. We were required to make two advance payments in 2008. Further, we will be required to make one advance payment in 2009 and another one advance payment by 30 September 2010 in accordance with an agreed schedule, which were determined after arm's length negotiation between the parties based on the total purchase price and generally represent a certain fixed percentage of the total purchase price of our purchases of virgin polysilicon over the contract period. The outstanding balance of advance payments are generally not refundable, except in limited circumstances, which include termination of the contract by mutual agreement, breach of contract by Major International Supplier B, bankruptcy or insolvency of Major International Supplier B and Major International Supplier B's inability to deliver products to us. We have made the advance payments in accordance with the said schedule, and we have not suffered any material loss with respect to such advance payments made.

- *Pricing and settlement terms*. The virgin polysilicon are sold to us at various fixed prices. Such prices are subject to adjustments with reference to an agreed formula taking into account of Major International Supplier B's average purchase prices of metallurgical silicon and electricity and changes in the exchange rate of the Korean Won (the purchase price will only be adjusted upward if the Korean Won appreciates against the U.S. dollar), and generally track the production cost of Major International Supplier B. Despite the decrease of market prices of polysilicon, no such adjustment to the contracted prices has been made since the commencement of the contractual period as mutually agreed between us and Major International Supplier B. Pursuant to an amendment agreement that we entered into with Major International Supplier B, Major International Supplier B however agreed to lower the prices of virgin polysilicon sold to us under the long-term supply contract. We and Major International Supplier B did not rely on the originally agreed formula to lower the contracted prices, primarily due to the preference of both parties to apply a meaningful approach to price adjustment to reflect changes in the prevailing market conditions for polysilicon as a result of the global financial crisis. The originally agreed formula, however, remains to be a binding term of the long-term supply contract. Based on our communication with Major International Supplier B and our experience during the Track Record Period, we believe it is likely that any future adjustment to the contract prices will be based on mutual negotiation between us and Major International Supplier B. We are invoiced 14 days before each delivery and are expected to pay within seven days before the date of delivery. Each invoice amount will be reduced on a pro-rata basis by the advance payments we made.

- *Goods return policy*. We may return our purchases of the virgin polysilicon within 45 days of receipt if the shipment does not conform to the agreed specifications.

- *Termination and renewal*. Pursuant to the long-term supply contract, the contract may be terminated (i) by mutual agreement; (ii) for breach of the terms and conditions therein; (iii) due to bankruptcy or insolvency in either party; (iv) if, having exerted commercially reasonable efforts, Major International Supplier B believes that it is unable to deliver the products; (v) by Major International Supplier B at its sole discretion if our Group produces polysilicon or acquires a producer of polysilicon; or (vi) if our Group undergoes a change of control. The contract does not expressly stipulate any compensation or penalty specifically for early termination of the contract by any party, except as mentioned above. Nonetheless, except when the contract is terminated due to Major International Supplier B's inability to deliver the products, the expiry or termination of the contract does not relieve the parties of any obligations accruing prior to such termination.

- *Confidentiality*. We are subject to confidentiality obligations under the contract and may not publicly disclose details of the contract without the prior consent of Major International Supplier B. For this reason, we are unable to disclose certain commercially sensitive information, such as the amount and percentage of our total purchases from Major International Supplier B and our annual minimum purchase commitment under the contract, in this document.

We have been able to fulfill the minimum purchase requirements under the long-term supply contract with Major International Supplier A due to our rapid expansion and the increase in our sales orders since the contract became effective. We experienced an increase in our sales volume of our solar products from approximately 7.8 MW in 2006 to approximately 44.3 MW in 2008 and from approximately 18.2 MW for the six months ended 30 June 2008 to approximately 25.8 MW for the six months ended 30 June 2009. As at the Latest Practicable Date, the aggregate annual minimum purchase commitments of our Group under all of our long-term supply contracts are approximately 36,000 kg in 2008, 76,000 kg in 2009, 256,000 kg in 2010, 296,000 kg in 2011 and 366,160 kg from 2012 to 2015. Despite the recent economic turmoil, our Directors believe that we will be able to meet the minimum purchase requirements in the future based on our current production capacity because our production volume has not been materially affected by the recent economic turmoil. In particular, our purchases of polysilicon for the year ended 31 December 2008 and the six months ended 30 June 2009 were approximately 223,608 kg and 205,681 kg, respectively, and we plan to expand our production capacity from 55 MW as at the end of June 2009, to 200 MW by the end of November 2009 and 504 MW by the end of June 2010. Since our Group's requirements for polysilicon generally increase in proportion to our capacity expansion, the aggregate minimum purchase commitments as mentioned above are expected to be lower than our Group's requirements for polysilicon in each year.

