
CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Each of the following persons will, immediately following completion of the [●] and the [●] (without taking into account the Shares which may be issued upon the exercise of the [●] or Shares which may be issued pursuant to the exercise of any options granted under the [●] Share Option Scheme or which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Zhang ¹	Beneficial owner, interest in controlled corporation, interest of spouse and interest of children	[●]	[●]

Note:

1 Mr. Zhang legally owns the entire issued share capital of Fonty, which beneficially own 564,037,844 Shares. Mr. Zhang is therefore deemed to be interested in all the Shares held by Fonty. Mr. Zhang is also deemed to be interested in 99,829,706 Shares for the purposes of the SFO, which are beneficially owned by Mr. Zhang, Mr. Zhang’s spouse and descendants, as beneficiaries of JZ GRAT. Mr. Zhang’s child is under the age of 18.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [●] and the [●], have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

CONTROLLING SHAREHOLDERS

Immediately after completion of the [●] and the [●], the Controlling Shareholders will, together, control the exercise of voting rights of approximately [●] of the Shares eligible to vote in the general meeting of our Company (assuming the [●] is not exercised). Save and except for their interest in our Company, neither the Controlling Shareholders have any interest in any other companies as at the Latest Practicable Date which (i) had previously held any interests in our business during the Track Record Period; and (ii) had ceased to hold such interests after the Corporate Reorganisation.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (the “Covenantor”) has entered into a deed of non-competition in favour of our Company, pursuant to which the Covenantor has undertaken to our Company (for himself/itself and for the benefit of his/its subsidiaries) that he/it would not, whether on his/its own or together with any third party, and would procure that his/its associate(s) (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director,

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employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the “Restricted Business”). Such non-competition undertaking does not apply to holding shares of a company whose shares are listed on a recognised stock exchange and whose business includes any Restricted Business provided that:

- (i) the Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of its consolidated turnover or consolidated assets, as shown in its latest audited accounts; or
- (ii) the total number of the shares held by the Covenantor and/or his/its associate(s) in aggregate does not exceed 5% of the issued shares of that class of the company in question and the Covenantor and/or his/its associate(s) are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantor and his/its associate(s) in aggregate.

If we decide and offer to invest, participate, be engaged in and/or operate any Restricted Business with the Covenantor and/or his/its associate(s) (or any of them, as the case may be), pursuant to (i) above, the Covenantor and/or his/its associate(s) can invest, participate, be engaged in and/or operate such Restricted Business with us. We will comply with the requirements of the Listing Rules in case of such cooperation with the Covenantor and/or his/its associate(s) (or any of them, as the case may be).

The “restricted period” stated in the Non-competition Deed refers to the period during which (i) our [●]; and (ii) the Covenantor and/or his/its associate(s), individually or jointly, are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, neither the Controlling Shareholders nor our Directors carried on, was engaged or had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business which is discloseable under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors believe that we are capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the [●].

Management Independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. One of our executive Directors and the chairman of the Board, Mr. Zhang, is a Controlling Shareholder of our Group. Mr. Zhang is also a director of Fonty. We rely on Mr. Zhang for his experience in the monocrystalline solar wafer industry. Despite Mr. Zhang’s directorship in Fonty, given the nature of Fonty being an investment vehicle of Mr. Zhang for his ownership in our Company and that Fonty has no business operation of its own other than its ownership of the Shares in our Company, it is not necessary for Mr. Zhang to devote a material amount of time to discharge his duty as a director of Fonty. For these reasons, we believe that Mr. Zhang’s directorship in Fonty will not affect his discharge of director duties as a Director of our Company.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company.

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Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Group and does not allow any conflict between his or her duties as a Director and his or her personal interests. As stipulated in the Articles of Association, in the event that there is a potential conflict of interest between our Group and our directors or their respective associates arising out of any transaction, the interested Director shall abstain from voting and not be counted in the quorum on any resolution of the Board in respect of such transaction. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, and in light of the fact that the Controlling Shareholders have signed the Non-competition Deed, our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing the business of our Group independently after the [●].

