



Trony Solar Holdings Company Limited

創益太陽能控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 02468

A collage of images related to solar energy, including a large solar panel array on a building, a close-up of a hand holding a solar cell, and workers in hard hats handling solar panels on a roof.

GLOBAL OFFERING

Sponsor

J.P.Morgan

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan

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ASIA-PACIFIC MARKETS

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Trony Solar Holdings Company Limited

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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	385,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	38,500,000 New Shares (subject to re-allocation)
Number of International Placing Shares	:	346,500,000 Shares comprising 306,500,000 New Shares and 40,000,000 Sale Shares (subject to re-allocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$4.50 per Hong Kong Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.0001 per Share
Stock code	:	2468

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The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and us on or before September 30, 2010 or such later date as may be agreed by the Joint Lead Managers and us. The Offer Price will not be more than HK\$4.50 per Offer Share and is currently expected to be not less than HK\$3.10 per Offer Share unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$4.50 for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$4.50.

The Joint Global Coordinators (on behalf of the Underwriters), with our consent and the consent of the Selling Shareholders, may reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us on or before October 5, 2010, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the US Securities Act. The Offer Shares are being sold outside the United States in offshore transactions in accordance with Rule 903 or 904 of Regulation S.

Pursuant to the certain provisions contained in the Underwriting Agreement in respect of the Offer Shares, the Joint Global Coordinators, on behalf of the Underwriters, has the right in certain circumstances, subject to the sole opinion of the Joint Global Coordinators, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 am (Hong Kong time) on the day on which dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

September 24, 2010

EXPECTED TIMETABLE⁽¹⁾

- Application lists open⁽²⁾ 11:45 am on Wednesday, September 29, 2010
- Latest time for lodging **WHITE** and **YELLOW**
Application Forms 12:00 noon on Wednesday, September 29, 2010
- Latest time for giving **electronic application**
instructions to HKSCC⁽³⁾ 12:00 noon on Wednesday, September 29, 2010
- Latest time to complete electronic applications
under the **White Form eIPO** service through
the designated website at www.eipo.com.hk⁽⁴⁾ 11:30 a.m. on Wednesday, September 29, 2010
- Latest time to complete payment of **White Form eIPO**
applications by effecting internet banking transfer(s)
of PPS payment transfer(s) 12:00 noon on Wednesday, September 29, 2010
- Application lists of the Hong Kong Public Offer close 12:00 noon on Wednesday, September 29, 2010
- Expected Price Determination Date⁽⁴⁾ Thursday, September 30, 2010
- Announcement of the final Offer Price, the level of indication of
interest in the International Placing, level of applications in
the Hong Kong Public Offer and basis of allotment of the
Hong Kong Offer Shares under the Hong Kong Public Offer
to be published in the South China Morning Post (in English)
and the Hong Kong Economic Times (in Chinese) and on our
Company's website at www.trony.com and the website of the
Stock Exchange at www.hkexnews.hk on Wednesday, October 6, 2010
- Results of applications and Hong Kong identity card/passport/
Hong Kong business registration numbers of successful
applicants under the Hong Kong Public Offer to be
available through a variety of channels as described in the
section headed "How to Apply for the Hong Kong Offer
Shares — Publication of Results" including our Company's
website at www.trony.com and the website of the Stock Exchange
at www.hkexnews.hk from Wednesday, October 6, 2010
- Results of allocations for the Hong Kong Public Offering
will be available at www.iporesults.com.hk, with
a "search by ID" function Wednesday, October 6, 2010
- Dispatch of share certificates or deposit of the share
certificates into CCASS in respect of wholly or partially
successful applications pursuant to the Hong Kong Public
Offer on or before ⁽⁵⁾ & ⁽⁷⁾ Wednesday, October 6, 2010
- Dispatch of White Form e-Refund payment instructions/
refund cheques in respect of wholly successful
(if applicable) or wholly or partially unsuccessful
applications pursuant to the Hong Kong Public Offer
on or before ⁽⁶⁾ & ⁽⁷⁾ Wednesday, October 6, 2010
- Dealings in the Shares on the main board of the Stock
Exchange expected to commence at 9:30 a.m. on Thursday, October 7, 2010

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 29, 2010, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Wednesday, September 29, 2010, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (3) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC” in this prospectus.
- (4) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, September 30, 2010. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us by Tuesday, October 5, 2010, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
- (5) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Thursday, October 7, 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreement have not been terminated in accordance with their terms. If the Global Offering does not become unconditional or the Underwriting Agreement are terminated in accordance with their terms, we will make an announcement as soon as possible.
- (6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect any refund cheques and share certificates in person, may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Wednesday, October 6, 2010. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Computershare Hong Kong Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates which will be deposited into CCASS for the credit of their designated CCASS participants’ stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed “Applying by giving electronic application instructions to HKSCC” under the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus for details. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be dispatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed “Structure of the Global Offering” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Trony Solar Holdings Company Limited solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the application forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Selling Shareholders, the Joint Lead Managers, the Sponsor, any of the Underwriters, any of their respective directors, or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the world's leading producers of thin film solar modules. We were ranked number four globally as measured by thin film module production volume in 2009, according to a report commissioned by us and prepared by Photon Consulting, a solar energy research firm and consultancy. According to this report, we were China's only thin film PV module producer ranked in the top ten globally by module production volume in 2009. We estimate that in 2009, our global thin film PV market share was approximately 4.1%. This approximate market share percentage is derived based on our module production volume of approximately 70 MW in 2009 and the world's thin film PV market size of 1.70 GW according to Solarbuzz, an independent solar energy research firm. According to a 2009 report commissioned by us and prepared by Frost & Sullivan, an independent research and consulting firm, we were the top off-grid PV product producer among all solar companies in China, which include thin film, multi-crystalline and monocrystalline module producers, with 14.8% of the market share in terms of total shipments for 2009. Our total shipments, which include all of the products which we have manufactured for export as well as for domestic sales within China, were approximately 69.2 MW in 2009. We use amorphous silicon technology to deposit non-crystalline silicon onto a substrate to manufacture PV modules that are significantly thinner than conventional crystalline silicon PV modules. As at June 30, 2010, our annual manufacturing capacity was 145 megawatts, or MW.

We believe that our self-designed equipment and proprietary manufacturing process have built-in flexibilities to allow us to expand manufacturing capacity rapidly and cost-effectively through modifications to, and optimizing the manufacturing process of, existing manufacturing lines. This advantage, when combined with our increasing scale and low-cost China-based manufacturing, allowed us to achieve an average manufacturing cost of approximately US\$1.01 per watt for the fiscal year ended June 30, 2010. Our average manufacturing cost per watt for the three months ended June 30, 2010 was approximately US\$0.98. We define average manufacturing cost per watt as the total manufacturing cost incurred during a period divided by the total watts produced during that period. Manufacturing cost comprises raw materials, labor cost and other manufacturing overhead. In the fiscal year ended June 30, 2010, we produced a total of approximately 112.7 MW of PV modules. Our raw materials costs were US\$84.9 million (RMB580.4 million), our labor costs were US\$2.4 million (RMB16.1 million), and our other manufacturing overheads were US\$25.7 million (RMB175.3 million).