The aggregate advance payments required to be made by our Group under all of our long-term supply agreements are approximately RMB45.3 million in 2006, RMB44.7 million in 2007, RMB128.7 million in 2008, RMB13.6 million in 2009 and RMB18.6 million in 2010. We have made such required advance payments for the three years ended 31 December 2008 with our cash flow from operating activities and bank loans and the required advance payments for the two years ending 2010 are yet to be made as at the Latest Practicable Date. No additional amount of advance payment is required to be made by our Group under all of our existing long-term supply agreements beyond 2010.

With reference to the recent decline in the market prices of polysilicon, the contract price under our long-term supply contract with Major International Supplier A and the average contract price under our long-term and short-term supply contracts with Major International Supplier B for delivery of polysilicon in the year ending 31 December 2009 were still lower than the average market spot price for the week ended 2 October 2009, US$75/kg, according to PHOTON Consulting, Solar Updates, 2/10/2009. We have renegotiated our pricing terms with Major International Supplier B and as a result, we entered into two amendment contracts with respect to the long-term supply contract and a short-term supply contract with Major International Supplier B.

Short-term supply contracts with Major International Supplier B

In July 2009, we entered into two short-term supply contracts with Major International Supplier B, a company primarily engaged in the manufacturing and distribution of polysilicon as well as various types of chemicals and an Independent Third Party. The salient terms of these short-term supply contracts (one of which was amended in August 2009) with Major International Supplier B are similar and are set out below:

- *Effective period*. The contracts took effect on 7 July 2009 and 29 July 2009, and will expire on 31 December 2009 and 31 October 2009, respectively.

- *Rights and obligations*. Major International Supplier B is required to supply, and we have committed to purchase, fixed quantities of virgin polysilicon in the period from 7 July 2009 to 31 December 2009. We also rely on our contractual rights under these short-term supply contracts to ensure that Major International Supplier B will honour its commitments under the contracts on the other hand. Either party can turn to arbitration institutions for remedies.

- *Advance payment*. We are required to pay for every delivery under these short-term supply contracts in full at least seven days prior to the date of delivery.

- *Pricing and settlement terms*. The virgin polysilicon will be sold at various fixed prices, which are lower than the market prices of virgin polysilicon as at the date of these short-term supply contracts. We entered into an amendment agreement to one of these short-term supply contracts in August 2009, which lowered the contracted price for some of the virgin polysilicon that will be delivered to us. The adjusted contract price was lower than the then prevailing market price for polysilicon. Delivery will be made upon payment by us.

- *Goods return policy*. We are responsible to inspect the goods upon delivery by Major International Supplier B. If the quality of the goods delivered does not conform to the specifications under these short-term supply contracts, we shall notify Major International Supplier B within thirty days of the delivery of the goods and Major International Supplier B shall be responsible for the defective goods.

- *Termination and renewal*. The contracts do not contain any renewal or termination clause.

Each of these long-term and short-term contracts provides us with fixed quantities of polysilicon from a committed source, which will ensure a stable supply of polysilicon for a portion of our current production and future expansion plans. In terms of the contract prices of polysilicon, if the prevailing market prices of polysilicon are above the applicable contract prices, these contracts will have a positive impact on our profitability. However, if the prevailing market prices for polysilicon fall below the applicable contract prices, these contracts will have a negative impact on our profitability.

OUR SALES CONTRACTS

Long-term sales contract with Suntech

We currently have one five-year framework agreement with Suntech, an Independent Third Party. We began to supply solar wafers pursuant to such agreement in 2007. Our business relationship with Suntech began in 2006. The salient terms of the five-year framework agreement with Suntech are as follows.

- *Effective period*. The contract took effect on 10 November 2006 and will expire on 31 December 2011.

