
HISTORY AND CORPORATE STRUCTURE

OUR HISTORY

We trace our origins to 1999 when Mr. Zhang, our Chairman, CEO, executive director and founder, established Comtec Semi on 21 December 1999 in Shanghai, the PRC, with an initial registered capital of US\$1 million sourced from his personal savings, to manufacture and sell semiconductor ingots and wafers. Prior to the establishment of our semiconductor business, Mr. Zhang worked as a senior design engineer for approximately four years at a U.S.-based company, Silicon Systems Inc. His duties and responsibilities at Silicon Systems Inc. were to develop and design communication firmware used in silicon chips. Mr. Zhang accumulated from such employment, general industry knowledge and experience in the use of silicon, a basic raw material in the semiconductor production process, which served to set a solid foundation for our semiconductor business.

When Mr. Zhang started our Group’s business, our Group purchased all necessary machinery and equipment mainly through auctions from several semiconductor wafer manufacturers in South Carolina and Ohio, the U.S.. At around the same time, our Group acquired the necessary production technology by hiring experienced individuals from semiconductor manufacturers based in the PRC, including our Group’s CTO, Mr. Shi Cheng Qi. We expanded our business into the production of monocrystalline solar ingots in 2004 and the production of monocrystalline solar wafers in 2005 and since then, solar products have gradually replaced our semiconductor business to become our principal source of revenues. The change in business focus was mainly driven by the increasing demand for solar wafer products. The manufacture of solar wafers and semiconductor wafers is similar in many respects, including 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.

In order to facilitate our change in business focus, we established Comtec Solar as a sino-foreign equity joint venture in the PRC on 5 July 2005 with a registered capital of US\$5 million. At the time of its incorporation, Comtec Solar was owned as to 27% by Comtec Semi and 73% by Mr. Zhang in the name of Comtec Ltd, which is the trade name in the U.S. under which Mr. Zhang conducted business as a sole proprietor. In 2006, the shareholding of Comtec Solar was restructured pursuant to which the entire registered capital of Comtec Solar became wholly-owned by Mr. Zhang (under the trade name of Comtec Ltd).

The experienced individuals hired by our Group when our Group’s business first started helped us in developing our initial customer and supplier bases, which have gradually broadened over the years under Mr. Zhang’s leadership. Our CTO, Mr. Shi Cheng Qi, who has over 30 years of experience in semiconductor, solar and materials engineering, was responsible for establishing our supplier base. Mr. Zhang was personally responsible for establishing our customer base, who was also assisted by our sales manager, Mr. Wang Yong Sen, who had the relevant experience in the industry. Our Group has not experienced any significant difficulties in pursuing new business partners, whether they are suppliers or customers, given our ability to produce high quality monocrystalline solar wafers and our good reputation in the industry since the commencement of our business. We managed to achieve rapid expansion in our business during the Track Record Period through the establishment of strong long-term relationships with major polysilicon suppliers and manufacturers of solar cells which helped to support our production, accumulation of profits and financial resources from sales and operations as well as private equity investments which helped fund expansion projects, and dedication to recruiting industry expertise and training workers to build up our team.

HISTORY AND CORPORATE STRUCTURE

BUSINESS MILESTONES

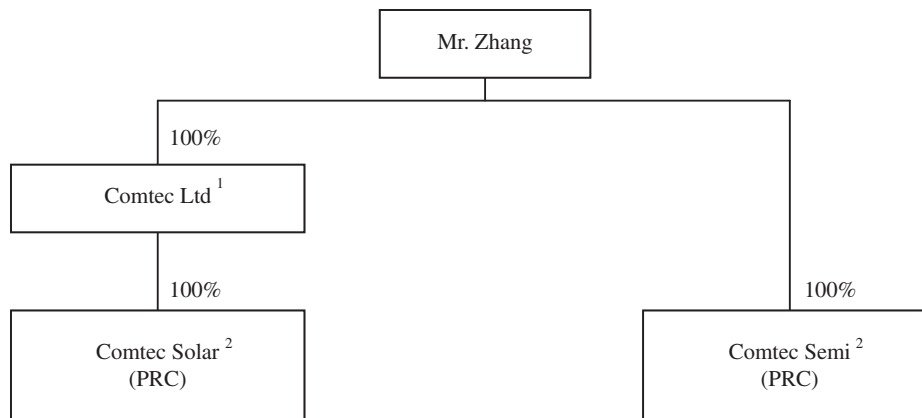
The following table summarises various milestones in the development of our business:

<u>Year</u>	<u>Event</u>
1999	Comtec Semi was established as a wholly foreign-owned enterprise in the PRC in December 1999 by Mr. Zhang to manufacture and sell semiconductor ingots and wafers.
2004	We started to manufacture monocrystalline solar ingots by leveraging our experience from the semiconductor industry.
2005	Comtec Solar was established as a sino-foreign equity joint venture in the PRC in July 2005 by Comtec Semi and Mr. Zhang to produce monocrystalline solar ingots and wafers.
2006	We signed a five-year framework agreement with Suntech in November 2006 to provide them with high efficiency monocrystalline solar wafers. We signed an eight-year contract with Major International Supplier A in 2006 for deliveries of polysilicon from 2008 through 2015 to secure long-term supply of virgin polysilicon, the major raw materials for the production of our monocrystalline solar wafers.
2007	Mass production of larger 156 mm by 156 mm monocrystalline solar wafers commenced in March 2007. We started our mass production of sub-200 micron monocrystalline solar wafers in March 2007. We expanded our monocrystalline solar wafer annual production capacity to 55 MW by the end of 2007.
2008	We started producing 170 micron monocrystalline solar wafer in January 2008. We started a research and development project on developing 210 mm by 210 mm monocrystalline solar wafers for large-scale commercial production. We signed a seven-year supply contract with Major International Supplier B in April 2008 pursuant to which we expect to receive virgin polysilicon supply through 2015. We completed our development project on larger 210 mm by 210 mm monocrystalline solar wafers ready for large-scale commercial production in December 2008.
2009	We completed our research and development of the manufacture of square wafers in April 2009.

HISTORY AND CORPORATE STRUCTURE

CORPORATE REORGANISATION

The chart below illustrates our corporate structure immediately prior to the Corporate Reorganisation:



Note:

- 1 Comtec Ltd is the trade name in the U.S. under which Mr. Zhang had been carrying on business as a sole proprietor and had been registered with the filing of a fictitious business statement by Mr. Zhang with Alameda County Clerk-Recorder’s Office in Alameda County, California, the U.S., on 5 January 2007 due to his change in place of residence from where he conducted his sole proprietorship business. Pursuant to Section 17910 of the California Business Professions Code, every person who regularly transacts business in the state of California, for profit under a trade name is required to file a fictitious business name statement. Prior to its registration with Alameda County in California, Mr. Zhang carried on business as a sole proprietorship in the U.S. under the trade name of Comtec Ltd in various counties in California, including Santa Clara County and Nevada County. Mr. Zhang may not be in compliance with Section 17910 of the California Business & Professions Code as there was no effective registration of the fictitious business name statement during the period from the expiry of the fictitious business name statement filed in Nevada County on 11 January 1999, to the time immediately before the filing of a fictitious business name statement in Alameda County on 5 January 2007. Our legal advisers as to U.S. law, Orrick, Herrington & Sutcliffe, advised that Mr. Zhang therefore may not maintain any action upon or on account of any contract made, or transaction had, in the fictitious business name in any court in California for such period in respect of which he did not file any fictitious business name statement. There is however no general requirement under California law which requires a person to file a fictitious business name statement in respect of a trade name in order to conduct business under such trade name.

As advised by our U.S. legal advisers, Orrick Herrington & Sutcliffe, Mr. Zhang had the power, authority and capacity to conduct business in California during the Track Record Period, and that to their knowledge, no governmental licences, certificates, approvals or permits were required under the applicable laws in the U.S. in connection with the valid execution, delivery and performance of the business contracts by Mr. Zhang under the trade name of Comtec Ltd in accordance with their terms.

Comtec Ltd may be registered as a trade name, or fictitious business name as referred to under California law, if the following criteria and conditions are fulfilled: (i) a fictitious business name statement in respect of such name has been properly completed and filed with the office of the county clerk for the relevant county in which the registrant desires to register such trade name, and (ii) within 30 days after the filing, the registrant should also publish in a newspaper of general circulation in the county where such statement has been filed a notice of such fictitious name filing. If such filing is the first filing in respect of such trade name in such county, as with the filing of a fictitious business statement by Mr. Zhang in Alameda County on 5 January 2007, and the registrant is actually engaged in a trade or business utilising the fictitious business name, the filing of a fictitious business name statement establishes a rebuttable presumption under California law that the registrant has the exclusive right to use such trade name as a trade name in the county in which such statement was filed. In July 2008, Mr. Zhang filed a “statement of abandonment of use of fictitious business name” with Alameda County Clerk-Recorder’s Office in Alameda County, California, the U.S..

2. As confirmed by our PRC legal adviser, Commerce & Finance Law Offices, the registered capital of Comtec Solar and Comtec Semi have been fully paid up within the required timeframe.

HISTORY AND CORPORATE STRUCTURE

In order to rationalise our organisational structure, we underwent the Corporate Reorganisation prior to the [●] which involve the following steps:-

(a) **Incorporation of new investment holding entities for our Group**

Most Talent Limited (the former name of Comtec Solar (Cayman)) and New Genuine Limited (the former name of Comtec Semi (Cayman)) were incorporated as exempted companies in the Cayman Islands on 23 April 2007 for the purpose of investment holding by Mrs. Wenba Wu, a nominee shareholder on behalf of Mr. Zhang. The nominee shareholding arrangement was used for these companies for administrative convenience. Mrs. Wenba Wu is an agent of a corporate secretarial company engaged by Mr. Zhang to manage his shareholdings and is independent of, and not connected with, our Directors, chief executives or substantial Shareholders of our Company or any of our subsidiaries or any of their respective associates. Star View (Hong Kong) Limited (the former name of Comtec Solar (HK)) and Winkle (Hong Kong) Limited (the former name of Comtec Semi (HK)) were incorporated in Hong Kong on 12 October 2007. On 6 November 2007, Comtec Solar (Cayman) acquired the entire issued share capital of Comtec Solar (HK) from Bosco Nominees Limited at a nominal consideration and Comtec Solar (HK) became wholly-owned by Comtec Solar (Cayman). On the same date, Comtec Semi (Cayman) also acquired the entire issued share capital of Comtec Semi (HK) from Bosco Nominees Limited at a nominal consideration and Comtec Semi (HK) became wholly-owned by Comtec Semi (Cayman).