We distinguish ourselves from other thin film solar companies with our strong research and development capabilities, evidenced by the awards and recognition we have received. We believe that research and development is critical for our strategic objectives of enhancing our technologies, reducing manufacturing costs and meeting the changing requirements of our customers. As at June 30, 2010, we had a research and development team with 77 employees. In 2008, the PRC Ministry of Housing Construction for Urban and Rural Areas selected us as the preferred provider of building integrated PV, or BIPV, products as part of their initiative to support the development of green energy. In 2007, four members of our management team were selected to serve on a 23-member national committee that sets technical standards for the use of PV glass for construction purposes in China's PV industry, or China's national BIPV technical standard committee. Since our inception in 1993, we have accumulated substantial intellectual property in the thin film PV industry. In January 2009, we were chosen by the PRC Ministry of Science and Technology to participate in a project under the National High Technology Research and Development Program, also known as the 863 Program, which is

SUMMARY

funded and administered by the PRC government with an aim to stimulate the development of advanced technologies in a wide range of fields within the PRC. Mr. Li, our co-founder, chief executive officer and chairman of our board of directors, also received a China Patent Excellence Award from the State Intellectual Property Office of the PRC in December 2009. As at June 30, 2010, we had 17 patents and exclusive rights to use 78 patents in China.

According to Solarbuzz, in 2009, the world thin film PV market size was 1.70 GW. Crystalline silicon technology is the mainstream manufacturing technology for PV products. According to Solarbuzz, over 80% of the PV modules manufactured in 2009 in the world were crystalline silicon PV modules. In 2009, crystalline silicon PV modules had an average conversion efficiency of 14.6%, and had an average selling price of US\$2.52 per watt. Our competitors include conventional crystalline PV cell and module manufacturers such as Suntech Power Holdings Co., Ltd., Trina Solar Limited and Yingli Green Energy Holding Company Limited. Crystalline silicon PV module selling prices have been generally decreasing since 2008. In 2008, the average selling price of crystalline silicon PV modules was US\$4.05 per watt as compared with US\$2.52 per watt in 2009. Crystalline silicon PV modules generally have higher conversion efficiencies and higher average selling prices as compared to thin film PV modules. According to Solarbuzz, in 2008 and 2009, thin film PV modules had an average selling price of US\$2.45 per watt and US\$1.89 per watt, respectively. In the fiscal year ended June 30, 2010, the average conversion efficiency of our thin film single-junction and double-junction PV modules was approximately 6.0% and 6.5%, respectively and our average module selling price was approximately US\$1.76 per watt. We started pilot production of 7.0% conversion efficiency modules in July 2010. Many of our existing and potential competitors are substantially larger in size with greater financial, technical, manufacturing and other resources. Many of our competitors have greater brand name recognition, more established distribution networks and larger customer bases. In addition, many of our competitors have well-established relationships with our current and potential customers and have extensive knowledge of the markets in which our products are used. As a result, they may be able to devote more resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. In addition, as more Chinese and international PV module manufacturers continue to invest in China and take advantage of lower production and labor costs in China, we may face increasing pricing pressure and decreasing demand for our products as well as increasing competition for qualified personnel. We also face competition from other thin film players such as non-listed companies or product divisions of listed conglomerates. We may also compete with new entrants to the PV product market, including those that may offer more advanced technological solutions or may have greater financial resources. Entry barriers to the thin film market include brand recognition, scale, which is important in achieving low manufacturing cost, and manufacturing know-how, which is important in increasing conversion efficiencies of PV products. Furthermore, the solar power industry faces competition from conventional energy and non-solar renewable energy providers. Due to relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

We commenced operations in 1993, became a manufacturer of thin film solar embedded modules in 1995 and began commercial production in 1998. We expanded our annual manufacturing capacity to 5 MW and began manufacturing standard PV modules for solar home systems and other solar off-grid applications in 2006, and gradually increased our annual manufacturing capacity to 45 MW by October 2008. In July 2009, we completed construction of our 70 MW fully-automated manufacturing line, which commenced commercial production in August 2009, bringing our annual manufacturing capacity to 115 MW. By March 31, 2010, our annual manufacturing capacity was 145 MW as a result of the further expansion of our existing 70 MW manufacturing line. We commenced a project to install a new 60 MW fully-automated manufacturing line in a new facility and expect that the project will be completed in the fourth calendar quarter of 2010, which will bring our annual manufacturing capacity to 205 MW.

SUMMARY

Our PV modules can be applied to a wide range of applications. We offer more than 200 different varieties of PV modules to meet different customer needs, which provides us with competitive advantages compared to some of our other competitors. Our PV modules can be used in off-grid applications, including solar home systems, solar lighting products and solar consumer applications. According to Frost & Sullivan, we are the leading producer of PV modules for off-grid applications in China. Our PV modules can also be used in BIPV applications and PV power stations. We plan to continue to maintain and improve our leading position in the off-grid market and develop and market BIPV products, which generally have higher margins as compared to our other products. Our diverse and expanding customer base includes distributors and traders, manufacturers and system integrators and contractors and project owners in China, South Korea, Thailand, Hong Kong and other countries.

The following table sets out a breakdown of our revenues by customer type for the periods indicated:

(in thousands of RMB)	Fiscal year ended June 30,					
	2008		2009		2010	
	RMB	Number of customers	RMB	Number of customers	RMB	Number of customers
Distributors/traders	180,723	4	163,684	8	411,466	8
Manufacturers/system integrators ...	59,164	78	306,304	59	800,046	83
Contractors/project owners	32,930	4	71,474	8	139,718	7
Others (samples)	—	2	—	—	—	—
Total revenue	<u>272,817</u>	<u>88</u>	<u>541,462</u>	<u>75</u>	<u>1,351,230</u>	<u>98</u>

We rely on short-term sales contracts in the off-grid market, a small number of customers and a limited number of third party suppliers for many of our key raw materials.

The following table sets out a breakdown of our revenues for our PV modules by application category, and each expressed as a percentage of our total revenues, for the periods indicated:

(in thousands of RMB)	Fiscal year ended June 30,					
	2008		2009		2010	
	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues
PV modules for off-grid applications	254,066	93.1	482,068	89.0	1,241,775	91.9
- standard modules	218,590	80.1	359,033	66.3	1,006,414	74.5
- embedded modules	35,476	13.0	123,035	22.7	235,361	17.4
PV modules for BIPV applications....	18,751	6.9	45,019	8.3	109,455	8.1
PV modules for PV power stations..	—	—	14,375	2.7	—	—
Total revenues	<u>272,817</u>	<u>100.0</u>	<u>541,462</u>	<u>100.0</u>	<u>1,351,230</u>	<u>100.0</u>

SUMMARY

The table below sets forth a breakdown of our sales of PV modules by geographical region during the Track Record Period:

(in thousands of RMB)	Year ended June 30,		
	2008	2009	2010
PRC	96,961	403,294	1,140,136
Hong Kong.....	22,311	48,812	151,779
Thailand.....	153,545	74,927	59,262
South Korea	—	14,375	—
Others	—	54	53
Total revenue.....	272,817	541,462	1,351,230

