

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 November 2007. We have established a place of business in Hong Kong at 35/F Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong and was registered in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 17 March 2008. Mr. Chau Kwok Keung of Flat B, 9th Floor, Royal Peninsula, 8 Hung Lai Road, Kowloon, Hong Kong has been appointed as our authorised representative for the acceptance of service of process and notices on behalf of us at the above address.

As we were incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and an articles of association. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Companies Law is set out in Appendix V of this document.

2. Changes in share capital of our Company

As at the date of incorporation, our authorised share capital was HK\$250,000 divided into 25,000,000 shares of HK\$0.01 each. On 13 November 2007, 1 share of HK\$0.01 each was allotted and issued to Offshore Incorporations (Cayman) Limited credited as fully paid at par, as the initial subscriber, which was subsequently transferred to Fonty on the same day.

On 12 March 2008, our authorised share capital was subdivided from 25,000,000 shares of HK\$0.01 each to consist of 250,000,000 shares of HK\$0.001 each, and increased from HK\$250,000 to HK\$1,000,000 by creation of 750,000,000 additional shares upon issue to rank pari passu in all respects with the existing shares of a par value of HK\$0.001 each.

On the same day, as consideration for a capital contribution from Fonty, 265,999,990 shares of HK\$0.001 each was allotted and issued to Fonty credited as fully paid.

On 16 March 2008, our authorised share capital was increased from HK\$1,000,000 to HK\$1,012,000 by creation of 12,000,000 additional shares of HK\$0.001 each and following the increase, we have redesignated and reclassified the shares into 1,000,000,000 ordinary shares of HK\$0.001 each and 12,000,000 preferred shares of HK\$0.001 each with such rights subject to such restrictions as set out in the Articles of Association.

On 18 March 2008, we allotted and issued 11,212,019 Series A Shares of HK\$0.001 each to CMTF credited as fully paid.

On 30 March 2009, our authorised share capital was further increased to HK\$1,026,000 by the creation of 14,000,000 preferred shares of HK\$0.001 each.

On 30 March 2009, we allotted and issued an additional 13,587,494 Series A Shares of HK\$0.001 each to CMTF credited as fully paid.

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On 25 September 2009, the 24,799,513 Series A Shares held by CMTF, being all Series A Shares in issue then, were converted into 24,799,513 ordinary Shares of our Company on the basis of one Series A Share for one Share.

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 authorised 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.

Immediately following completion of the [●] and the [●] and assuming that the [●] is not exercised, our authorised share capital will be HK\$7,600,000 divided into 7,600,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 6,600,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 2 October 2009” in this appendix and pursuant to the [●] Share Option Scheme and the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this document, there has been no alteration in our share capital since incorporation.

3. Corporate Reorganisation

In order to rationalise our structure and prepare for the [●], we have undertaken several restructuring steps which involved in the following:

- (a) The following companies were incorporated as investment holding entities for our Group:
 - (i) Most Talent Limited (the former name of Comtec Solar (Cayman)) was incorporated as an exempted company in the Cayman Islands on 23 April 2007 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
 - (ii) New Genuine Limited (the former name of Comtec Semi (Cayman)) was incorporated as an exempted company in the Cayman Islands on 23 April 2007 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
 - (iii) Star View (Hong Kong) Limited (the former name of Comtec Solar (HK)) was incorporated in Hong Kong on 12 October 2007 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each.
 - (iv) Winkle (Hong Kong) Limited (the former name of Comtec Semi (HK)) was incorporated in Hong Kong on 12 October 2007 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each.
- (b) On 5 September 2007, Fonty was incorporated in the BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Fonty was established as an investment vehicle of Mr. Zhang.

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- (c) On 13 November 2007, our Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK\$250,000 divided into 25,000,000 shares of HK\$0.01 each.
- (d) On 13 November 2007, Mrs. Wenba Wu, nominee shareholder of Comtec Solar (Cayman) and Comtec Semi (Cayman) on behalf of Mr. Zhang, transferred his 100% legal interest in Comtec Solar (Cayman) and Comtec Semi (Cayman) to us for a nominal consideration.
- (e) Pursuant to an equity transfer agreement dated 21 November 2007, Comtec Semi (HK) acquired from Mr. Zhang his entire equity interest in Comtec Semi for a consideration of US\$4.04 million. The said consideration was satisfied by the issuance of a promissory note in the equivalent amount on 31 December 2007 (“Semi Note”).
- (f) Pursuant to an equity transfer agreement dated 21 November 2007, Comtec Solar (HK) acquired from Mr. Zhang, through the Relevant Business, its entire equity interest in Comtec Solar for a consideration of US\$18.5 million. The said consideration was satisfied by the issuance of a promissory note in the equivalent amount on 31 December 2007 (“Solar Note”).
- (g) 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 ten Shares with a par value of HK\$0.001 each.
- (h) 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. 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 New Genuine Limited, respectively, in return for such capital contribution.
- (i) 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. 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.
- (j) On 16 March 2008, the authorised share capital of our Company has been increased to HK\$1,012,000 by the creation of 12,000,000 new Shares of HK\$0.001 each and that following the increase, the authorised share capital of our Company has been 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 which are designated as Preferred A Shares with such rights subject to such restrictions as set out in the Articles.