(b) **Incorporation of investment vehicle of Mr. Zhang**

To prepare for the [●], Mr. Zhang incorporated an investment vehicle, Fonty, in the BVI to hold his interests in our Company on 5 September 2007.

(c) **Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as the holding company of our Group on 13 November 2007.

(d) **Acquisition of Comtec Solar (Cayman) and Comtec Semi (Cayman) by our Company**

On 13 November 2007, our Company acquired the entire issued share capital of each of Comtec Solar (Cayman) and Comtec Semi (Cayman) held by Mrs. Wenba Wu, a nominee shareholder on behalf of Mr. Zhang, for a nominal consideration.

(e) **Transfer of the entire equity interest in Comtec Semi**

Pursuant to an equity transfer agreement dated 21 November 2007, Comtec Semi (HK) acquired the entire equity interest in Comtec Semi from Mr. Zhang for a consideration of US\$4.04 million. The said consideration was determined with reference to the paid-up registered capital of Comtec Semi and was satisfied by the issuance of a promissory note in the amount of US\$4.04 million on 31 December 2007 (“Semi Note”).

HISTORY AND CORPORATE STRUCTURE

(f) Transfer of the entire equity interest in Comtec Solar

Pursuant to an equity transfer agreement dated 21 November 2007, Comtec Solar (HK) acquired the entire equity interest in Comtec Solar from Mr. Zhang for a consideration of US\$18.5 million. The said consideration was determined with reference to the paid-up registered capital of Comtec Solar and was satisfied by the issuance of a promissory note in the amount of US\$18.5 million on 31 December 2007 (“Solar Note”).

(g) Restructuring of our Company’s share capital

In preparation for the investment by CMTF, we restructured our share capital on 12 March 2008 by increasing our authorised share capital and subdividing the number of our issued shares. After such restructuring, the authorised share capital of our Company was increased to HK\$1,000,000 divided into 1,000,000,000 shares of HK\$0.001 each. The one Share held by Fonty was subdivided into 10 Shares with a par value of HK\$0.001 each.

(h) Contribution of promissory notes

On 12 March 2008, Mr. Zhang assigned the Semi Note to Fonty as additional capital contribution. The Semi Note was transferred by Fonty to our Company and in return, our Company issued 47,677,017 Shares to Fonty. The additional shares were issued to Fonty as part of the restructuring of our share capital in preparation for the investment by CMTF and the number of shares were determined with reference to the post-investment shareholding structure of our Company. Our Company then delivered the Semi Note to Comtec Semi (Cayman) and thereafter, Comtec Semi (Cayman) delivered the Semi Note to Comtec Semi (HK) as an intercompany capital contribution of US\$4.04 million. Each of Comtec Semi (Cayman) and Comtec Semi (HK) issued one new share to our Company and Comtec Semi (Cayman), respectively, in return for such capital contribution.

On 12 March 2008, Mr. Zhang assigned the Solar Note to Fonty as additional capital contribution. The Solar Note was transferred by Fonty to our Company and in return, our Company issued 218,322,973 Shares to Fonty. The number of shares was determined with reference to the restructuring of our share capital in preparation for the investment by CMTF. Our Company then delivered the Solar Note to Comtec Solar (Cayman) and thereafter, Comtec Solar (Cayman) delivered the Semi Note to Comtec Solar (HK) as an intercompany capital contribution of US\$18.5 million. Each of Comtec Solar (Cayman) and Comtec Solar (HK) issued one new share to our Company and Comtec Solar (Cayman), respectively, in return for such capital contribution.

(i) Investment by CMTF

On 12 March 2008, the authorised share capital of our Company was increased to HK\$1,012,000 by the creation of 12,000,000 new Shares of HK\$0.001 each and following the increase, the authorised share capital of our Company was redesignated and reclassified into 1,000,000,000 ordinary shares of HK\$0.001 each and 12,000,000 preferred shares of HK\$0.001 each. All of the preferred shares were designated as Series A Shares.

Pursuant to a subscription agreement entered into between our Company and CMTF dated 18 March 2008, our Company allotted and issued 11,212,019 Series A Shares to CMTF credited as fully paid.

HISTORY AND CORPORATE STRUCTURE

(j) **Business previously carried on by Mr. Zhang under the trade name of Comtec Ltd**

Prior to the Corporate Reorganisation, Mr. Zhang used Comtec Ltd as a trade name in the U.S. to carry on business as a sole proprietor, which performed sourcing and trading activities for Comtec Semi and Comtec Solar. The Relevant Business mainly had the following two types of business arrangements with us during the Track Record Period:

1. *Purchases of wafers manufactured with imported polysilicon feedstock from one of our Shanghai Subsidiaries and the subsequent re-selling to the other Shanghai Subsidiary.*

Our Group has been able to utilise the procurement function of the Relevant Business and adopted the following mechanism to customs clearance in an effort to maintain a stable and predictable supply of polysilicon to our Group:

- (i) either one of our Shanghai Subsidiaries would import raw material polysilicon feedstock and use it to manufacture cylindrical ingots and monocrystalline solar wafers and then sell the cylindrical ingots and monocrystalline solar wafers so manufactured to the Relevant Business; and
- (ii) Mr. Zhang, through the Relevant Business, would resell the cylindrical ingots and monocrystalline solar wafers to our other Shanghai Subsidiary, which would then finally sell these products to our PRC domestic customers.