Our total revenues increased from RMB272.8 million in the fiscal year ended June 30, 2008 to RMB541.5 million in the fiscal year ended June 30, 2009 and to RMB1,351.2 million in the fiscal year ended June 30, 2010, representing a compound annual growth rate, or CAGR, of 122.6% over the three fiscal years. Our gross profit increased from RMB122.5 million in the fiscal year ended June 30, 2008 to RMB230.0 million in the fiscal year ended June 30, 2009 and to RMB573.0 million in the fiscal year ended June 30, 2010, representing a CAGR of 116.3% over the three fiscal years. Our net profit for the fiscal years ended June 30, 2008 and 2010 were RMB88.9 million and RMB499.4 million, respectively. Our net loss for the fiscal year ended June 30, 2009 was RMB56.0 million. The fluctuation in our net profit during the Track Record Period was due to the change in fair value in convertible redeemable preferred shares. Without taking into account the change in fair value of convertible redeemable preferred shares, which amounted to nil, a loss of RMB213.3 million and a gain of RMB109.8 million for the fiscal years ended June 30, 2008, 2009 and 2010, respectively, our profit for the fiscal years ended June 30, 2008, 2009 and 2010 would have been RMB88.9 million, RMB157.3 million and RMB389.7 million, respectively. During the Track Record Period, we experienced significant growth in revenue. Our growth was due to the thin film market, in particular, the off-grid market, experiencing significant growth. We were able to manufacture our PV products cost-effectively, and as a result, we were able to price our PV products competitively. This led to increased demand for our PV products. We have rapidly expanded our manufacturing capacity to accommodate the growing demand for our products. This increased capacity has allowed us to post higher revenues as we produced and sold more PV products, and increased our economies of scale. Sales to our existing customers also significantly increased during the Track Record Period. In addition, we enlarged our customer base. These factors contributed to the increase in our revenue. Our Group does not have any ownership or management control over our customers. We assign sales managers to manage our relationships with our customers and to obtain market feedback on our products. The table below sets forth a breakdown of our customers by geographical region during the Track Record Period:

	Year ended June 30,		
	2008	2009	2010
PRC	86	69	92
Hong Kong.....	1	1	1
Thailand.....	1	1	1
South Korea	—	1	—
Others	—	3	4

SUMMARY

OUR INDUSTRY

Global Solar Market

The PV market is one of the most rapidly growing renewable energy markets and has grown significantly over the past decade. According to Solarbuzz, the PV market, as measured by end-customer demand, grew at a CAGR of 49.5%, from 1.46 GW in 2005 to 7.30 GW in 2009. Despite this robust growth, solar power accounts for less than 1.0% of global electricity generation, providing significant room for future development. Solarbuzz's "Green World" scenario forecasts that end-customer PV market demand will increase from 7.30 GW in 2009 to 24.74 GW in 2014. Solarbuzz's "Green World" scenario assumes that government policies are very positive toward PV and there is constrained growth in PV production capacity and strong growth in market demand.

We are a thin film manufacturer in the PV market, which comprises of crystalline silicon and thin film players.

Thin Film PV Products

According to Solarbuzz, the global thin film market has experienced rapid growth in the past few years, more than three times its production share of 5.9% of the PV market in 2005 in only four years. In 2009, 1.70 GW of thin film PV modules were manufactured worldwide, representing a growth of 91% over 2008, while the number of crystalline silicon PV modules produced increased by 28% during the same period. Due to this rapid growth, thin film technology represents an increasingly large portion of the total PV industry.

The ramp-up in the scale of thin film manufacturing over the next few years will depend on the successful transition from small volume pilot plants to high volume commercial manufacturing facilities at prices and performance-levels sufficiently attractive to the market. According to Solarbuzz, world thin film PV modules production is expected to grow at a CAGR of 32.1% between 2009 and 2014, from 1.70 GW in 2009 to 6.83 GW in 2014, while world crystalline silicon PV cell production is expected to grow at a CAGR of 23.1% over the same period, from 7.64 GW in 2009 to 21.62 GW in 2014.

Off-grid Solar Applications

The off-grid market has been an early adaptor of solar applications, and has developed significantly in recent years. According to Frost & Sullivan, in 2009, global off-grid PV market installation has exceeded 1.0 GW and is expected to grow at a CAGR of 33.3% from 2009 to 2013. China has become the global manufacturing hub for off-grid solar applications. According to Frost & Sullivan, total off-grid applications manufactured in China for domestic installation and exports are forecasted to increase from 405 MW in 2009 to 1,479 MW in 2013, representing a CAGR of 38.2%.

China's Solar Market and Solar Power Initiatives

The growth of the PV market is driven by enhanced environmental awareness, rising electricity demand, increasing rural electrification, increasing cost-competitiveness of solar-generated electricity, continuing government incentives, national ambitions for energy independence and the compatibility of solar power production to the daily electricity demand cycle. Future PV market expansion will also depend on the growth of the global economy, including developing economies, the availability of financing for PV projects and the ability of PV product manufacturers to expand production capacity and reduce manufacturing costs.

China's PV market is still relatively small compared to many developed markets. However, this market has grown rapidly in recent years, mainly due to rising demand for electricity and increasing government incentives. According to Solarbuzz, China's domestic PV market grew by a factor of six to 208 MW in 2009, up from just 35 MW in 2008.

SUMMARY

In recent years, PRC government authorities have issued detailed statements on incentive schemes for the PV industry. We expect these new policies to further expand and structurally transform China's nascent solar markets, significantly increasing BIPV installations and other applications.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths will sustain our rapid growth and enable us to continue to compete effectively:

- Low-cost solutions;
- Proprietary manufacturing process and self-designed key equipment;
- Leading position in the rapidly expanding global thin film market in general and the off-grid market in particular;
- A wide range of product offerings for diverse end-use applications;
- Distinguished research and development capabilities providing key technology competitiveness; and
- Experienced, cohesive and stable management team well-positioned to deliver profitable growth.

OUR STRATEGIES

Leveraging our strong research and manufacturing capacities, we seek to rapidly grow into the world's leading amorphous silicon thin film PV producer, and to build ourselves into a first-class brand in the global PV industry through the following strategies:

- Leverage our strength in research and development and proprietary technologies to improve conversion efficiencies and reduce costs;
- Maintain and enhance our leading market position in the off-grid market;
- Expand our presence in the BIPV market;
- Focus on the China market to capture market opportunities created by recent government policies; and
- Increase manufacturing capacity to drive market leadership.

RISK FACTORS

Our operations are subject to a number of risks, a detailed discussion of which is set out in the section headed "Risk Factors" in this prospectus. These risks can be broadly classified into:

Risks related to our business

- We face intense competition from manufacturers of crystalline silicon PV modules, thin film PV modules, and non-solar renewable energy and conventional energy providers.
- Our profit margins may decrease in future periods as a result of the prevailing market price of PV products and the change of our product mix.
- We have limited experience in the BIPV market, and we may be unable to manage the growth of our BIPV business or successfully operate in the BIPV market.
- We have limited experience in the PV power station market, and we may be unable to manage the growth of our solar power generation solutions business.
- Our operating history may not serve as an adequate basis to judge our future prospects and results of operations, and we may not be able to effectively manage our expansion of operation.
- If we grant share options or other equity incentives in the future, our operating results could be materially adversely affected.
- Our future success substantially depends on our ability to successfully expand our manufacturing capacity, manage our facilities, utilize our manufacturing capacity, and reduce our manufacturing costs. Our ability to achieve such goals is subject to a number of risks and uncertainties.