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

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- (k) 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 conduct the Relevant Business since July 2008. After the said cessation, all of the sourcing and trading 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 Group’s 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.
- (l) Pursuant to an equity transfer agreement dated 9 May 2008 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 consideration of RMB136,000.
- (m) On 30 March 2009, the authorised share capital of our Company has been 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.
- (n) Conditional on our share premium account being credited as a result of the [●], the sum of HK\$[449,488.25] will be capitalised and apply in paying up in full at par [449,488,249] Shares for allotment and issue to Fonty and such Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued Shares of our Company.

4. Changes in share capital of the subsidiaries of our Company

A. Subsidiaries of our Company

Our subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this document.

B. Changes in share capital of the subsidiaries of our Company

Save as disclosed in the section headed “Corporate Reorganisation” in this Appendix, the following changes in share capital and changes in shareholdings of certain subsidiaries of our Company took place during the two years immediately preceding the date of this document:

Comtec Solar (Cayman)

- (a) Comtec Solar (Cayman), a wholly-owned subsidiary of our Company, was incorporated as a limited liability company in the Cayman Islands on 23 April 2007;
- (b) On 23 April 2007, one share of US\$1.00 in Comtec Solar (Cayman) was allotted and issued credited as fully paid to Offshore Incorporations (Cayman) Limited for a consideration of US\$1.00;

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- (c) On 6 November 2007, Mrs. Wenba Wu, as a nominee shareholder for Mr. Zhang, acquired from Offshore Incorporations (Cayman) Limited one share of US\$1.00 in Comtec Solar (Cayman) for a consideration of US\$1.00;
- (d) On 13 November 2007, we acquired from Mrs. Wenba Wu, as a nominee shareholder for Mr. Zhang, one share of US\$1.00 in Comtec Solar (Cayman) for a consideration of US\$1.00; and
- (e) On 12 March 2008, one share of US\$1.00 in Comtec Solar (Cayman) was allotted and issued credited as fully paid to our Company for valuable consideration.

Comtec Semi (Cayman)

- (a) Comtec Semi (Cayman), a wholly-owned subsidiary of our Company, was incorporated as a limited liability company in the Cayman Islands on 23 April 2007;
- (b) On 23 April 2007, one share of US\$1.00 in Comtec Semi (Cayman) was allotted and issued credited as fully paid to Offshore Incorporations (Cayman) Limited for a consideration of US\$1.00;
- (c) On 6 November 2007, Mrs. Wenba Wu, as a nominee shareholder for Mr. Zhang, acquired from Offshore Incorporations (Cayman) Limited one share of US\$1.00 in Comtec Semi (Cayman) for a consideration of US\$1.00;
- (d) On 13 November 2007, we acquired from Mrs. Wenba Wu, as a nominee shareholder for Mr. Zhang, one share of US\$1.00 in Comtec Semi (Cayman) for a consideration of US\$1.00; and
- (e) On 12 March 2008, one share of US\$1.00 in Comtec Semi (Cayman) was allotted and issued credited as fully paid to our Company for valuable consideration.

Comtec Solar (HK)

- (a) Comtec Solar (HK), a wholly-owned subsidiary of our Company, was incorporated as a limited liability company in Hong Kong on 12 October 2007;
- (b) On 12 October 2007, one share of HK\$1.00 in Comtec Solar (HK) was allotted and issued credited as fully paid to Bosco Nominees Limited for a consideration of HK\$1.00;
- (c) On 6 November 2007, Most Talent Limited (the former name of Comtec Solar (Cayman)) acquired from Bosco Nominees Limited one share of HK\$1.00 in Comtec Solar (HK) for a consideration of HK\$1.00; and
- (d) On 12 March 2008, one share of HK\$1.00 in Comtec Solar (HK) was allotted and issued credited as fully paid to Comtec Solar (Cayman) for valuable consideration.

Comtec Semi (HK)

- (a) Comtec Semi (HK), a wholly-owned subsidiary of our Company, was incorporated as a limited liability company in Hong Kong on 12 October 2007;

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- (b) On 12 October 2007, one share of HK\$1.00 in Comtec Semi (HK) was allotted and issued credited as fully paid to Bosco Nominees Limited for a consideration of HK\$1.00;
- (c) On 6 November 2007, New Genuine Limited (the former name of Comtec Semi (Cayman)) acquired from Bosco Nominees Limited one share of HK\$1.00 in Comtec Semi (HK) for a consideration of HK\$1.00; and
- (d) On 12 March 2008, one share of HK\$1.00 in Comtec Semi (HK) was allotted and issued credited as fully paid to our Company for valuable consideration.

Comtec Solar (Jiangxi)

- (a) 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)), a wholly-owned subsidiary of our Company, was incorporated as a WFOE in the PRC on 22 March 2006, with a registered capital of HK\$500,000 and wholly owned by HK Truecolor Technological Industry Limited, an Independent Third Party;
- (b) Pursuant to an equity transfer agreement dated 9 May 2008, Comtec Solar (HK) acquired 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)) from HK Truecolor Technological Industry Limited for a consideration of RMB136,000; and
- (c) On 29 May 2008, the registered capital of Comtec Solar (Jiangxi) was increased from HK\$500,000 to US\$30 million.