The cylindrical ingots and monocrystalline solar wafers would be delivered from one of our Shanghai Subsidiaries’ warehouse to 上海外高橋保稅物流園區 (Shanghai Waigaoqiao Bonded Logistics Zone) to carry out custom clearance procedures, and thereafter be redelivered to our other Shanghai Subsidiary’s warehouse.

Under this arrangement, Mr. Zhang, through the Relevant Business, would generally settle all payments directly with Comtec Solar or Comtec Semi and thereafter issue an invoice to the other Shanghai Subsidiary.

According to 中華人民共和國海關對加工貿易貨物監管辦法 (The PRC Customs Supervision and Administration Processing Trade Goods Procedures, the “**Procedures**”), such arrangement constitutes a processing trade with imported materials. Under the Procedures, processing trade with imported materials refers to business activities of which an enterprise uses foreign exchange to import the materials and parts for manufacturing and then exports the finished products. The processing trade with imported materials is a common protective trade, under which the imported materials and parts except otherwise provided by the PRC laws and regulations are regularly exempted from customs duties at the time of import and subject to bonded supervision and administration (保稅監管). After the finished processed products are exported, the competent Customs will carry out record verification and cancellation in accordance with the verified actual quantity of the exported finished products.

HISTORY AND CORPORATE STRUCTURE

The above arrangement within our Group was to facilitate timely custom clearance. Since no customs duty is levied at the time of import under processing trades with imported materials, the relevant Customs will not assess the import price of the raw materials for the purpose of determining the amount of customs duties payable. As a result, the customs processing time for the clearance is generally shorter than what would have been required had the materials been imported as general imports. In the absence of the above arrangement, if our Shanghai Subsidiaries were to import raw polysilicon feedstock and sell the cylindrical ingots and monocrystalline solar wafers they manufactured directly to our PRC domestic customers, the import of polysilicon would instead constitute general imports. Pursuant to 中華人民共和國海關法 (The Customs Law of the PRC) and 中華人民共和國海關稅則 (2005-2008) (The Customs Tariff Code of the PRC), polysilicon imported from the USA under general imports shall be subject to a customs duty at the rate of 4%. On the other hand, as both the PRC and the U.S. are members of the World Trade Organization, cylindrical ingots and monocrystalline solar wafers generally imported are exempted from customs duties.

When conducting such processing trade with imported materials with Comtec Ltd, the Shanghai Subsidiaries truthfully declared the form of trade, port of import and export, price and place of origin of the imported polysilicon and cylindrical ingots and monocrystalline solar wafers for export, as well as other items required under the Procedures. According to 中華人民共和國海關法 (The Customs Law of the PRC) and the Procedures, the end customers and their locations are not required to be reported to the Customs. Therefore, although Comtec Ltd resold the cylindrical ingots and monocrystalline solar wafers to the other Shanghai Subsidiary (at a price different from what Comtec Ltd paid to acquire them), such reselling arrangements are separate and independent from the processing trade with imported materials and thus would not affect the legality of the processing trade with imported materials conducted earlier.

2. Acting as the sourcing and trading arm of the Group.

The use of Comtec Ltd facilitates quick settlement of prepayments for raw materials and equipment purchased by Comtec Solar and Comtec Semi from overseas.

The Relevant Business performed sourcing functions for our Group prior to the Corporate Reorganisation by purchasing raw materials and equipment from overseas third party suppliers or vendors, and re-selling them to our Shanghai Subsidiaries. Mr. Zhang, through the Relevant Business, would generally settle all payments directly with the overseas third party suppliers or vendors, and thereafter issue invoices to our Shanghai Subsidiaries.

The Relevant Business also served as our overseas sales arm by purchasing ingots or wafers from our Shanghai Subsidiaries, and re-selling these products to overseas third party customers. Mr. Zhang, through the Relevant Business, would generally settle all payments directly with our Shanghai Subsidiaries, and the third party customers would generally settle with Comtec Ltd.

The transactions between the Relevant Business and our overseas third party customers and suppliers which are denominated in currencies other than the RMB are not subject to compliance with SAFE regulations and procedures, which would otherwise be applicable had our Shanghai Subsidiaries transacted with these overseas customer and suppliers directly. The use of Comtec Ltd therefore enabled our Group to settle payments with these overseas third party customers and suppliers more quickly. As mentioned above, after the payments were settled, Comtec Ltd would re-sell the raw materials and equipment to the Shanghai Subsidiaries, and then the Shanghai Subsidiaries would pay

HISTORY AND CORPORATE STRUCTURE

the purchase price directly to Comtec Ltd in accordance with the PRC laws and regulations related to foreign exchange settlement, sale and payment. The Shanghai Subsidiaries had followed the requisite foreign exchange payment procedures and never been punished by the competent foreign exchange administrations during the Track Record Period.