- *Rights and obligations*. We are required to supply, and Suntech has committed to purchase, a fixed quantity of solar wafers at a fixed price in 2007. The quantities and prices for the subsequent years are subject to further agreement between us and Suntech on an order-by-order basis, but in any event the amount purchased each year shall increase by not less than 10% of the total quantity purchased in the preceding year. If Suntech fails to settle the purchase price on time, it will be liable to pay us a penalty of 5% per month on the outstanding balance. On the other hand, if we fail to supply the agreed quantity of solar wafers on time, we will be liable to pay Suntech a penalty of 5% per month on the price of the outstanding quantity of solar wafers. If the penalty reaches a certain level, the non-defaulting party may also terminate the agreement. Further, Suntech is also liable for any loss of expected gain or otherwise that can reasonably be foreseen should it fail to meet its purchase commitment and our Group is also liable for any loss of expected gain or otherwise that can reasonably be foreseen should we fail to meet the purchase order by Suntech. For the two years ended 31 December 2008 and the six months ended 30 June 2009, we were unable to fulfill our annual sales commitment to Suntech, and therefore breached our sales obligations under the contract.

  Suntech is also required to supply an agreed quantity of polysilicon to our Group for the year ended 31 December 2007 under the contract. This is an independent obligation and not conditional upon their purchase of solar wafers from our Group. On the other hand, we are also not obliged to source polysilicon from Suntech under the contract. For the year ended 31 December 2007, Suntech was unable to provide the agreed quantity of polysilicon to our Group and therefore breached their supply obligation under the contract. Although it is not a back-to-back arrangement under the contract and Suntech is not obligated to supply any quantity of polysilicon to us under the agreement except for the year ended 31 December 2007, it was the commercial understanding between our Group and Suntech at the time when the parties entered into the agreement that we would not be able to fulfill our sales commitment in any given year unless Suntech supplies sufficient quantity of polysilicon to us for such year. In view of such prior understanding and the benefits to both parties to maintain a good business relationship under the global financial crisis, we and Suntech mutually agreed to waive any and all claims and/or rights of action against each other arising out of or in connection with any breach of the contract during the Track Record Period, including the aforementioned breaches by Suntech and us. Nonetheless, as polysilicon is no longer in shortage, we do not expect that we will need to purchase polysilicon from Suntech in the foreseeable future. In addition, we expect that we will be able to fulfill our sales obligations under the five-year framework agreement going forward given our planned production capacity expansion and the fact that polysilicon is no longer in shortage. Any of our failure to meet our sales obligations in the future will constitute a breach of contract by our Group and we will be liable to pay Suntech the abovementioned penalty.

- *Pricing and settlement terms*. The solar wafers were sold at a fixed price in 2007 and the prices and settlement terms for the subsequent years are subject to further agreement by arm’s length negotiation between Suntech and us on an order-by-order basis. In 2008, we agreed to sell solar wafers to Suntech with a credit period of up to seven days. Suntech had prepaid a portion of the purchase price for some of the solar wafers to be delivered by us pursuant to this agreement. However, all of such prepayment had either been applied towards payment of purchases of wafers or refunded as at the Latest Practicable Date pursuant to a supplemental agreement between the parties to reflect the change in market practice. Suntech is not required to make further prepayment each year over the contractual period.

- *Goods return policy.* Suntech is responsible to inspect the goods within seven days of delivery by us. If Suntech is not satisfied with the quality of the goods delivered, Suntech shall notify us of such dissatisfaction within 30 day of delivery. Upon confirmation by us that the delivered goods do not conform to the agreed specifications, we shall replace such defective goods within seven days. Whether the delivered goods conform to the agreed specifications is determined by a set of standard tests agreed to by both parties. The long-term sales contract does not have other goods return provision.

- *Termination and renewal*. The agreement will be automatically renewed for one year, unless either party gives written notice to the other to terminate the agreement prior to 30 days before the expiry of the relevant term of the agreement.

Our Directors believe that we will be able to meet our obligation to supply the minimum quantity of solar wafers to Suntech in accordance with the terms of the long-term sales contract given our planned production capacity expansion to 504 MW by the end of June 2010 and the fact that polysilicon is no longer in shortage.

The framework agreement with Suntech provides us with a significant volume of sales for a period of five years, which is in line with our plans for production capacity expansion. As our sales to Suntech, our largest customer for each of the three years ended 31 December 2008, comprised 34.8%, 53.8%, 21.6% and 18.3% of total revenues for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively, any decrease in purchase orders from Suntech will likely have a material impact on our future growth and profitability if we are unable to source replacement orders from other customers. Our percentage of sales to Suntech decreased in 2008 due to our efforts to diversify our customer base.