Comtec Semi

- (a) Comtec Semi, a wholly-owned subsidiary of our Company, was incorporated as a limited liability company in the PRC on 21 December 1999 with a registered capital of US\$1 million and wholly-owned by Mr. Zhang;
- (b) On 22 March 2001, the registered capital of Comtec Semi was increased from US\$1 million to US\$5.5 million;
- (c) On 20 February 2002, the registered capital of Comtec Semi was decreased from US\$5.5 million to US\$2.5 million;
- (d) On 14 October 2002, the registered capital of Comtec Semi was increased from US\$2.5 million to US\$2.8 million;
- (e) On 22 January 2003, the registered capital of Comtec Semi was decreased from US\$2.8 million to US\$2.1 million;
- (f) On 24 October 2003, the registered capital of Comtec Semi was increased from US\$2.1 million to US\$2.5 million;
- (g) On 25 March 2005, the registered capital of Comtec Semi was increased from US\$2.5 million to US\$2.7 million;

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- (h) On 28 September 2006, the registered capital of Comtec Semi was increased from US\$2.7 million to US\$3.36 million;
- (i) On 26 July 2007, the registered capital of Comtec Semi was increased from US\$3.36 million to US\$4.04 million; and
- (j) Pursuant to an equity transfer agreement dated 21 November 2007, Winkle (Hong Kong) Limited (the former name of Comtec Semi (HK)) acquired the entire equity interest in Comtec Semi from Mr. Zhang for a consideration of US\$4.04 million.

Comtec Solar

- (a) Comtec Solar, a wholly-owned subsidiary of our Company, was incorporated as a sino-foreign joint venture with limited liability in the PRC on 5 July 2005 with a registered capital of US\$5 million and owned as to 73% and 27% by Mr. Zhang, through the Relevant Business, and Comtec Semi, respectively;
- (b) Pursuant to an equity transfer agreement dated 12 September 2006, Mr. Zhang, through the Relevant Business, acquired 27% of its equity interest in Comtec Solar from Comtec Semi for a consideration of RMB2.7 million;
- (c) On 16 April 2007, the registered capital of Comtec Solar was increased from US\$5 million to US\$18.5 million; and
- (d) Pursuant to an equity transfer agreement dated 21 November 2007, Star View (Hong Kong) Limited (the former name of Comtec Solar (HK)) acquired the entire equity interest in Comtec Solar from Mr. Zhang, through the Relevant Business, for a consideration of US\$18.5 million.

Our Group’s PRC counsel, Commerce & Finance Law Offices, has confirmed that the above-mentioned share transfers are valid and have complied with applicable laws and regulations in the PRC.

Save as mentioned in the paragraph headed “Corporate Reorganisation” in this Appendix and as described in this paragraph, there have been no changes in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

5. Repurchase by our Company of our own securities

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this document concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) *Shareholders’ approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

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Pursuant to our written resolutions passed on 2 October 2009 by all our Shareholders, a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following the completion of the [●] (excluding Shares which may be issued pursuant to the exercise of the [●]), such mandate to expire at the earliest of: (i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting which ever shall first occur; details of which have been described above in the paragraph headed “Written resolutions of all the Shareholders of our Company passed on 2 October 2009”.

(ii) *Source of funds*

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association, Listing Rules and the Companies Law. We may not repurchase our own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchase of Shares by us may be made out of funds legally permitted to be utilised in this connection, including our profits or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorised by our Articles of Association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of our profits or out of our share premium account, or if so authorised by our Articles of Association and subject to the provisions of the Companies Law, out of capital.

(iii) *Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of Company’s current financial position as disclosed in this document and taking into account our current working capital position, the Directors consider that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as

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compared with the position disclosed in this document. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

(d) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No connected person (as defined in the Listing Rules) has notified us that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS

1. Summary of the Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by us or our subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) An equity transfer agreement dated 21 November 2007 entered into between Mr. Zhang and Winkle (Hong Kong) Limited (the former name of Comtec Semi (HK)), where Winkle (Hong Kong) Limited agreed to acquire from Mr. Zhang the entire equity interest in Comtec Semi for a consideration of US\$4.04 million;
- (b) An equity transfer agreement dated 21 November 2007 entered into between Mr. Zhang under the trade name of Comtec Ltd and Star View (Hong Kong) Limited (the former name of Comtec Solar (HK)), where Star View (Hong Kong) Limited agreed to acquire from Mr. Zhang under the trade name of Comtec Ltd the entire equity interest in Comtec Solar for a consideration of US\$18.5 million;

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- (c) An agreement and plan of reorganisation of Comtec Semi entered into between Comtec Semi, Winkle (Hong Kong) Limited (the former name of Comtec Semi (HK)) and Mr. Zhang dated 13 December 2007 in relation to the capital contribution and reorganisation of Comtec Semi;
- (d) An agreement and plan of reorganisation of Comtec Solar entered into between Comtec Solar, Star View (Hong Kong) Limited (the former name of Comtec Solar (HK)) and Mr. Zhang dated 13 December 2007 in relation to the capital contribution and reorganisation of Comtec Solar;
- (e) An assignment agreement dated 12 March 2008 entered into between Mr. Zhang and Fonty pursuant to which Mr. Zhang assigns and transfers all his rights, titles and interests in and to the Solar Note to Fonty;
- (f) An assignment agreement dated 12 March 2008 entered into between Fonty and our Company pursuant to which Fonty assigns and transfers all its rights, titles and interests in and to the Solar Note to our Company;
- (g) An assignment agreement dated 12 March 2008 entered into between our Company and Most Talent Limited (the former name of Comtec Solar (Cayman)) pursuant to which our Company assigns and transfers all its rights, titles and interests in and to the Solar Note to Comtec Solar (Cayman);
- (h) An assignment agreement dated 12 March 2008 entered into between Most Talent Limited (the former name of Comtec Solar (Cayman)) and Star View (Hong Kong) Limited (the former name of Comtec Solar (HK)) pursuant to which Most Talent Limited (the former name of Comtec Solar (Cayman)) assigns and transfers all its rights, titles and interests in and to the Solar Note to Star View (Hong Kong) Limited;
- (i) An assignment agreement dated 12 March 2008 entered into between Mr. Zhang and Fonty pursuant to which Mr. Zhang assigns and transfers all his rights, titles and interests in and to the Semi Note to Fonty;
- (j) An assignment agreement dated 12 March 2008 entered into between Fonty and our Company pursuant to which Fonty assigns and transfers all his rights, titles and interests in and to the Semi Note to our Company;
- (k) An assignment agreement dated 12 March 2008 entered into between our Company and New Genuine Limited (the former name of Comtec Semi (Cayman)) pursuant to which our Company assigns and transfers all its rights, titles and interests in and to the Semi Note to New Genuine Limited;
- (l) An assignment agreement dated 12 March 2008 entered into between New Genuine Limited (the former name of Comtec Semi (Cayman)) and Winkle (Hong Kong) Limited (the former name of Comtec Semi (HK)) pursuant to which New Genuine Limited assigns and transfers all its rights, titles and interests in and to the Semi Note to Winkle (Hong Kong) Limited;
- (m) A subscription agreement dated 18 March 2008 entered into between CMTF and our Company pursuant to which we issued and allotted 11,212,019 Series A Shares to CMTF;
- (n) A shareholders agreement dated 18 March 2008 entered into among CMTF, Fonty and our Company;