The primary effect of the arrangements in connection to the Relevant Business on the financial results of our Group was the exemption of a 4% customs duty on imported polysilicon.

In addition, Mr. Zhang’s equity interest in Comtec Solar was held under his trade name of Comtec Ltd prior to our Corporate Reorganisation and the Relevant Business also sold semiconductor parts sourced from third party suppliers or vendors to Comtec Electronics.

Pursuant to 中華人民共和國海關法 (The Customs Law of the PRC) and other PRC laws and regulations related to customs administration, when conducting processing trades with imported materials, the importers are not obliged to declare the end customers of the goods to the relevant Customs. Additionally, bonded warehouses are legally considered as territories outside of China for Customs clearance purpose. The Shanghai Subsidiaries were in compliance with the PRC customs declaration procedures and had never been found of any misrepresentations which should be punished by the competent Customs during the Track Record Period. Commerce & Finance Law Offices, the PRC legal advisers to our Company, and King & Wood PRC Lawyers, the PRC legal advisers to the [●], both have confirmed that the declarations made by the Shanghai Subsidiaries to the Shanghai Customs did not constitute misrepresentations since 上海外高橋保稅物流園區 (Shanghai Waigaoqiao Bonded Logistics Zone) was inspected and accepted by the China Customs as a qualified bonded logistics zone and hence, for customs clearance purpose, the bonded warehouses located within are deemed to be territories outside of China.

Our Shanghai Subsidiaries have followed the requisite application procedures for customs reporting and foreign exchange settlements and payments in respect of the above arrangements with the Relevant Business, and our PRC legal advisers, Commerce & Finance Law Office, confirm that the two business arrangements described above are in compliance with the relevant PRC laws and regulations, including but not limited to the applicable taxation, customs-related and foreign exchange laws and regulations.

Mr. Zhang carried on the Relevant Business physically in the U.S. but ceased to do so on 3 July 2008, and has filed a “statement of abandonment of use of fictitious business name” with the clerk of Alameda County, California in the U.S.. Mr. Zhang therefore has since then ceased to carry on any business activity, including any business related to solar wafer production or sale, which would directly or indirectly compete with our Group’s business. Comtec Ltd, being only a trade name and not a separate legal entity, does not form part of our Group either before or after the Corporate Reorganisation.

Mr. Zhang has executed a deed of confirmation in respect of Comtec Ltd on 13 June 2008 to confirm the valid existence of Comtec Ltd and the validity of all documents signed under the name of Comtec Ltd. Mr. Zhang has confirmed that all contracts entered into by Comtec Ltd up to its cessation of business had been duly performed. Mr. Zhang and our Group have never been subject to any

HISTORY AND CORPORATE STRUCTURE

proceedings brought by any governmental or regulatory authority in connection with the business carried on by Mr. Zhang under the trade name of Comtec Ltd in any relevant jurisdiction. Mr. Zhang has also confirmed that he has never been subject to any such proceedings, either in his own name or the trade name of Comtec Ltd.

The revenue and profit (loss) generated by the Relevant Business during the year ended 31 December 2005 and the Track Record Period are summarised as follows:

	Year ended 31 December				Six months ended 30 June
	2005	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	63,929	114,582	80,544	4,664	—
Profit (loss) before taxation	19,443	16,397	2,594	(1,629)	—
Profit (loss) for the year/period . .	10,655	7,380	(11,632)	(6,430)	—

We confirm that all the above business activities carried by Mr. Zhang under the name of Comtec Ltd are related to the Group. The financial results of the Relevant Business during the Track Record Period have been combined into the results of our Group with all intra-group profit or loss resulting from the above arrangements fully eliminated on combination as set out in the accountants’ report for the Track Record Period in Appendix I to this document on the basis that such business and our Group were under the common control of Mr. Zhang. Mr. Zhang confirmed that there were no remaining assets, liabilities (except for the tax payable referred to below) or unperformed contracts in connection with the business carried on by him under the trade name of Comtec Ltd at the time he ceased conducting such business. There was, therefore, no transfer of assets, liabilities or contracts from Mr. Zhang to our Group (except for our Group’s agreement to bear certain tax payable referred to below) and as Comtec Ltd had no employees, there was also no transfer of employees to our Group. Hence, while Comtec Solar (HK) now performs the business functions previously performed by the Relevant Business, our Group has not assumed any of the liabilities (except for the tax payable referred to below) incurred in connection with such business and to ensure that our Group is protected from any risk of possible exposure in this respect, Mr. Zhang has undertaken to indemnify our Group in respect of any claim against any of our Group members arising out of or in connection with such business. Our Group has, however, agreed to bear the actual tax payable, together with interest and other payment obligations relating to such liabilities, which were derived from the assessable income of the business carried on by Mr. Zhang under the trade name of Comtec Ltd for the year ended 31 December 2005 and during the Track Record Period up to an amount not exceeding RMB41,369,000 (the “Agreed Tax Liabilities”) and has made provision for such payment in our accounts.