SUMMARY

- If our manufacturing equipment fails, we encounter difficulties with our manufacturing technology or our equipment supplier fails to perform its contracts, we could experience manufacturing disruptions and fail to satisfy our contractual requirements.
- Any failure or unanticipated delay in securing any major certification for our modules could impair our sales and have a material adverse effect on our business, financial condition, results of operations and prospects.
- We depend on short-term sales contracts in the off-grid market.
- We source many of our key raw materials and components from a limited number of third-party suppliers and their failure to perform could cause manufacturing delays and impair our ability to deliver PV modules to customers in required quantities and at competitive prices.
- We depend on a small number of customers, and such dependency may cause significant fluctuations or declines in our revenues.
- We require a significant amount of cash to fund our operations and meet future capital requirements. If we cannot obtain additional capital, our growth prospects and future profitability may be materially and adversely affected.
- We recorded net current liabilities positions as at June 30, 2008 and 2009.
- Credit terms we provide for our customers may expose us to the credit risks of such customers and may increase our costs and expenses, which could in turn have a material adverse effect on our liquidity.
- Problems with product quality, product performance or workmanship may cause us to incur warranty expenses, damage our market reputation and prevent us from achieving increased sales and market share and we may need to offer warranties with extended terms.
- We face risks associated with the marketing, distribution and sale of our PV products internationally, and if we are unable to effectively manage these risks, they could impair our ability to expand our business abroad.
- Our business depends substantially on the continuing efforts of our executive officers and our ability to attract, train and retain qualified technical personnel, and our business may be severely disrupted if we lose their services.
- Our Controlling Shareholders have substantial influence over our company and their interests may not be aligned with your interests.
- Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.
- We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.
- Our business, results of operations and financial condition would be materially and adversely affected if our sales outside China were to be restricted by intellectual property claims by third parties.
- We do not have products liability or business interruption insurance and may incur losses resulting from product liability claims or business interruptions.
- We may incur additional costs, experience manufacturing disruptions or fail to satisfy our contractual requirements if we were forced to relocate from our Futian facility during the lease term or if we cannot renew our lease.
- Most of our manufacturing, storage, administrative and research and development facilities are located in Shenzhen, China. Any damage or disruption at these facilities would have a material adverse effect on our business, financial condition and results of operations.
- Increases in electricity or water costs or shortage or interruption of electricity or water supply may adversely affect our operations.

SUMMARY

Risks related to our industry

- If PV technology is not suitable for widespread adoption, or sufficient demand for PV products does not develop or takes longer to develop than we anticipate, our sales may not continue to increase or may even decline, and we may be unable to sustain profitability.
- Our failure to further improve our technology, develop and introduce new PV products or respond to rapid market changes and technological development in the PV industry could render our products uncompetitive or obsolete, and, consequently, reduce our sales and market share.
- Changes to existing government incentive policies and regulations may present technical, regulatory and economic barriers to the purchase and use of PV products, which may have a material adverse effect on our business and prospects.
- Changes to existing regulations covering the utility sector and the solar power industry may present technical, regulatory and economic barriers to the purchase and use of PV products, which may significantly reduce demand for our products.
- Compliance with environmental regulations can be expensive, and non-compliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines.

Risks related to doing business in China

- Adverse changes in the political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and materially and adversely affect our competitive position.
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us.
- Fluctuations in exchange rates have had, and could continue to have, an adverse effect on our results of operations and may have a material adverse effect on your investment.
- Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.
- We may rely on dividends paid by our PRC operating subsidiary for our cash needs, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business.
- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC operating subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.
- The discontinuation of any preferential tax treatment currently available to us or the increase in the enterprise income tax in the PRC could result in a decrease of our net profit, materially and adversely affecting our results of operations.
- Dividends payable by us to our foreign investors and the gain on sale of our Shares may become subject to withholding taxes under PRC tax laws.
- We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiary to penalties, limit our ability to distribute capital to our PRC subsidiary, limit our PRC subsidiary’s ability to distribute funds to us, or otherwise adversely affect us.
- The new M&A rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

SUMMARY

- We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS, and swine flu.
- The implementation of the PRC Labor Contract Law may significantly increase our operating expenses and adversely affect our business and results of operations.
- Price inflation in China could erode some of the advantages of operating in a relatively low-cost jurisdiction such as China, which could negatively affect our competitive advantages and our results of operations.

Risks related to the Global Offering

- There has been no prior public market for our Shares and an active or liquid trading market for our Shares may not develop.
- The trading price of our Shares may be volatile.
- The sale or availability for sale of substantial amounts of our Shares could adversely affect their market price.
- Purchasers of our Shares in the Global Offering will experience immediate dilution in net tangible asset value per Share and may experience further dilution if we issue additional Shares in the future.
- We intend to use a portion of the net proceeds of this offering to repay our existing debt and the net proceeds from this offering may be used for corporate purposes that do not improve our efforts to maintain profitability or increase our Share price.
- Issuance of Shares pursuant to the Pre-IPO Equity Incentive Plan and/or the Share Option Scheme will result in dilution to your shareholding in our Company and may have a dilutive effect on our earnings and net asset value per Share.
- You should not rely on certain information contained in press articles or other media regarding the Group.

SUMMARY

SUMMARY FINANCIAL INFORMATION

The following summary consolidated statements of comprehensive income data and other consolidated financial data for the three financial years ended June 30, 2008, 2009 and 2010, and consolidated statement of financial position data as at June 30, 2008, 2009 and 2010 have been derived from our audited consolidated financial information prepared in accordance with IFRS as set out in the accountants report in Appendix I to this prospectus. You should read the entire accountants report, including the notes thereto, included in Appendix I to this prospectus for more details.

Consolidated statements of comprehensive income

(in thousands of RMB)	Year ended June 30,		
	2008	2009	2010
Revenue.....	272,817	541,462	1,351,230
Cost of sales.....	(150,333)	(311,457)	(778,230)
Gross profit	122,484	230,005	573,000
Other income	3,142	4,139	3,768
Selling and distribution expenses.....	(2,901)	(3,891)	(5,321)
Administration expenses.....	(15,030)	(21,025)	(36,872)
Offering expenses ⁽¹⁾	—	—	(34,737)
Other gains and losses	1,792	(19)	353
Research and development expenses	(3,084)	(5,535)	(11,297)
Change in fair value of convertible redeemable preferred shares	—	(213,335)	109,773
Finance costs	—	(9,177)	(19,449)
Profit (loss) before tax.....	106,403	(18,838)	579,218
Income tax expense.....	(17,475)	(37,201)	(79,792)
Profit (loss) and total comprehensive income (loss) for the year ⁽²⁾	88,928	(56,039)	499,426
Earnings (loss) per share:			
— Basic	RMB0.09	RMB(0.06)	RMB0.48
— Diluted	N/A	RMB(0.06)	RMB0.36

(1) Offering expense consists of expenses in relation to our preparations for our initial public offering. Offering expense also includes expenses in connection with our initial plan to conduct an initial public offering in the United States. We initially intended to conduct our initial public offering in the United States and filed a registration statement on Form F-1 with the United States Securities and Exchange Commission on October 30, 2009. However, in light of general market conditions, we decided against conducting our initial public offering in the United States and have filed to withdraw that registration statement.

(2) Without taking into account the change in fair value of convertible redeemable preferred shares, which amounted to nil, a loss of RMB213,335,000 and a gain of RMB109,773,000 for the fiscal years ended June 30, 2008, 2009 and 2010, respectively, our profit for the fiscal years ended June 30, 2008, 2009 and 2010 would have been RMB88,928,000, RMB157,296,000 and RMB389,653,000, respectively.