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- (o) A supplemental agreement dated 30 March 2009 entered into between CMTF and our Company;
- (p) An equity transfer agreement dated 9 May 2008 entered into between Comtec Solar (HK) and HK Truecolor Technological Industry Limited, an Independent Third Party, where 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 Semi (Jiangxi)) at the consideration of RMB136,000;
- (q) the deed of confirmation in respect of Comtec Ltd dated 13 June 2008;
- (r) the deed of confirmation in respect of Comtec Solar (Jiangxi) dated 18 June 2008; and
- (s) the Non-competition Deed dated [5 October] 2009.


2. Intellectual Property Rights of the Group

Trademarks

As at the Latest Practicable Date, the Group has the right to use the following trademark:

| <u>Name of registrant</u> | <u>Trademark</u> | <u>Place of registration</u> | <u>Class</u> | <u>Registration number</u> | <u>Expiry date</u> |
|---------------------------|---|------------------------------|--------------|----------------------------|--------------------|
| Comtec Solar |  | Hong Kong | 9 | 301130679 | 2 June 2018 |

As at the Latest Practicable Date, members of the Group have applied for registration of the following trademark:

| <u>Name of applicant</u> | <u>Trademark</u> | <u>Place of application</u> | <u>Class</u> | <u>Application number</u> | <u>Application date</u> |
|--------------------------|---|-----------------------------|--------------|---------------------------|-------------------------|
| Comtec Solar |  | PRC | 9 | 6582436 | 7 March 2008 |

Note: This application has been made by the Group with the relevant authorities. In normal circumstances, the Group will be able to obtain approval for the registered trademark in the PRC within two years, from the date of application. Our PRC legal advisers, Commerce & Finance Law Offices, have confirmed that there is no legal impediment for the Group to obtaining the registration in the PRC provided that requirements under the relevant laws are satisfied.

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Domain Names

As at the Latest Practicable Date, members of the Group have registered the following domain names:

| <u>Registrant</u> | <u>Domain Name</u> | <u>Date of Registration</u> | <u>Date of Expiration</u> |
|------------------------|----------------------|-----------------------------|---------------------------|
| Comtec Solar | www.comtecltd.com.cn | 28 May 2003 | 28 May 2011 |
| Comtec Solar | comtecsilicon.com.cn | 10 June 2008 | 10 June 2013 |
| Comtec Solar | comtecsolar.com | 11 August 2009 | 11 August 2010 |

Patents

As at the Latest Practicable Date, members of the Group have registered the following patents in the PRC:

| <u>Registrant</u> | <u>Type</u> | <u>Patent number</u> | <u>Effective Period</u> |
|--------------------|---------------|----------------------|--------------------------------------|
| Comtec Solar . . . | Invention | ZL 2004 1 0018223.7 | 11 May 2004 to 10 May 2024 |
| Comtec Semi . . . | Utility model | ZL 2006 2 0042380.6 | 2 June 2006 to 1 June 2016 |
| Comtec Semi . . . | Utility model | ZL 2006 2 0042382.5 | 2 June 2006 to 1 June 2016 |
| Comtec Solar . . . | Utility model | ZL 2006 2 0042381.0 | 2 June 2006 to 1 June 2016 |
| Comtec Solar . . . | Utility model | ZL 2008 2 0057574.2 | 31 December 2008 to 30 December 2018 |

3. FURTHER INFORMATION ABOUT OUR GROUP’S PRC ESTABLISHMENTS

(a) Comtec Semi

| | |
|--------------------------------------|---|
| Nature of the company | Wholly foreign-owned enterprise |
| Date of incorporation | 21 December 1999 |
| Term of business operation | From 21 December 1999 to 20 December 2019 |
| Total investment | US\$6.45 million |
| Registered capital | US\$4.04 million |
| Registered shareholder | Comtec Semi (HK) |
| Attributable interest of our Company | 100% |
| Scope of business | To develop and manufacture silicon materials for semiconductors, to provide relevant technical service, and to sell self-manufactured products. |
| Legal representative | Mr. Zhang |