The Agreed Tax Liabilities represents (a) the cumulative tax payable in the amount of RMB36,499,000 (the “Cumulative Tax Payable”), comprising RMB32,602,000 in U.S. federal tax payable and RMB3,897,000 in California state tax payable, calculated at the prevailing tax rates in the U.S. based on the U.S. Internal Revenue Code and the California Revenue and Taxation Code, in respect of the income, profits or gains earned, accrued or received by Mr. Zhang in carrying on the Relevant Business during the year ended 31 December 2005 and the Track Record Period under the trade name of Comtec Ltd, up until the cessation of such business; and (b) the estimated interests and

HISTORY AND CORPORATE STRUCTURE

late payment charges in the amount of RMB4,870,000 (the “Interest and Late Payment Charges”), calculated based on the unpaid U.S. federal tax and California state tax of the Relevant Business during the year ended 31 December 2005 and the Track Record Period, which will be paid by Mr. Zhang as at the Latest Practicable Date.

The Cumulative Tax Payable as mentioned above includes the tax payable of the Relevant Business for 2005 and 2006, which were unsettled as at 31 December 2007 as such tax payable represent the additional estimated tax liabilities that arose from assessable income derived from the Relevant Business during those years, which were reported on the amended U.S. individual income tax returns for 2005 and 2006 filed by Mr. Zhang on 30 September 2008. The additional amounts of tax liabilities were approximately US\$1.1 million and US\$1.1 million, equivalent to approximately RMB8.8 million and RMB8.8 million for the year ended 31 December 2005 and 2006, respectively. Our Company confirms that the Internal Revenue Service of the U.S. Department of Treasury has not disputed over Mr. Zhang’s original 2005 and 2006 tax returns.

The filing of these amended tax returns was primarily because Mr. Zhang understands that the taxable income of the Relevant Business had been understated in the original calculation of his taxes payable and the tax liabilities resulted from such understated portion of the taxable income of the Relevant Business have not been taken into account for the years 2005 and 2006, which were prepared in the absence of any professional tax advice when they were originally filed. These errors were identified by Mr. Chau, our CFO, during the review of our Group’s accounts when he was hired by our Company in late 2007. We have addressed the internal control weakness of our Group and the Relevant Business in connection with the determination of the tax payable related to our business activities by staffing our accounting and finance department with accounting professionals with appropriate experience and using Comtec Solar (HK) to perform the functions previously performed by Comtec Ltd, which means that since then the related financial reporting and tax filing processes are the direct responsibilities of our accounting and finance department. Please refer to the paragraph headed “Business — Internal Control — Financial control” for more information about our internal control measures for the prevention of such errors.

The amended U.S. individual income tax returns for 2005 and 2006 had taken into account adjustments made for the purpose of addressing the understatement of the accounting profits of the Relevant Business and thereby to comply with IFRS. Mr. Zhang has filed such amended U.S. individual income tax returns for 2005 and 2006 and his U.S. individual income tax returns for 2007 on 30 September 2008 and fully paid the respective amounts due under these tax returns on the same day. Mr. Zhang has filed and fully paid all the amounts due under his U.S. individual income tax return for 2008 as at Latest Practicable Date.

The Interest and Late Payment Charges had been estimated and accounted for in our consolidated financial statements in the year or period when they were incurred in accordance with the U.S. Internal Revenue Code and the existing interpretations and practices in the U.S.. Further, such interest was calculated at the applicable rate determined on a quarterly basis, being the sum of (i) the U.S. federal short-term rate of the first month in each calendar quarter, plus (ii) 3%, on the unpaid amount of tax liability from the last date prescribed for payment of the tax until the estimated date of payment in late September; and the estimated late payment penalty was calculated at 0.5% of the unpaid amount due until the estimated date of payment in late September. In December 2008, the Internal Revenue Service of the U.S. Department of Treasury has confirmed their assessment the amount of interests and late payment charges payable by Mr. Zhang in respect of the Cumulative Tax Payable, which does not

HISTORY AND CORPORATE STRUCTURE

exceed the amount of interest and late penalty charges estimated and accounted for in our consolidated financial statements. Our Company confirms that the Internal Revenue Service of the U.S. Department of Treasury has not disputed over Mr. Zhang’s amended U.S. individual income tax returns for 2005 and 2006 and his U.S. individual income tax returns for 2007. As at the Latest Practicable Date, the Company confirms that Mr. Zhang has fully paid all interests and late payment charges in respect of the Cumulative Tax Payable.

Comtec Ltd is not required to file any income tax return in the U.S. as it is a trade name. However, Mr. Zhang is required to include the business activities carried under the trade name of Comtec Ltd in his U.S. individual income tax returns. The profits derived from the Relevant Business during the year ended 31 December 2005 and the Track Record Period fall within the definition of “gross income” under section 61 of the U.S. Internal Revenue Code, and hence had been included in the computation of Mr. Zhang’s individual taxable income. The taxable income of the Relevant Business for the year ended 31 December 2007 and the six months ended 30 June 2008 also included an amount of accounts payable due from Comtec Ltd to Comtec Solar, which is considered as deemed dividend income and is subject to income tax in the U.S. under Section 956 of the U.S. Internal Revenue Code. During the year ended 31 December 2005 and the Track Record Period, Mr. Zhang’s taxable income was subject to U.S. federal income tax calculated in accordance with a progressive tax rate table sets out in the U.S. Internal Revenue Code, with applicable tax rates of up to 35%. As the profits of the Relevant Business were derived when Mr. Zhang was in California, Mr. Zhang’s taxable income was also subject to a California state income tax calculated in accordance with a progressive tax rate table sets out in the California Revenue and Taxation Code, with applicable tax rates of approximately 9%. In addition, Mr. Zhang’s taxable income was also subject to a U.S. federal self-employment income tax and a California mental health tax. Our Directors confirm that Mr. Zhang had complied with the relevant income tax filing requirements in the U.S..