RISK FACTORS

Our Group’s operations are subject to a number of risks, a detailed discussion of which is set out in the section headed “Risk Factors” in this document. These risks can be broadly classified into:

- Risks relating to our business;

- Risks relating to the recent global financial market turmoil;

- Risks relating to our industry;

- Risks relating to the PRC; and
- Risks relating to the [●].

Set out below is a list of the risks referred to above.

Risks relating to our business

- Prices for solar wafers may fluctuate, subject to future demand for solar products and competitive factors.
- If we are unable to obtain sufficient high quality polysilicon in a timely manner and at commercially reasonable prices, our business could be materially and adversely affected.
- We experienced a general decline in our gross profit margins during the Track Record Period and various factors that are not within our control could adversely affect our gross profit margins in the future.
- Our future success depends on our ability to increase our production capacity and to launch new products to remain competitive. We may be unable to achieve our development plans, which would limit our growth potential and impair our results of operations and financial condition.
- Cash flow from our operations will not be sufficient to fund our current business plans and we may not be able to obtain external financing in a timely manner or on commercially acceptable terms.
- Advance payment arrangements with most of our polysilicon suppliers and equipment suppliers expose us to their credit risk.
- Our dependence on a limited number of key manufacturing equipment and spare parts suppliers could prevent us from fulfilling our customer orders in a timely manner or implementing our expansion plans.
- We depend on a limited number of customers for a significant portion of our revenues, and we anticipate such dependence to continue in the near future.
- We began commercially manufacturing monocrystalline solar products in 2004 and you should evaluate the prospects of our business in light of our limited operating history.
- Interruptions in the supply of electricity and other utilities to our manufacturing facilities may adversely affect our production and results of operations.
- Equipment failures may disrupt our business.
- Our inability to adequately address the financial, operational, infrastructure and human resources challenges of managing a rapidly growing business may negatively impact on our ability to implement our strategic initiatives.

- We may not be able to monitor and deploy internal control measures with respect to our business operations in an effective and timely manner because of our business expansion plans.
- Our geographical expansion may adversely affect our results of operations and financial condition.
- If we are unable to maintain full utilisation of our production capacity, our operating margins may decline substantially.
- We will need to invest significant financial and managerial resources in research and development to keep pace with technology advances and compete effectively in the solar power industry maintain our market position.
- Our business depends substantially on the continuing efforts of our executive officers and key employees.
- If we fail to strictly adhere to vigorous manufacturing standards and are unable to manufacture high quality monocrystalline solar wafers, our yields, reputation, business and prospects would be negatively impacted.
- We may not be able to compete effectively against manufacturers who may have greater resources and more advanced technologies than we do.
- Our principal manufacturing facilities are currently located in Nanhui Industrial Zone, Shanghai, PRC and any damage to such facilities could cause severe disruption to our business.
- Our insurance coverage may not be sufficient to cover the risks related to our business operations.
- We may be exposed to infringement or misappropriation claims by third parties.
- We may not be able to adequately protect our intellectual property, which could adversely affect business operations.
- Compliance with environmental regulations can be expensive, and any material non-compliance may result in adverse publicity, potentially significant monetary damages and fines, and suspensions of our operations.
- Fluctuations in exchange rates could adversely affect our results of operations and our profitability.
- We may be required to relocate the operations of our leased properties due to the lessor's failure to register the lease agreement.
- An outbreak of avian influenza or H1N1 influenza A or a recurrence of SARS or any other similar epidemic may, directly or indirectly, adversely affect our operating results and the [●].

Risks relating to the recent global financial market turmoil

Risks relating to our industry

- A substantial reduction or elimination of government subsidies and economic incentives for solar power applications may adversely affect our business and prospects.

- Market demand for solar wafers will be subject to various factors, including competing sources of power.

- The recent ease of imbalance of market supply and demand of polysilicon may not continue, and we may not be able to pass on increases in our raw material costs to our customers.

- Solar wafer products utilising crystalline-silicon-based technology may become obsolete; solar power may not be adopted for wide commercial application.

Risks relating to the PRC

- Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC Government may adversely affect our business, growth strategies, financial condition and results of operations.

- The PRC legal system is not fully developed so the legal protections available to you may not be as comprehensive as those [●] in other jurisdictions.

- Changes in the attitude of the PRC Government towards the development of the solar power industry may adversely affect our current or future business, growth strategies, financial condition and results of operations.