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(b) Comtec Solar

| | |
|--------------------------------------|---|
| Nature of the company | Wholly foreign-owned enterprise |
| Date of incorporation | 5 July 2005 |
| Term of business operation | From 5 July 2005 to 4 July 2055 |
| Total investment | US\$50.5 million |
| Registered capital | US\$18.5 million |
| Registered shareholder | Comtec Solar (HK) |
| Attributable interest of our Company | 100% |
| Scope of business | To develop and manufacture semiconductors, and components materials (solar energy materials), to sell self-manufactured products, and to provide relevant technical consultation and service. |
| Legal representative | Mr. Zhang |

(c) Comtec Solar (Jiangxi)

| | |
|--------------------------------------|--|
| Nature of the company | Wholly foreign-owned enterprise |
| Date of incorporation | 22 March 2006 |
| Term of business operation | From 22 March 2006 to 21 March 2036 |
| Total investment | US\$80 million |
| Registered capital | US\$30 million |
| Registered shareholder | Comtec Solar (HK) |
| Attributable interest of our Company | 100% |
| Scope of business | To manufacture and develop solar power and semiconductor materials (subject to license if so required by PRC laws and regulations) |
| Legal representative | Mr. Zhang |

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4. FURTHER INFORMATION ABOUT THE DIRECTORS

a. Particulars of Directors’ service contracts

Each of the Directors has entered into a service contract with us for an initial fixed term of two years commencing from the [●] Date and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the Directors is entitled to the respective basic salary set out below. Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year may not exceed 5% of our audited consolidated or combined net profit (after taxation and payment of such bonuses) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the amount of the discretionary bonus payable to him.

| Name | Salary |
|------------------------------------|----------------------|
| Mr. Zhang | RMB50,000 per month |
| Mr. Chau Kwok Keung | RMB160,000 per month |
| Mr. Shi Cheng Qi | RMB200,000 per year |
| Mr. He Xin | Nil |
| Mr. Kang Sun | US\$50,000 per year |
| Mr. Daniel DeWitt Martin | US\$50,000 per year |
| Mr. Leung Ming Shu | RMB200,000 per year |

Each of the executive Directors is also entitled to a discretionary bonus which shall be declared and approved by the Board and the Remuneration Committee according to the operating performance, financial position and business development plan of the Group, provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of any financial year of our Company may not exceed 5% of our audited consolidated or combined net profit (after taxation and minority interests and payment of such bonuses but excluding extraordinary and exceptional items) in respect of that financial year of our Company. The Directors shall review and compare the annual budget and actual performance of the Group before making any recommendation to the distribution of discretionary bonus. Each of them will be entitled to all reasonable out-of-pocket expenses.

Each of the executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself;

The current basic annual salaries of the executive Directors are as follows:

| Name | Annual Amount |
|-------------------------------|---------------|
| Mr. Zhang | Nil |
| Mr. Chau Kwok Keung | RMB1,320,000 |
| Mr. Shi Cheng Qi | RMB200,000 |

Mr. Chau Kwok Keung is also entitled to a remuneration package for his service as the CFO of our Company and his monthly salary will be increased by RMB50,000 after the [●].

Save as aforesaid, none of the Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

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All service contracts entered into between us and the Directors are less than three years in duration, and are determinable by us within one year without payment of compensation (other than statutory compensation).

b. Directors’ remuneration during the Track Record Period

Our policies concerning remuneration of executive Directors are (i) the amount of remuneration is determined on the basis of the relevant Director’s experience, responsibility, workload and the time devoted to us; and (ii) non-cash benefits may be provided to the Directors under their remuneration package.

During the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively, the aggregate of the remuneration paid and benefits in kind granted to the Directors by us and our subsidiaries was approximately RMB66,000, RMB291,000, RMB21,788,000 and RMB735,000, respectively. No directors’ emoluments were paid to Mr. Zhang for the year ended 31 December 2007, which was a result of the management’s discretionary decision. None of the Directors have waived any emoluments during the Track Record Period.

Save as disclosed in this document, no other emoluments have been paid or are payable, in respect of the Track Record Period by us to the Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, the Directors (excluding discretionary bonus) by us for the year ended 31 December 2009 will be approximately RMB2.1 million.

C. Restricted Shares grant to Director

A total of 3,877,058 restricted Shares (“Restricted Shares”) were granted to 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. The grant of Restricted Shares was approved by written resolutions of the Shareholders dated 2 June 2008 and 3 August 2008, and the terms of the grant were amended by written resolutions of the Shareholders dated 1 June 2009 and 3 August 2008 as follows:

- (a) the Restricted Shares issued to the executive Director on 2 June 2008 and 3 August 2008 may not be sold, transferred by gift, pledged or otherwise transferred or disposed prior to the date when the Restricted Shares become vested pursuant to the vesting schedule.
- (b) all Restricted Shares granted shall be vested in the following manner:
 - (i) Shares representing 1/4th of the Restricted Shares shall vest immediately after our Company reported an annual net profit tax (based on audited and consolidated financial statement of the relevant financial year in accordance with IFRS of RMB500 million or more for any financial year (“First Vesting”)).
 - (ii) Shares representing the remaining 3/4th of the Restricted Shares shall vest thereafter in equal quarterly instalments of 1/4th of the Restricted Shares at the end of each three-month period quarterly after the First Vesting.