Other than the Agreed Tax Liabilities set forth above, which have been expressly borne by us, we believe that we will not be exposed to any other liabilities arising from the succession by Comtec Solar (HK) of those business functions previously carried out by Mr. Zhang under the trade name of Comtec Ltd. In any event, to protect our Group against any possible exposure to liabilities in connection with the business carried on by Mr. Zhang under the trade name of Comtec Ltd, falling outside the Agreed Tax Liabilities set forth above, Mr. Zhang has executed a deed of indemnity, whereby he has granted an indemnity in favour of our Group against any claims arising out of or in connection with the business carried on by him under the trade name of Comtec Ltd. Our Group reimbursed Mr. Zhang for such tax liabilities of approximately RMB36,499,000 in September 2008 when Mr. Zhang filed his amended U.S. individual income tax returns for 2005 and 2006 and his individual income tax return for 2007 and the remaining amount in October 2009 when he filed his individual income tax return for 2008. Please refer to the paragraph headed “Other Information — Estate duty and tax indemnity” in Appendix VI to this document for further information.

(k) Transfer of the business functions of Comtec Ltd to Comtec Solar (HK)

As part of the reorganisation to rationalise our group structure and business operations prior to the [●], all of the business functions of Comtec Ltd have been taken over by Comtec Solar (HK) after Mr. Zhang ceased to carry on the Relevant Business. The transfer of the business functions of Comtec Ltd to Comtec Solar (HK) did not involve any payment of consideration or require us to comply with any rule or regulation or to obtain any approval in any jurisdiction, and Comtec Solar (HK) has since carried out such business functions in Hong Kong with the support of local employees. For these

HISTORY AND CORPORATE STRUCTURE

reasons and that the sales of wafers from the Shanghai Subsidiaries to Comtec Solar (HK) are, like the sales of wafers from the Shanghai Subsidiaries to the Relevant Business, export sales, the arrangement described above in relation to the expedition of customs clearance, the exemption of customs duty [and quick settlement with suppliers and customers] is therefore not affected by the cessation of the business operation of Comtec Ltd.

(1) Acquisition of Comtec Solar (Jiangxi)

Pursuant to our plans to expand our production capacity in 2010, an equity transfer agreement dated 9 May 2008 (the “Equity Transfer Agreement”) was entered into between Comtec Solar (HK) and HK Truecolor Technological Industry Limited, an Independent Third Party, Comtec Solar (HK) agreed to acquire from HK Truecolor Technological Industry Limited the entire equity interest in HK Truecolor Technological Industry Limited (Nanchang) (真彩(南昌)科技實業有限公司) (the former name of Comtec Solar (Jiangxi)) for a cash consideration of RMB136,000, which was determined by arm’s length negotiations taking into account the time and resources which would otherwise be required to set up a similar entity serving the same purposes. To the best knowledge of the Company, Comtec Solar (Jiangxi) was entitled under its then existing business licence, issued in its former name, to conduct the business of manufacture, sale and repair of computer and other related products. To our Directors’ best knowledge based on the representation by HK Truecolor Technological Industry Limited and its shareholders, during the period from its establishment until prior to its acquisition by our Group, Comtec Solar (Jiangxi) has only been engaged in the business of trading of an immaterial volume of ink cartridges. Immediately prior to its acquisition by Comtec Solar (HK), Comtec Solar (Jiangxi) has ceased to carry on such business activities which are no longer relevant to its principal activities after the acquisition. According to the approval certificate issued by the People’s Government of Jiangxi Province on 29 May 2008 and the business licence issued by Nanchang Administration of Industry and Commerce on 2 June 2008, the business scope of Comtec Solar (Jiangxi) has been changed to manufacture and develop solar power and semiconductor materials (subject to licence if so required by the PRC laws and regulations). Our Directors confirm that the current operations as conducted by Comtec Solar (Jiangxi) are not related to activities which would require specific permit, approval or licence from the PRC Government. Our PRC legal advisers, Commerce & Finance Law Offices, advise that (i) the acquisition of Comtec Solar (Jiangxi) has obtained all the approvals and licences required under the PRC laws and regulations, (ii) Comtec Solar (Jiangxi) is legally authorised to operate within the renewed business scope, and (iii) Comtec Solar (Jiangxi) does not have to apply for other permits, approvals or licences for its current operation.