- Our primary source of funds in the form of dividends and other distributions from our operating subsidiary in the PRC is subject to various legal restrictions and uncertainties which may limit our ability to pay dividends or make other distributions to our Shareholders.

- Expiration of, or changes to, current PRC tax incentives that our business enjoys could have a material adverse effect on our results of operations.

- New labour laws in the PRC may adversely affect our results of operations.

- We may be adversely affected by the introduction of new environmental laws or regulations by the PRC Government to control polysilicon manufacturing.

- The stringent environmental protection requirements under the New Water Pollution Law could affect our business.

- It may be difficult to enforce service of process upon our executive directors and directors who live in the PRC or to enforce against us in the PRC any judgments obtained from non-PRC courts.

- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the Income Tax Law.
- If new SAFE regulations or interpretations are issued, our beneficial shareholder may be required to register with the local SAFE branches in respect of the capital financing activities overseas.
- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below summarise the consolidated financial information of our Group for each of the three years ended 31 December 2008 and the six months ended 30 June 2009. The following summary information of consolidated statements of comprehensive income, consolidated statements of financial position and consolidated cash flow information was derived from our Company's audited consolidated financial information prepared in accordance with IFRS as set out in the accountants' report in Appendix I to this document. You should read the entire accountants' report, including the notes thereto, included in Appendix I for more details.

Summary Consolidated Statements of Comprehensive Income Information

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Revenue	135,416	100.0	349,064	100.0	762,103	100.0	331,184	100.0	184,253	100.0
Cost of sales	(68,243)	(50.4)	(190,166)	(54.5)	(530,802)	(69.6)	(168,114)	(50.8)	(165,653)	(89.9)
Gross profit	67,173	49.6	158,898	45.5	231,301	30.4	163,070	49.2	18,600	10.1
Other income[1]	12,484	9.2	15,874	4.5	47,133	6.2	23,436	7.1	4,052	2.2
Other expenses[2]	—	—	—	—	(80,285)	(10.6)	(14,578)	(4.4)	(1,468)	(0.8)
Distribution and selling expenses	(532)	(0.4)	(635)	(0.2)	(1,401)	(0.2)	(708)	(0.2)	(1,155)	(0.6)
Administrative and general expenses	(5,172)	(3.8)	(11,181)	(3.2)	(23,888)	(3.1)	(12,379)	(3.7)	(9,417)	(5.1)
Interest expenses	(356)	(0.3)	(808)	(0.2)	(6,295)	(0.8)	(795)	(0.3)	(4,232)	(2.3)
Profit before taxation	73,597	54.3	162,148	46.4	166,565	21.9	158,046	47.7	6,380	3.5
Taxation	(9,762)	(7.2)	(14,797)	(4.2)	(35,086)	(4.6)	(29,638)	(8.9)	(1,950)	(1.1)
Profit for the year/period, attributable to the owners of the Company	63,835	47.1	147,351	42.2	131,479	17.3	128,408	38.8	4,430	2.4
	RMB cents		RMB cents		RMB cents		RMB cents		RMB cent	
Earnings per share — Basic	18.14		27.06		23.54		30.30		0.62	
— Diluted	N/A		N/A		23.54		30.30		N/A	

1. Primarily includes processing services fees, interest income and net foreign exchange gains. Processing services fees represent amounts received and receivable for wafer processing services provided to external customers. Foreign exchange gains primarily represent net foreign exchange gains as a result of transactions, such as collection of trade receivables, advance payments from a major customers and purchase of materials, denominated in US$ or Euro, and the appreciation of RMB. For the year ended 31 December 2007, net foreign exchange gains mainly arose from the settlement of acquisition of Comtec Semi and Comtec Solar in US$ by issuance of promissory notes by Comtec Semi (HK) and Comtec Solar (HK).
2. Our other expenses primarily include impairment of advances to suppliers, share-based payment expenses and legal and professional fees.

The following table sets forth the aggregate amount of our sales of solar wafers and ingots and their average unit price during the Track Record Period.