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DISCLOSURE OF INTERESTS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors in the share capital of our Company and our associated corporations following the [●] and the [●]*

Immediately following completion of the [●] and the [●] and taking no account of any Shares which may be allotted and issued pursuant to the [●] Share Option Scheme or the Share Option Scheme or the exercise of the [●], the interests or short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of our Company and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Long positions in our Company

| Name of Director | Capacity/ Nature of interest | Number of Shares | Approximate percentage of interest in our Company/ associated corporations |
|----------------------------------|--|------------------|--|
| Mr. Zhang ¹ | Beneficial owner, interest in a controlled corporation, interest of spouse and interest of children under 18 | [●] | [●] |
| Mr. Chau Kwok Keung . . . | Beneficial owner | [●] | [●] |

Notes:

1 Mr. Zhang legally owns the entire issued share capital of Fonty, which beneficially own [●] 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 [●] Shares for the purposes of the SFO, which are beneficially owned by Mr. Zhang, Mr. Zhang’s spouse and descendents, as beneficiaries of JZ GRAT. Mr. Zhang’s child is under the age of 18.

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(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the [●] and the [●] and taking no account of any Shares which may be allotted and issued pursuant to the [●] Share Option Scheme or the Share Option Scheme or the exercise of the [●], in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in the Shares or underlying shares of our Company which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, 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 member of our Group.

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

Notes:

1 Mr. Zhang legally owns the entire issued share capital of Fonty, which beneficially own [●] 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 [●] 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.

2. Disclaimers

Save as disclosed in this document:

- (a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the [●] (taking no account of the [●], or any Shares which may be issued pursuant to the [●] Share Option Scheme or the Share Option Scheme and the [●]), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, 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 the Group;
- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the section headed “Other Information — Qualifications of experts” of this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or any of our subsidiaries;

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- (d) none of our Directors nor any of the parties listed in the section headed “Other Information — Qualifications of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;
- (e) save in connection with the [●] none of the parties listed in the section headed “Other Information — [●]” of this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their associates (as defined in the Listing Rules) or our existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

OTHER INFORMATION

1. Estate duty and tax indemnity

Mr. Zhang (the “Indemnifier”) has entered into a deed of indemnity with and in favour of us (for ourselves and as trustee for each of our present subsidiaries) (being the material contract (t) referred to in the section “Further Information about our Company’s business — Summary of the Material Contracts” of this Appendix) to provide indemnities in respect of, among other matters, (i) any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or our associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the date on which the [●] becomes unconditional and (ii) any liabilities incurred or payable by any member of our Group in connection with or arising from the business previously carried on by Mr. Zhang under the trade name of Comtec Ltd to the extent such liabilities exceed RMB41,369,000 (the “Agreed Tax Liabilities”).

The Agreed Tax Liabilities represents tax payable, together with interest and other payment obligations relating to such payable, in connection with the business previously carried on by Mr. Zhang under the trade name of Comtec Ltd and which our Group has agreed to bear. Mr. Zhang has agreed to indemnify our Group in respect of any other liability, whether of a tax or non-tax nature, incurred by our Group in connection with or arising from the business previously carried on by Mr. Zhang under the trade name of Comtec Ltd to the extent such liabilities exceeding such amount. The amount of RMB41,369,000 has been determined on the basis that it represents (a) the cumulative tax payable as at the Latest Practicable Date 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 rate 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 the Indemnifier in carrying on the business of sourcing raw materials and equipment and the performance of trading functions for Comtec Solar and Comtec Semi 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) interests and late payment charges in the amount of RMB4,870,000 (the “Interests and Late Payment Charges”) calculated based on the unpaid U.S. federal and California state tax of the Relevant Business during the year ended 31 December 2005 and the Track Record Period, which might be payable by the Indemnifier.

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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 RMB8.7 million and RMB8.8 million, for the year ended 31 December 2005 and 2006, respectively. 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 date of payment.

Our Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries under the laws of the Cayman Islands, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Under the deed of indemnity, the Indemnifier have also given indemnities to our Group in relation to taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the [●] becomes unconditional.

The deed of indemnity does not cover any claim and the Indemnifier shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the consolidated audited accounts of our Company or the audited accounts of our relevant Group members up to 30 June 2009;
- (b) to the extent that such tax claims arises or is incurred as a result of any change or the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date hereof or to the extent such Tax Claim arises or is increased by an increase in rates of taxation after the date hereof with retrospective effect except the imposition of or an increase rate of profit tax in Hong Kong or anywhere in the world for the current or any earlier financial periods;
- (c) to the extent of any provision or reserve made for taxation in the consolidated audited accounts of the Company or the audited accounts of the Group members up to 30 June 2009 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to this clause to reduce the relevant Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

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- (d) to the extent that such taxation or liability for taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, the Company and/or any of the Group companies (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the course of acquiring and disposing of capital assets after the date of this deed in indemnity; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the date of this deed in indemnity or pursuant to any statement of intention made in the Document.

2. Litigation

Our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

3. Preliminary Expenses

Our estimated preliminary expenses are approximately RMB[18.0] million and have been paid by us.

4. [●]**5. No Material Adverse Change**

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 30 June 2009 (being the date to which our latest audited consolidated financial statements were made up).

6. [●]**7. Miscellaneous**

Save as disclosed in this document, within the two years immediately preceding the date of this document,

- (a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

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- (d) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (e) no commission has been paid or payable (except commissions to the [●]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) we have no outstanding convertible debt securities.