SUMMARY

Summary consolidated statements of financial position

(in thousands of RMB)	As at June 30,		
	2008	2009	2010
Assets			
Non-current assets.....	591,894	843,036	1,461,434
Current assets.....	49,962	160,458	319,273
Total Assets.....	641,856	1,003,494	1,780,707
Liabilities and Equity			
Current liabilities.....	205,380	597,603	214,373
Non-current liabilities.....	301,102	301,279	533,982
Total Liabilities	506,482	898,882	748,355
Total Equity.....	135,374	104,612	1,032,352
Total Liabilities and Equity.....	641,856	1,003,494	1,780,707

As at June 30, 2008, 2009 and 2010, our gearing ratio was approximately 69.4%, 88.3% and 34.3%, respectively. Historically, our financing needs were primarily supported by related party loans and by the private placement of our Series A Preferred Shares which was classified as current liabilities. The Series A Preferred Shares were fully redeemed in April 2010. Our gearing ratio improved after April 2010 when we issued Series B shares which are non-redeemable and only convertible into equity. We expect our gearing ratio will further improve upon the Listing.

PROFIT FORECAST FOR THE SIX MONTHS ENDING DECEMBER 31, 2010

On the bases and assumptions set out in "Profit Forecast" in Appendix III to this prospectus and, in the absence of unforeseen circumstances, certain profit forecast data of the Group for the six months ending December 31, 2010 is set out below:

For the six months ending December 31, 2010

Unaudited forecast consolidated profit attributable to owners of the Company ⁽¹⁾	Not less than RMB258.7 million (equivalent to approximately HK\$299.1 million)
Unaudited pro forma forecast basic earnings per Share ⁽²⁾	Not less than RMB0.17 (equivalent to approximately HK\$0.20)
Unaudited pro forma forecast diluted earnings per Share ⁽³⁾	Not less than RMB0.17 (equivalent to approximately HK\$0.20)

Notes:

- (1) The unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 is extracted from the section headed "Financial Information — Profit Forecast for the six months ending December 31, 2010" in this prospectus. The bases and assumptions on which the above profit forecast for the six months ending December 31, 2010 have been prepared are summarised in the section headed "Profit Forecast" in Appendix III to the prospectus. We have undertaken to the Stock Exchange that our interim report for the six months ending December 31, 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

SUMMARY

(2) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 and a total of 1,521,500,000 Shares in issue, assuming the following events had been completed on July 1, 2010:

- i. the conversion of the Series B Preferred Shares into Shares;
- ii. the Global Offering;
- iii. the Capitalisation Issue (without taking into account of Capitalisation Issue in respect of Shares issued under the Pre-IPO Equity Incentive Plan).

It further assumed that there are 1,386,697 shares to be issued and vested on the first pricing date of the Global Offering under the Pre-IPO Equity Incentive Plan but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and exercise of options or unvested remaining restricted shares under the Pre-IPO Equity Incentive Plan.

(3) The calculation of the unaudited pro forma forecast diluted earnings per Share is based on the unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 and a total of 1,521,500,000 Shares in issue, assuming the following events had been completed on July 1, 2010:

- i. the conversion of the Series B Preferred Shares into Shares;
- ii. the Global Offering;
- iii. the Capitalisation Issue (without taking into account of Capitalisation Issue in respect of Shares issued under the Pre-IPO Equity Incentive Plan).

It further assumed that there are 1,386,697 shares to be issued and vested on the first pricing date of the Global Offering under the Pre-IPO Equity Incentive Plan and there is an effect of 3,511,624 diluted potential shares arising from the outstanding options and restricted shares granted under the Pre-IPO Equity Incentive Plan but taking no account of any Share which may be issued upon the exercise of the Over-allotment Option. The calculation of diluted potential shares has considered the exercise price, unrecognised share-based compensation and assuming that the average market price during the period equals to the mid-point of the indicative Offer Price range shown in this prospectus.

(4) For the purpose of this unaudited pro forma forecast earning per Share, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8649 to HK\$1 as of September 16, 2010. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

GLOBAL OFFERING STATISTICS¹

	Based on minimum indicative Offer Price of HK\$3.10	Based on maximum indicative Offer Price of HK\$4.50
Market Capitalization of our Shares ²	HK\$4,733.8 million	HK\$6,871.7 million
Unaudited Pro Forma Adjusted Net Tangible Assets Value Per Share ³	HK\$1.45	HK\$1.76

Notes:

- 1 All statistics in this table assume the Over-allotment Option and any options granted under the Share Option Scheme are not exercised.
- 2 The calculation of market capitalization is based on the 1,527,046,789 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalization Issue.
- 3 The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after adjustments referred to in the paragraph headed "Unaudited pro forma adjusted consolidated net tangible assets" in Appendix II to this prospectus and on the basis of 1,521,500,000 Shares in issue at the indicative offer prices of HK\$3.10 and HK\$4.50 per Share immediately following completion of the Global Offering and the Capitalization Issue.

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USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$1,244.5 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$3.80 per Share, being the mid-point of the proposed Offer Price range of HK\$3.10 to HK\$4.50 per Share. We intend to use such net proceeds as follows:

- Approximately HK\$468 million or 37.6% to expand our manufacturing capacity by installing a second 60 MW line that is expected to be completed in June 2011;
- Approximately HK\$468 million or 37.6% to expand our manufacturing capacity by installing a third 60 MW line that is expected to be completed in December 2011; and
- Approximately HK\$234 million or 18.8% to fully repay our shareholder loan from Lakes Invest, of which the outstanding amount as at June 30, 2010 was US\$30 million.

The remaining proceeds of HK\$74.5 million or 6.0% will be used towards our working capital and other general corporate purposes.

The new manufacturing lines are capable of manufacturing all categories of PV modules that we currently produce. The estimated capital expenditure for the second, and third 60 MW lines that are expected to be completed in June 2011 and December 2011 respectively, is US\$60.0 million each.

The interest rate of our shareholder loan is 3.5% per annum. The shareholder loan matures on March 31, 2012. The use of the shareholder loan was to finance our first 60 MW manufacturing line that we expect to commence production in the fourth calendar quarter of 2010.

If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$234.3 million, respectively. If the Offer Price is set at the high-end of the proposed offer price range, we intend to apply such additional net proceeds for further manufacturing capacity expansion and general working capital purposes but in any event the amount assigned for general working capital would not be more than 10% of the net proceeds. If the Offer Price is set at the low-end of the proposed offer price range, the amount of net proceeds assigned for our manufacturing capacity expansion purposes will be reduced accordingly on a pro rata basis and we intend to finance the shortfall by cash flow from operating activities and financing activities.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$1,457.3 million, assuming an Offer Price of HK\$3.80 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$273.5 million, respectively. We intend to apply the additional net proceeds to our further manufacturing capacity expansion and general working capital purposes but in any event the amount assigned for general working capital would not be more than 10% of the net proceeds.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

SUMMARY

We estimate the net proceeds of the Global Offering to be received by the Selling Shareholders will be approximately HK\$147.4 million (assuming the same mid-point of the proposed Offer Price), after deducting the underwriting fees and expenses payable by the Selling Shareholders in the Global Offering, assuming no Over-allotment Option is exercised. We will not receive any of the net proceeds of the Global Offering from the sale of the Shares by the Selling Shareholders.

DIVIDEND POLICY

Since our incorporation, we have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion on whether to pay dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, shareholders' interests and other factors that our board of directors may deem relevant.