Solar Products[1]

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
Aggregate Sales (in MW)					
Monocrystalline Wafers					
156 mm by 156 mm	—	7.4	12.8	4.7	9.8
125 mm by 125 mm[2]	6.5	9.4	19.6	9.1	13.0
Total for wafers	6.5	16.8	32.4	13.8	22.8
Monocrystalline Ingots	1.3	2.6	11.9	4.4	3.0
Total	7.8	19.4	44.3	18.2	25.8
Average Unit Price (in RMB/Watt)					
Monocrystalline Wafers					
156 mm by 156 mm	—	17.8	17.8	19.2	6.5
125 mm by 125 mm[2]	16.5	17.3	16.6	17.3	6.8
Average for wafers	16.5	17.5	17.1	18.0	6.7
Monocrystalline Ingots	9.6	10.0	14.6	12.8	6.1

1. Excludes sales under processing services.
2. Includes sales of 103 mm by 103 mm wafers in 2006.

Summary Consolidated Statements of Financial Position

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	107,942	309,597	473,933	523,365
Current assets	125,740	306,184	343,328	343,903
Total Assets	233,682	615,781	817,261	867,268
Liabilities and equity				
Current liabilities	125,391	302,934	254,093	299,455
Non-current liabilities	—	164,646	3,251	3,466
Total Liabilities	125,391	467,580	257,344	302,921
Total Equity	108,291	148,201	559,917	564,347
Total Liabilities and Equity	233,682	615,781	817,261	867,268

Summary Consolidated Cash Flow Information

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash from (used in) operating activities	108,583	171,724	(154,113)	(3,451)	13,076
Net cash used in investing activities	(29,204)	(118,052)	(80,410)	(33,675)	(52,358)
Net cash (used in) from financing activities	(12,406)	20,646	249,526	137,669	19,268
Increase (decrease) in cash and cash equivalents	66,973	74,318	15,003	100,543	(20,014)
Cash and cash equivalents at beginning of the year/period	8,797	75,770	150,088	150,088	165,091
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	75,770	150,088	165,091	250,631	145,077

WORKING CAPITAL

The table below sets forth our current assets and liabilities as at the end of each reporting period during the Track Record Period.

	Year ended 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	125,740	306,184	343,328	343,903
Current liabilities	125,391	302,934	254,093	299,455
Net current assets	349	3,250	89,235	44,448

We plan to optimise our overall capital structure and finance our capital expenditure needs primarily through operating cash flows, the issue of new shares or long-term debt securities and the use of bank loans, taking into account our cost of capital and the risks associated with each class of capital.

We had a net current assets position of RMB44.4 million as at 30 June 2009. We require cash primarily for our expenditures for our business operation. Our Directors confirm that we have sufficient working capital to meet our working capital and capital expenditure requirements for at least the next 12 months from the date of this document, after taking into account the financial resources presently available to us, including operating cash flows, banking facilities, cash and cash equivalents on hand, and the estimated net proceeds from the [●].

Our banking facilities and arrangements have not been affected by the recent financial crisis and deteriorated worldwide economic conditions. In particular, as at the Latest Practicable Date, we have not received any indication from the Agricultural Bank of China that there would be potential withdrawal of any banking facilities granted to our Group and our standby short-term banking facilities of RMB336 million remain available to us according to their original terms; the Agricultural Bank of China has not requested for early repayment of our outstanding loans, nor requested us to increase the amount of pledge for our secured borrowings; there is no bankruptcy nor default on the part of any of our customers and suppliers; and none of our customers have cancelled any orders placed with us, although we have reduced the selling prices of our solar products as mentioned above.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

We believe that, in the absence of unforeseen circumstances and on the bases and assumptions set out in the section headed "Profit Forecast" in Appendix III to this document, our profit attributable to the Company's owners for the year ending 31 December 2009 is likely to be not less than RMB23.9 million under IFRS.

Forecast consolidated profit attributable to owners of our Company(2)	Not less than RMB23.9 million

Notes:

1. One of the underlying assumptions of our profit forecast for the year ending 31 December 2009 is our successful expansion of our annualised production capacity to 200 MW by the end of November 2009. Our annualised production capacity as at the end of September 2009 was 130 MW. If we were unable to complete our annualised production capacity expansion to 200 MW by the end of November 2009 as contemplated, our profit after taxation for the year ending 31 December 2009 is likely to be approximately RMB4.8 million lower than our forecast of RMB23.9 million.
2. The bases and assumptions on which the forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2009 has been prepared are summarised in Appendix III to this document. The forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2009 is based on audited consolidated results for the six months ended 30 June 2009, the unaudited consolidated management accounts of our Group for the two months ended 31 August 2009 and a forecast of the consolidated results of our Group for the remaining four months ending 31 December 2009.