8. [●]

9. [●]

10. [●]

RESTRICTED SHARES GRANT TO SENIOR MANAGEMENT

Mr. James J. Wang, our COO and Ms. Jane Wu, our President of Global Operation were each granted a total of 2,917,590 restricted Shares by our Company, at nil consideration for the purpose of giving them an opportunity to have a personal stake in us and to motivate them to optimise their performance and efficiency, and also to retain them as our employees whose contributions are important to our long-term growth and profitability. The grant of these restricted Shares was approved by written resolutions of the Shareholders dated 3 August 2008, and the terms of the grant are as follows:

- (a) under the terms of the grant, the restricted Shares issued to the members of senior management on 2 June 2008 and 3 August 2008 may not be sold, transferred by gift, pledged or other transferred or disposed prior to the date when the Restricted Shares become vested pursuant to the vesting schedule.
- (b) all restricted Shares granted shall be vested in the following manner:
 - (i) Shares representing 1/4th of the restricted Shares shall vest immediately after our Company reported an annual net profit tax (based on audited and consolidated financial statement of the relevant financial year in accordance with IFRS of RMB500 million or more for any financial year (“First Vesting”)).
 - (ii) Shares representing the remaining 3/4th of the restricted Shares shall vest thereafter in equal quarterly instalments of 1/4th of the restricted Shares at the end of each three-month period after the First Vesting.

[●] SHARE OPTION SCHEME

1. Summary of Terms

The purpose of the [●] Share Option Scheme is to give our employees an opportunity to have a personal stake in us and help motivate our employees to optimise their performance and efficiency, and also to retain

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our employees whose contributions are important to our long-term growth and profitability. The principal terms of the [●] Share Option Scheme, approved by written resolutions of the Shareholders dated 2 June 2008, are substantially the same as the terms of the Share Option Scheme except that:

- (a) the subscription price per Share under the [●] Share Option Scheme shall be HK\$2.51;
- (b) the total number of Shares which may be issued upon the exercise of all options granted under the [●] Share Option Scheme is 574,020 Shares (the “Underlying Shares”) representing approximately 0.057% of the enlarged issued share capital of our Company;
- (c) all options granted under the [●] Share Option Scheme can only be exercised in the following manner:
 - (i) Shares representing 1/12th of the Underlying Shares shall vest on 1 November 2009.
 - (ii) 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 quarterly subject to continued employment with our Company during that period and all other terms and conditions as described in the [●] Share Option Scheme.
- (d) subject to other restrictions in the [●] Share Option Scheme, the exercise period of the options shall commence upon the approval by the Stock Exchange of the listing of and permission to deal in the Shares to be issued pursuant to the exchange of the options granted under the [●] Share Option Scheme (the “Offer Date”) and expiring at earlier of (i) the date on which such option lapses under the provisions of paragraph 10 of the [●] Share Option Scheme; or (ii) the date falling 10 years from the Offer Date of such Option.

The Shares to be allotted upon the exercise of an option granted under the [●] Share Option Scheme will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which Shares are allotted to a grantee pursuant the exercise of the option. Our Company may by resolution in general meeting at any time terminate the operation of the [●] Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Underlying Shares to be issued pursuant to the exercise of the options granted under the [●] Share Option Scheme.

2. Outstanding Options Granted

As at the date of this document, options to subscribe for the Underlying Shares at an exercise price equal to a premium of 1.2% to the top end of the indicative [●] range have been conditionally granted to a total of three independent non-executive Directors by us at a consideration of HK\$1.00 under the [●] Share Option Scheme. These options were conditionally granted on 3 August 2009 and 2 October 2009 based on the contributions expected from the grantees and are important to our long term growth and profitability.

We also granted options to subscribe for 1,990,240 Shares to some of our employees on 2 June 2008 and these option were subsequently cancelled before any of them were exercised due to charges in market conditions.

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No further options will be granted under the [●] Share Option Scheme prior to the [●] Date.

A summary of the grantees containing all the details in respect of each outstanding option required under paragraph 10 of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules is set out below:

| Grantee | Position | Address of the Grantee | Number of Shares to be issued upon full exercise of the [●] Share Option | Percentage of enlarged issued share capital of our Company after full exercise of the [●] Share Option (%) ^(Note 1) |
|--------------------------------|------------------------------------|---|--|--|
| <i>Directors</i> | | | | |
| Kang Sung | Independent Non-executive Director | 642 Fontes Drive Fremont California 94539 USA | 249,574 | 0.025 |
| Daniel DeWitt Martin | Independent Non-executive Director | 1050-184 Borregas Ave. Sunnyvale California 94089 USA | 199,659 | 0.020 |
| Leung Ming Shu | Independent Non-executive Director | Flat 1309, Block B Tai Hang Terrace 5 Chui Fai Road Jardine’s Lookout Hong Kong | 124,787 | 0.012 |
| Total. | | | <u>574,020</u> | 0.057 |

Note:

1. assuming that the [●] is not exercised.

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a written resolution of all the Shareholders of our Company passed on 2 October 2009 and adopted by a resolution of the Board on 2 October 2009. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as mentioned in the following paragraph) to optimise their future contributions to our Group and/or to reward them for their past

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contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) an Executive;
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an Associate of any of the foregoing persons;

(the persons referred above are “Eligible Persons”)

3. Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of the Shares in issue as at the date of [●] of the Shares on the Main Board of the Stock Exchange (the “Scheme Mandate Limit”) provided that our Company may at any time as the Board may think fit seek approval from its Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by the Shareholders of our Company in general meeting where the Scheme Mandate Limit is refreshed.
- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained.

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- (c) The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of our Company's issued share capital from time to time.

4. Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent. of the Shares in issue from time to time.