We are a holding company incorporated in the Cayman Islands. Our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiary in China. In particular, our PRC subsidiary may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiary in the PRC, our PRC subsidiary is required to set aside a certain amount of its accumulated after-tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. Please refer to "Dividend Policy" in the section headed "Financial Information" for further information.

PRE-IPO EQUITY INCENTIVE PLAN

We have conditionally adopted the Pre-IPO Equity Incentive Plan. Under the Pre-IPO Equity Incentive Plan, certain persons were conditionally granted options immediately prior to the Listing Date to subscribe for Shares. The principal terms of the Pre-IPO Equity Incentive Plan are summarized in the sections headed "Pre-IPO Equity Incentive Plan" in Appendix VI to this prospectus.

The Shares to be issued upon the exercise of all the options granted under the Pre-IPO Equity Incentive Plan represent approximately 0.36% of our Company's enlarged issued share capital as at the Listing Date. If all options are exercised, taking into account all restricted shares granted under the Pre-IPO Equity Incentive Plan that have vested, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 0.36% and a dilutive effect of approximately 0.36% on earnings per Share such that the forecast earnings per Share for the six months ending December 31, 2010 will be diluted from approximately HK\$0.1964 to approximately HK\$0.1957. However, as the options are exercisable for a period of 10 years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Equity Incentive Plan after the Listing Date.

In addition, our Company has determined that no share-based compensation cost in relation to the options granted under the Pre-IPO Equity Incentive Plan will be recorded until the completion of the Global Offering. Based on the probable outcome of the award's performance condition and any incremental fair value, such share-based compensation cost will be recorded by our Company at the completion of the Global Offering and over relevant remaining vesting period in respect of such share options. We expect a share based payment of RMB7.8 million to be recognized in the calendar year of 2010.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on September 13, 2010 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Build Up”	Build Up International Investments Limited, a shareholder of the Company and a company incorporated in the BVI with limited liability on July 5, 2005, the entire issued share capital of which is directly owned as to 50% by Yiling Huang and as to 50% by Kam Sze Lau, each of them an Independent Third Party
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“CAGR”	acronym for compound annual growth rate
“Capitalization Issue”	the issue of 1,063,842,111 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Written resolutions of our Shareholders and holders of Series B Preferred Shares passed on September 13, 2010” under the section headed “Further Information about our Company” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chuangyixing”	深圳市創益興投資有限公司 (Shenzhen Chuangyixing Investment Limited), a company established in the PRC and beneficially owned by Mr. Li as to 100% prior to the Corporate Reorganization
“CLSA”	CLSA Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) of the regulated activities (as defined in the SFO)
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” or “our Company”	Trony Solar Holdings Company Limited, a company incorporated with limited liability under the laws of the Cayman Islands on June 23, 2006
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Li, Lakes Invest and Sky Sense, which collectively control the exercise of approximately 40.63% voting rights in the general meeting of our Company immediately after the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised)
“Corporate Reorganization”	the corporate reorganization of our Group conducted in preparation for the Listing, as more fully explained in the paragraph headed “Corporate Reorganization” under the section headed “History and Corporate Structure” in this prospectus
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulation of the securities markets in the PRC
“Director(s)”	the members of the board of directors of our company
“GDP”	gross domestic product

DEFINITIONS

“Global Offering”	the Hong Kong Public Offer and the International Placing
“Green Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 38,500,000 Shares being initially offered by our Company for subscription under the Hong Kong Public Offer at the Offer Price (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and in the Application Forms relating thereto
“Hong Kong Underwriters”	the several underwriters of the Hong Kong Public Offer listed in the paragraph headed “Hong Kong Underwriters” under the section headed “Underwriting” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement relating to the Hong Kong Public Offer dated September 22, 2010 between, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters
“ICBCI”	ICBC International Capital Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO), acting as one of the Joint Global Coordinators and Joint Bookrunners
“ICBCI Fund Management”	ICBC International Fund Management Limited, a company incorporated in Hong Kong and an Independent Third Party

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“ICBCI Securities”	ICBC International Securities Limited, a licensed corporation under the SFO permitted to conduct Type 1 (dealing in securities) of the regulated activities (as defined in the SFO), acting as one of the Joint Lead Managers
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial Shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Intel Capital”	Intel Capital Corporation, a company incorporated under the laws of Delaware and an Independent Third Party
“International Placing”	the conditional placing of the International Placing Shares (a) in the United States to qualified institutional buyers (as such term is defined in Rule 144A under the US Securities Act) in reliance on Rule 144A under the US Securities Act or another exemption from the registration requirement under the US Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act, including to professional investors in Hong Kong, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 346,500,000 Shares being initially offered by our Company and the Selling Shareholders for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the several underwriters of the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing expected to be entered into between, among others, our Company, the Selling Shareholders, the Joint Global Coordinators and the International Underwriters on or around September 30, 2010
“J.P. Morgan”	J.P. Morgan Securities Ltd., acting as one of the joint bookrunners of the International Placing and one of the Joint Lead Managers of the International Placing

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“J.P. Morgan Asia Pacific”	J.P. Morgan Securities (Asia Pacific) Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities (as defined in the SFO), and a restricted licensed bank under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong), acting as one of the Joint Global Coordinators, one of the joint bookrunners of the Hong Kong Public Offering and one of the Joint Lead Managers of the Hong Kong Public Offering
“Joint Bookrunners”	J.P. Morgan Asia Pacific (for the Hong Kong Public Offering), J.P. Morgan (for the International Placing), ICBCI and CLSA
“Joint Global Coordinators”	J.P. Morgan Asia Pacific, ICBCI and CLSA
“Joint Lead Managers”	J.P. Morgan Asia Pacific (for the Hong Kong Public Offering), J.P. Morgan (for the International Placing), ICBCI Securities and CLSA
“JPMSS”	JPMorgan Special Situations (Mauritius) Limited, a company incorporated under the laws of Mauritius and an Independent Third Party
“Lakes Invest”	Lakes Invest Limited, a company incorporated in the BVI with limited liability on July 5, 2006 and a Controlling Shareholder, the entire issued share capital of which is indirectly held by the Li Family Trust through Spring Shine
“Latest Practicable Date”	September 13, 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Li Family Trust”	The Yi Ying Trust, a discretionary family trust established by Mr. Li, the beneficiaries of which include Mr. Li and his immediate family members
“Listing”	the listing of the Shares on the main board of the Stock Exchange
“Listing Date”	the date, expected to be on or about October 7, 2010, on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company
“Mr. Li”	Mr. Yi Li, our controlling shareholder, chief executive officer and the chairman of our board of directors

DEFINITIONS

“Offer Price”	the final offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) which will be not more than HK\$4.50 and is expected to be not less than HK\$3.10, such price to be determined on September 30, 2010 or such later date as may be agreed between our Company, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Underwriters)
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 57,750,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to, among other things, cover over-allocations of the International Placing (if any) as further described in the section headed “Structure of the Global Offering”
“PBOC”	中國人民銀行 (the People’s Bank of China), the central bank of China
“PRC Government” or “State”	the government of the PRC, including all political sub-divisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Pre-IPO Equity Incentive Plan”	the equity incentive plan for key employees, directors and consultants of our Group approved and adopted by our Company and as amended pursuant to a resolution passed by our Shareholders and holders of Series B Preferred Shares on September 13, 2010 and a resolution passed by our directors on September 13, 2010, the principal terms of which are summarized under the paragraph headed “Pre-IPO Equity Incentive Plan” in Appendix VI to this prospectus
“Price Determination Date”	the date, expected to be on or around September 30, 2010, on which the Offer Price is fixed for the purpose of the Global Offering
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Regulation S”	Regulation S under the US Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC)