RESTRICTED SHARES GRANT TO DIRECTOR

A total of 3,877,058 restricted Shares ("Restricted Shares") were granted to Mr. Chau Kwok Keung, an executive Director, at nil consideration for the purpose of giving him an opportunity to have a personal stake in us and to motivate him to optimise his performance and efficiency, and also to retain him as our employee whose contributions are important to our long-term growth and profitability. While share options are most commonly used in a company's incentive compensation program, restricted share awards are outright grants of shares subject to vesting restrictions, which are intended to induce performance since the grantee will immediately become a shareholder of the company and will be entitled to voting and receiving dividends. We therefore consider that Mr. Chau's economic interest would be more appropriately aligned with that of the other Shareholders of our Company if Mr. Chau's compensation package is structured in a way that will also include the grant of Restricted Shares. The grant of Restricted Shares was approved by written resolutions of the Shareholders dated 2 June 2008 and 3 August 2009. For further information on the Restricted Shares grant, please refer to the paragraph headed "Further information about Directors — Restricted Shares grant to Director" set out in Appendix VI to this document.

[●] SHARE OPTION SCHEME

We have adopted the [●] Share Option Scheme to motivate our employees to optimise their performance, efficiency and future contributions to our Group and to reward them for their past contributions to our Group. The principal terms of the [●] Share Option Scheme were approved by written resolutions of the Shareholders dated 2 June 2008. Options to subscribe for an aggregate of 230,000 Shares were granted on 3 August 2009 at an original subscription price per Share of HK$6.27.

Pursuant to the terms of the [●] Share Option Scheme which required, in the event of any alteration to the capital structure of our Company including by way of capitalization of profits or reserves, adjustments to be made to, among other things, the aggregate number of Shares subject to any option that have been granted under the [●] Share Option Scheme but have not, at the time, been exercised. We therefore granted an additional amount of options to subscribe for an aggregate of 344,020 Shares on 2 October 2009. The total number of Shares which may be issued upon the exercise of options granted under the [●] Share Option Scheme is therefore 574,020 Shares (the "Underlying Shares"), representing (i) approximately 0.057% of the issued share capital of our Company (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the [●] Share Option Scheme), and (ii) approximately 0.057% of the issued share capital of our Company and assuming that all options granted under the [●] Share Option Scheme are exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme). As at the Latest Practicable Date, none of the options granted under the [●] Share Option Scheme had been exercised by the grantees.

Pursuant to the [●] Share Option Scheme and the relevant offer letters in respect of the grant of options:

(i) the adjusted subscription price per Underlying Share shall be HK$2.51; and

(ii) all options granted under the [●] Share Option Scheme can only be exercised in the following manner: (a) Shares representing 1/12th of the Underlying Shares shall vest on 1 November 2009; and (b) from 1 November 2009 onwards, the remaining 11/12th of the Underlying Shares shall vest in equal quarterly instalments of 1/12th of the Underlying Shares at the end of each three-month period subject to continued employment with our Company during that period and all other terms and conditions as described in the [●] Share Option Scheme. No option holder shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any options or purport to do so.

Please refer to the section headed "[●] Share Option Scheme" in Appendix VI to this document for further details of the [●] Share Option Scheme.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. Additionally in the case of the executive Directors and senior management of our Group, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The principal terms of this scheme are summarised in the paragraph headed ''Share Option Scheme'' in Appendix VI to this document.

CORPORATE INVESTOR

On 18 March 2008, we entered into a subscription agreement with a financial investor, CMTF, and issued 11,212,019 Series A Shares to CMTF at a consideration of approximately US$20 million based on the post-investment equity valuation of US$494.5 million, which was determined at arm's length with reference to future earnings potential of our Company. On 30 March 2009, we renegotiated the terms of the investment by CMTF in our Company given the economic downturn and therefore entered into a supplemental agreement with CMTF, pursuant to which we issued an additional 13,587,494 Series A Shares to CMTF credited as fully paid by a transfer of share premium of the Company in the amount of HK$13,587.49. As at the Latest Practicable Date, CMTF was holding a total of 24,799,513 Series A Shares.

The proceeds of approximately US$20 million from the investment by CMTF in our Company were used to finance expansion of our production capacity and as our general working capital.

Upon our Company's request and pursuant to the terms of a lock-up undertaking, CMTF agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of our Company, however or whenever acquired, without the prior written consent of our Company or [●], as the case may be, for a period of 180 days from the [●] Date.