The assets of Comtec Solar (Jiangxi) at the closing of the acquisition composed of certain equipment, which we determined that their fair value was nil because we were unable to utilise such equipment in our solar wafer business and they represented no value to our Company. These assets were therefore written off at closing of the acquisition. Further, all receivables of Comtec Solar (Jiangxi) were determined to be uncollectible. All liabilities of Comtec Solar (Jiangxi) were fully borne by the vender and thus there were no recorded liabilities on the financial statements of Comtec Solar (Jiangxi) at the closing of the acquisition. The consideration for the acquisition was RMB136,000, which mainly represents the registered capital of Comtec Solar (Jiangxi). Acquiring Comtec Solar (Jiangxi) was also advantageous to our Group as it has been duly and legally established, allowing us to expedite our expansion in the Nanchang Economy and Technological Development Zone.

HISTORY AND CORPORATE STRUCTURE

Comtec Solar (Jiangxi) was acquired as a potential new business vehicle to implement our production capacity expansion plan because it is established in Jiangxi province and thus is eligible to operate in the Nanchang Economy and Technological Development Zone, which we believe would offer us with well-equipped infrastructure and certain potential economic benefits in the form of favourable operating cost due to the fact that a sea, land and air transportation network has been developed in the area, and abundant power resources, water resources, telecommunication resources and human resources with relatively lower costs can be provided. Acquiring Comtec Solar (Jiangxi) was also advantageous to our Group as it has been duly and legally established, allowing us to expedite our expansion in the Nanchang Economy and Technological Development Zone and secure the benefits. In order to satisfy the terms of this equity transfer agreement, both parties must ensure that approvals for the establishment of HK Truecolor Technological Industry Limited (Nanchang) have been obtained from the relevant authorities and the transfer of ownership has been effected. We are also in the process of exploring location other than Jiangxi province, such as Nanhui, Shanghai, to implement our production capacity expansion plan. Unless our Group identified a more favourable alternative location by the end of November 2009, we will implement our production capacity expansion to 504 MW in Nanchang Economy and Technological Development Zone, Jiangxi, PRC and Comtec Solar (Jiangxi) will commence its principal activity of the manufacturing of monocrystalline solar ingots and wafers. Otherwise, we will implement our production capacity expansion plan in such more favourable alternative location and Comtec Solar (Jiangxi) will be dissolved and any asset of Comtec Solar (Jiangxi) will be liquidated with proceeds distributed to Comtec Solar (HK), its sole shareholder, in accordance with PRC law.

The risk exposure for our acquisition of Comtec Solar (Jiangxi) is limited to its invested capital, namely its registered capital at the time of the acquisition and our subsequent capital injections. HK Truecolor Technological Industry Limited represented to us that there were no known liabilities as of the date of our acquisition. In addition, there were no recorded liabilities and contingent liabilities on the financial statements of Comtec Solar (Jiangxi) at the time of our acquisition. In order to protect our shareholder’s interest, we have obtained a deed of confirmation on 18 June 2008 from HK Truecolor Technological Industry Limited, its sole shareholder and directors (the “Warrantors”), which provides certain additional representations, warranties and indemnities in our favour against undisclosed liabilities of Comtec Solar (Jiangxi). In addition, Mr. Zhang, our Controlling Shareholder, has agreed to provide us with a personal guarantee and indemnity, under which Mr. Zhang would irrevocably indemnify our Group on demand against all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure by the Warrantors in the due and punctual performance and observance of their obligations under the Deed.

On 2 June 2008, the registered capital of Comtec Solar (Jiangxi) was increased from HK\$500,000 to US\$30 million. According to the capital verification report in respect of Comtec Solar (Jiangxi) issued in July 2008, 20% of the increased registered capital was paid up and the due date of full payment of the increased registered capital of Comtec Solar (Jiangxi) will be 1 June 2010. As confirmed by our PRC legal advisers, Commerce and Finance Law Offices, the payment of the increased registered capital is within the required timeframe under the PRC laws and regulations. For further information on such acquisition, please refer to the section headed “Business — Production — Manufacturing facilities — Planned expansion” in this document.

HISTORY AND CORPORATE STRUCTURE

(m) **Further investment by CMTF**

On 30 March 2009, the authorised share capital of our Company was further increased to HK\$1,026,000 by the creation of 14,000,000 preferred shares of HK\$0.001 each, all of which were designated as Series A Shares. Pursuant to a supplemental subscription agreement entered into between our Company and CMTF dated 30 March 2009, our Company allotted and issued an additional 13,587,494 Series A Shares to CMTF credited as fully paid by the capitalization of HK\$13,587.49 standing to the credit of the share premium account of our Company.

On 25 September 2009, the 24,799,513 Series A Shares held by CMTF were converted to 24,799,513 ordinary Shares of our Company on the basis of one Series A Share for one Share.

(n) **Reclassification, redesignation and increase in authorized share capital of the Company**

On 2 October 2009, the authorised share capital of the Company of HK\$1,026,000 divided into 1,000,000,000 Shares of par value HK\$0.001 each and 26,000,000 Series A Preferred Shares of HK\$0.001 par value each was reclassified and redesignated to 1,026,000,000 Shares of par value HK\$0.001 each. On the same date, the authorized share capital was further increased to HK\$7,600,000 by the creation of an additional 6,574,000,000 Shares of par value HK\$0.001 each.

(o) **●**