Operational Independence

We have established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities, having independent access to sources of supplies or raw materials for production as well as customers. We have also established a set of internal controls to facilitate the effective operation of our business. For details of our internal controls, please refer to the section headed “Business — Internal Control” in this document.

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. Mr. Zhang has ceased to carry on the Relevant Business since July 2008. After the said cessation, all of the business functions of Comtec Ltd are succeeded by Comtec Solar (HK). Mr. Zhang has ceased to use his trade name Comtec Ltd to carry on any business activity, including any business related to solar wafer production or sale, which would directly or indirectly compete with our business. Comtec Ltd, being only a trade name and not a separate legal entity, does not form part of our Group after the Corporate Reorganisation.

Comtec Electronics also made purchases, mainly electronic parts, from our Group during the Track Record Period, as Comtec Electronics had not imported such products from other sources. However, such purchases ceased when Comtec Electronics became dormant in April 2008. Comtec Electronics is not included in our Group for the purpose of the [●] and became dormant because it was a trading business mainly focused on electronic products and electronic parts instead of ingots or wafers, which was a different line of business from our Group, and Mr. Zhang would like to focus on the main business of solar wafers and ingots. There is no business plan for Comtec Electronics going forward. Comtec Electronics recorded net losses during the Track Record Period. Our Directors are of the opinion that these losses are immaterial as compared with the scale of operations of our Group.

In addition, our Directors consider that our operations do not depend on the operations of our Controlling Shareholders for the following reasons:

- (i) there is no competing business between our Group and any of our Controlling Shareholders;
- (ii) there is no connected transaction between any of our Controlling Shareholders or their associates and any member of our Group; and

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- (iii) we are not relying on any guarantee provided by any of our Controlling Shareholders in respect of bank loans nor have we been given any guarantee for the benefit of any of our Controlling Shareholders.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates. Our Group, our Controlling Shareholders and their associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Financial Independence

We have independent internal control and accounting systems, accounting and finance department, treasury function for cash receipts and payments, and access to third party financing. We make financial decisions according to our own business needs.

The amount due to a Director, Mr. Zhang, representing advances from Mr. Zhang to our Group for working capital, was RMB0.8 million, RMB5.0 million, nil and nil as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively. The amount due from Mr. Zhang as at 31 December 2006, 2007 and 2008, representing receivables from him for the increase in paid-in capital of Comtec Solar, was RMB4.9 million, RMB62.1 million, nil, respectively. The amount due from Mr. Zhang as at 30 June 2009 was RMB9.7 million, representing advance by our Group to Mr. Zhang and was non-trade in nature. As at the Latest Practicable Date, the amount due from Mr. Zhang has been fully settled.

During the Track Record Period, an amount of RMB61,000 were due to Comtec Electronics as at 31 December 2006. Our Director and Controlling Shareholder, Mr. Zhang, is the sole shareholder of Comtec Electronics. As at 31 December 2007, an amount of RMB650,000 was due from Comtec Electronics. As at the Latest Practicable Date, the amount due from Comtec Electronics was fully settled in cash by Comtec Electronics.

At 31 December 2006 and 31 December 2007, banking facilities granted to our Group of RMB2.0 million and RMB20.0 million, respectively. The facilities as of 31 December 2006 and 31 December 2007 were secured by personal guarantee from Mr. Zhang, and the personal guarantee from Mr. Zhang had however been released in June 2008. Save and except for such personal guarantee, we are not relying on any guarantee provided by any of our Controlling Shareholders in respect of bank loans nor have we been given any guarantee for the benefit of any of our Controlling Shareholders.

Our Directors confirm that as at the Latest Practicable Date, loans provided by and guarantees from our Controlling Shareholders and their associates to our Group had been settled in full and released.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the competing business and to safeguard the interests of the Shareholders:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the Non-competition Deed by the Controlling Shareholders under the Non-competition Deed;
- (ii) the Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Deed;

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- (iii) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-competition Deed of the Controlling Shareholders under the Non-competition Deed in the annual reports of our Company; and
- (iv) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Non-competition Deed in the annual report of our Company.