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“Sale Shares”	the 40,000,000 Offer Shares in aggregate being offered by the Selling Shareholders for sale at the Offer Price under the International Placing
“SARS”	severe acute respiratory syndrome
“Selling Shareholders”	Liu Lai Ting, Wang Mei Po and Warshaw Holdings Limited
“Series A Preferred Share(s)”	the Series A convertible redeemable Share(s) with a nominal value of US\$0.0001 each in the capital of our Company
“Series A Shareholders”	JPMSS and Intel Corporation
“Series B Preferred Share(s)”	the Series B Preferred Share(s) with a nominal value of US\$0.0001 each in the capital of our Company
“Series B Shareholders”	ICBCI Fund Management, Shikumen and Tailwind
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of US\$0.0001 each in the capital of our Company, which are to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on September 13, 2010, the principal terms of which are summarized under the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shikumen”	Shikumen Special Situations Fund, a company incorporated in the Cayman Islands, managed by Shikumen Capital Management (HK) Limited and an Independent Third Party. Shikumen Special Situations Fund focuses on “special situation” investment opportunities in the Asia Pacific Region which may involve the purchase and sale of securities of companies that are the subject of merger and acquisition activities, corporate reorganizations, stock placements, distress, spin-offs or other significant corporate events or transactions, as well as asset-level investments, such as real estate and infrastructure projects
“Sky Sense”	Sky Sense Investments Limited, a company incorporated in the BVI with limited liability on September 12, 2006, the entire issued share capital of which is beneficially held by the Li Family Trust through Spring Shine

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“Spring Shine”	Spring Shine International Limited, a company incorporated in the Commonwealth of The Bahamas on October 21, 2009, which is wholly owned by the Li Family Trust
“Sponsor”	J.P. Morgan Asia Pacific
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between J.P. Morgan and Sky Sense on the Price Determination Date, pursuant to which J.P. Morgan may borrow up to 57,750,000 Shares from Sky Sense to cover any over-allocation under the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Tailwind”	Tailwind Group Limited, a company incorporated in the BVI, a special investment vehicle managed by Shikumen Capital Management (HK) Limited. Its sole investments are the Company's Series B Preferred Shares.
“Tang&Lee”	Tang&Lee International Holdings Limited, a company incorporated in the BVI and beneficially owned by Guanghua Liu and Yan Wang, each of them an Independent Third Party
“Track Record Period”	the three fiscal years ended June 30, 2010
“Trony HK”	Trony Solar Holdings (Hong Kong) Limited (創益太陽能控股(香港)有限公司), incorporated in Hong Kong on August 3, 2006 and a wholly-owned subsidiary of our Company (formerly known as Grand Sun International Investment Limited)
“Trony Science”	深圳市創益科技發展有限公司 (Shenzhen Trony Science and Technology Development Co., Ltd.*), a limited liability company incorporated under the laws of the PRC on September 29, 1993 and an indirect wholly-owned subsidiary of the Company
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America within the meaning of Regulation S
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended from time to time

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“White Form eIPO” the application for Hong Kong Offer Shares to be issued in the applicant’s own name through the designated website of White Form eIPO www.eipo.com.hk

“White Form eIPO Service Provider” Computershare Hong Kong Investor Services Limited

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into US dollars at an exchange rate of RMB6.8361 = US\$1.00, for illustration purpose only, and certain amounts denominated in US dollars have been translated into HK dollars at an exchange rate of US\$1.00=HK\$7.8, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into HK dollars or US dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“AC”	alternating-current
“amorphous silicon”	non-crystalline silicon
“BIPV”	building-integrated photovoltaics, which integrate solar energy generation into the design of a building or structure so that the PV modules also serve as structural or design elements
“CdTe”	Cadmium telluride
“CIS”	copper indium diselenide, and “CIGS” refers to copper indium gallium diselenide
“conversion efficiency”	the ability of PV products to convert sunlight into electricity; “conversion efficiency rate” is commonly used in the PV industry to measure the percentage of light energy from the sun that is actually converted into electricity
“DC”	Direct-current
“double junction structure”	amorphous silicon with a double junction structure
“embedded module”	PV modules that would form part of a final product. The power output of such modules of ours is up to one watt. Examples of such final products are calculators, watches, solar lawn lamps and other low wattage lighting products
“EPC”	engineering procurement and construction
“EPIA”	European Photovoltaic Industry Association, an industry association devoted to the solar PV electricity market
“feed-in tariff”	a policy mechanism designed to encourage the adoption of renewable energy sources, which typically includes guaranteed grid access, long-term contracts for the electricity produced and purchase prices that are methodologically based on the cost of renewable energy generation
“IEC 61646”	Thin film terrestrial photovoltaic (PV) modules — Design qualification and type approval international standard
“indoor solar thin film applications”	products utilising thin film solar modules and used indoor

GLOSSARY OF TECHNICAL TERMS

“manufacturing capacity”	annual manufacturing capacity, based on a 6.0% conversion efficiency rate, which has been the average conversion efficiency rate for our thin film PV modules, as the product of (i) the aggregate amount of PV modules produced in 300 days by our manufacturing lines operating at their full capacity and (ii) watts per module
“manufacturing cost per watt”	the total manufacturing cost incurred during a period, divided by the total watts which can be generated by all PV products produced during the period
“off-grid system”	the PV system that operates on a stand-alone basis to provide electricity independent of an electricity transmission grid. Both crystalline silicon PV modules and thin film PV modules can be used in off-grid systems to provide electricity independent of an electricity transmission grid
“on-grid system”	the PV system that is connected to an electricity transmission grid and feeds electricity generated into the electricity transmission grid. Both crystalline silicon PV modules and thin film PV modules can be used in on-grid systems that are connected to an electricity transmission grid and feeds electricity generated into the electricity transmission grid
“PECVD”	plasma enhanced chemical vapor deposition, a process used to deposit thin films from a gas state (vapor) to a solid state on a substrate. Chemical reactions are involved in the process, which occur after creation of plasma of the reacting gases
“PV”	Photovoltaic. The photovoltaic effect is a process by which sunlight is converted into electricity
“PV cell”	a device made from a silicon wafer that converts sunlight into electricity through a process known as the photovoltaic effect
“PVD”	physical vapor deposition, a process used to deposit thin films from a gas state (vapor) to a solid state on a substrate. The method involves purely physical processes such as high temperature vacuum evaporation or plasma sputter bombardment rather than involving a chemical reaction
“PV module”	an assembly of PV cells that have been electrically interconnected and laminated in a durable and weather-proof package
“PV system”	a package of one or more PV modules that are physically mounted and electrically interconnected, with system components such as batteries and power electronics, to produce and reserve electricity
“single junction structure”	amorphous silicon with a single junction structure
“TCO”	transparent conductive oxide