5. Grant of Options

Subject to the terms of the Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the Subscription Price for such number of Shares as the Board may (subject to the terms of this Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

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6. Granting Options to connected persons

Subject to the terms in this Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive or a substantial shareholder of our Company or any of their respective associates, such offer must first be approved by the independent non-executive directors of our Company (excluding the independent non-executive director who or whose associates is the grantee of an option).

Where any grant of Options to a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by Shareholders of our Company. Our Company shall send a circular to Shareholders containing the information required under the Listing Rules. All Connected Persons of our Company must abstain from voting in favour at such general meeting.

Approval from the Shareholders of our Company is required for any change in the terms of options granted to a participant who is a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates.

7. Offer Period and Number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the Offer Date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Scheme stated in Clause 12. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the Acceptance Date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option in the manner as set out in Clause 5.6 of the Scheme. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

8. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the

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date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period and the deadline for our Company to publish an announcement of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

9. Exercise price

The Subscription Price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the Subscription Price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date.

10. Exercise of Option

10.1 An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Scheme by the Grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of the Auditors' certificate pursuant to Clause 12, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

10.2 The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

10.3 Subject as hereinafter provided, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

- (a) in the event that the Grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;

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- (b) in the event that the Grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period;
- (c) in the event that the Grantee ceases to be an Executive by reason of his transfer of employment to an Affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;
- (d) in the event that the Grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of the Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an Affiliate Company or the termination of his employment with the relevant member of the Group by resignation or Culpable Termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (e) in the event that the Grantee ceases to be an Executive by reason of the termination of his employment by resignation or Culpable Termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification. A resolution of the Board resolving that the Executive's Option has lapsed pursuant to this Clause 10.3(e) shall be final and conclusive;
- (f) if a Grantee being:
 - (i) an executive director of our Company ceases to be an Executive but remains a non-executive director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or
 - (ii) a non-executive director of our Company ceases to be a Director:
 - (1) by reason of Non-Executive Director Retirement, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

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- (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(g) if:

- (i) the Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or
- (ii) a Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (i)) or on the date on which the Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this Clause 10.3(g) shall be final and conclusive;

(h) if a Grantee (being a corporation):

- (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the Grantee; or
- (ii) has suspended, ceased or threatened to suspend or cease business; or
- (iii) is unable to pay our debts; or
- (iv) otherwise becomes insolvent; or
- (v) suffers a change in our constitution, management, directors or shareholding which in the opinion of the Board is material; or
- (vi) commits a breach of any contract entered into between the Grantee or his Associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise

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determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this Clause 10.3(h) by reason of breach of contract or material change in the constitution, management, Directors or shareholding as aforesaid shall be final and conclusive;

- (i) if a Grantee (being an individual):
 - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or
 - (ii) has made any arrangement or composition with his creditors generally; or
 - (iii) has been convicted of any criminal offence involving his integrity or honesty; or
 - (iv) commits a breach of any contract entered into between the Grantee or his Associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this Clause 10.3(i) for breach of contract as aforesaid shall be final and conclusive;

- (j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholders of our Company (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (k) if a compromise or arrangement between our Company and our members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company, our Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

- (i) the Option Period;

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- (ii) the period of two months from the date of such notice; or
- (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this Clause 10.3(k), all Options outstanding at the expiry of the relevant period referred to in this Clause 10.3(k) shall lapse. Our Company may thereafter require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the Option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

- (l) in the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

11. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which shares are allotted to a grantee pursuant to the exercise of the option (“Allotment Date”) or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date hereof shall be before the Allotment Date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person) as the holder thereof.

12. Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on its adoption date. Upon the expiry of the Scheme as aforesaid, no further Options will be offered but the provisions of the Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme.

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13. Lapse of Share Option Scheme

13.1 An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the period referred to Clause 10.3;
- (c) subject to Clause 10.3(l), the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the Grantee or the Board has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in Clauses 10.3(h) or 13.1(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

13.2 No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

14.1 In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the Subscription Price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the Auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;

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- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

The capacity of the Auditors in Clause 14.1 is that of experts and not arbitrators and their certification shall be final and binding on our Company and the Grantees in the absence of manifest error. The costs of the Auditors shall be borne by our Company.

14.2 If there has been any alteration in the capital structure of our Company as referred to in Clause 14, our Company shall, upon receipt of a notice from the Grantee in accordance with Clause 10.1, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the Auditors obtained by our Company for such purpose, or if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors to issue a certificate in that regard in accordance with the terms in this Schedule.

15. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “Cancellation Date”):

- (a) the Grantee commits or permits or attempts to commit or permit a breach of Clause 17 or any terms or conditions attached to the grant of the Option;
- (b) the Grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or a Subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

16. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Scheme. Upon termination of the Scheme as aforesaid, no further Options shall be offered but the provisions of the Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme.

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17. Transferability

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such Grantee.

18. Amendment

The Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Grantee; (iii) any change to the authority of the Board or any person or committee delegated by the Board to administer the day-to-day running of the Scheme pursuant to this Scheme; and (iv) any alteration to the aforesaid termination provision.

19. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date (the “Approval Date”) on which the following conditions are fulfilled:

- (a) the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;
- (b) [●];
- (c) [●]; and
- (d) [●].

If the permission referred to in the aforesaid is not granted within two calendar months after the Adoption Date:

- (a) the Scheme will forthwith determine;
- (b) any Option granted or agreed to be granted pursuant to the Scheme and any offer of such a grant shall be of no effect;
- (c) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Scheme or any Option; and
- (d) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.