GLOSSARY OF TECHNICAL TERMS

"thin film technology"	PV technology that involves depositing several thin layers of silicon and other materials on a substrate such as glass
"TüV"	TüV Immissionsschutz und Energiesysteme GmbH, a German organization that works to validate the safety of products of all kinds to protect humans and the environment against hazards. TüV also provides certification for various international standards
"UL"	Underwriters Laboratories Inc., an independent product safety certification organization in the United States, which develops standards and test procedures for products, materials, components, assemblies, tools and equipment, chiefly dealing with product safety. UL is one of the Nationally Recognized Testing Laboratories approved for such testing by the United States federal agency Occupational Safety and Health Administration
"watt" or "W"	the measurement of total electrical power, where "kilowatt" or "kW" means one thousand watts, "megawatts" or "MW" means one million watts and "gigawatts" or "GW" means one billion watts

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our expectations regarding the worldwide demand for solar energy;
- our beliefs regarding the inability of conventional fossil fuel-based generation technologies to meet the demand for electricity;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for the deployment of solar energy;
- our beliefs regarding the competitiveness of our products;
- our expectations with respect to revenue growth, profitability and our manufacturing capacities;
- our goal to continue to improve the conversion efficiency rates of our PV modules while reducing manufacturing costs;
- competition from other manufacturers of PV products, conventional energy suppliers and non-solar renewable energy providers;
- the availability and costs of credit that we and our customers may require;
- our future business development, results of operations, cash flows and financial condition; and
- future economic or capital market conditions.

The words “may,” “will,” “expect,” “anticipate,” “aim,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to”, “estimate”, or other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialize, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

This prospectus also contains data related to the PV market worldwide and in China. We have not independently verified these marketing data. The PV market may not grow at the rates projected by the market data, or at all. The failure of the market to grow at the projected rates may have a material adverse effect on our business and the market price of our Shares. In addition, the rapidly changing nature of the PV market subjects any projections or estimates relating to the growth prospects or future condition of our market to significant uncertainties. If any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

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Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm the business, financial condition and operating results of our Group.

RISKS RELATED TO OUR BUSINESS

We face intense competition from manufacturers of crystalline silicon PV modules, thin film PV modules, and non-solar renewable energy and conventional energy providers.

The market for PV products is intensely competitive and rapidly evolving. The number of PV product manufacturers is rapidly increasing due to the growing demand for PV products. Within the global PV industry, we face competition from crystalline silicon PV module manufacturers as well as other thin film PV module manufacturers. We also compete with conventional energy and non-solar renewable energy providers. The significant decrease in polysilicon prices has reduced the manufacturing cost of crystalline silicon PV modules and enabled their manufacturers to lower the prices of PV modules. As a result, we expect greater competition from crystalline silicon PV module manufacturers. We cannot assure you that the price of polysilicon will not continue to decrease and that thin film PV modules will remain more cost competitive than crystalline silicon PV modules for the foreseeable future.

Although researchers have been developing thin film technology for over 20 years, they were only recently able to integrate the technology into a PV module manufacturing line. In contrast to crystalline silicon PV modules, no thin film PV modules have been in service for their entire estimated useful lives. Therefore, there is limited data and insufficient operating history available to prove how thin film PV modules, such as our PV modules the oldest of which were only manufactured in 1995, will perform over their estimated 20- to 25-year useful life.

We believe the average conversion efficiency of thin film PV modules in high commercial volume (over 20 MW per year) is significantly lower than the current average conversion efficiency of readily available crystalline silicon PV modules. The average conversion efficiency of our thin film modules was approximately 6.0% for the fiscal year ended June 30, 2009, and the conversion efficiency of thin film PV modules of First Solar, Inc., a U.S. company listed on the Nasdaq Global Market, for its fiscal year ended December 31, 2009 was 11.1%. By contrast, the average conversion efficiency of crystalline silicon PV modules for 2009 was 14.6%, according to Solarbuzz. Low conversion efficiencies may make it difficult for some thin film manufacturers to achieve a competitive cost-per-watt. We use amorphous silicon thin film technology in our manufacturing process which, despite its advantages of having greater applications potential, being well-tested and proven non-toxic and having abundant material supply, has lower efficiency levels than the other types of thin film technologies. This is the reason our average conversion efficiency is lower than that of competitors using different thin film technologies, such as First Solar Inc., which uses CdTe in its manufacturing process.

Furthermore, as compared to crystalline silicon PV modules, thin film PV modules require more space to install for the same amount of power generation capacity, due to lower conversion efficiency. Despite their better performance in various environments, including high temperature and low light, this may cause the total installation of thin film systems to cost more than crystalline silicon systems of the same installed capacity.

Our competitors include conventional crystalline PV cell and module manufacturers such as Suntech Power Holdings Co., Ltd., Trina Solar Limited and Yingli Green Energy Holding Company Limited. We also face competition from other thin film manufacturers such as the PV product division of Sharp Corporation and other thin film producers. We may also compete with new entrants to the PV product market, including those that

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may offer more advanced technological solutions or may have greater financial resources. Furthermore, the solar power industry faces competition from conventional energy and non-solar renewable energy providers. Due to relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

Many of our existing and potential competitors are substantially larger in size with greater financial, technical, manufacturing and other resources. Many of our competitors have greater brand name recognition, more established distribution networks and larger customer bases. In addition, many of our competitors have well-established relationships with our current and potential customers and have extensive knowledge of the markets in which our products are used. As a result, they may be able to devote more resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. In addition, as more Chinese and international PV module manufacturers continue to invest in China and take advantage of lower production and labor costs in China, we may face increasing pricing pressure and decreasing demand for our products as well as increasing competition for qualified personnel. Our failure to adapt to changing market conditions and to compete successfully with existing or new competitors may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our profit margins may decrease in future periods as a result of the prevailing market price of PV products and the change of our product mix.

Growth in demand for PV products has slowed down as a result of the recent global financial crisis, but the supply of PV products has increased significantly as many manufacturers of PV products worldwide, including us, have significantly expanded their manufacturing capacity in recent years. Beginning in the quarter ended December 31, 2008, this oversupply has resulted in reductions in the prevailing market prices of PV products. In addition, the industry-wide oversupply of polysilicon have led to a decline in the cost of polysilicon, which has significantly reduced the raw material costs for crystalline silicon PV module manufacturers and contributed to greater pricing pressure for crystalline silicon PV modules. The reduction in the prevailing market prices of PV products has had a negative impact on our profit margin.

Our product mix has affected, and is expected to continue to affect the average selling price of our products and our gross margin. Sales of PV modules for off-grid applications constituted a majority of our total revenues in each of the three fiscal years ended June 30, 2010. As we continue to ramp up production, however, sales of our PV modules for PV power stations may in the future represent a larger proportion of our total revenues. We believe that this shift, if it occurs, would have some negative impact on our gross margin, because sales of our PV modules for off-grid applications generally yield higher margins than sales of our PV modules for PV power stations.

We have limited experience in the BIPV market, and we may be unable to manage the growth of our BIPV business or successfully operate in the BIPV market.

The BIPV market is in the early stage of development, and we have limited experience in the BIPV market as we only entered the BIPV market in 2006. Sales from PV modules for BIPV applications have only represented a relatively small percentage of our total revenues in the past. We cannot assure you that we can successfully operate and expand in this area. For example, we may not have the necessary research and development capabilities or marketing and sales personnel to meet the needs of our end customers and distributors or to manage our growth. In addition, as PV modules for BIPV applications generally have higher average selling prices compared to PV modules for other PV applications, we expect competition in the BIPV market to intensify as more companies, including thin film PV product manufacturers and specialized construction companies, may choose to enter this market. Some of our existing and potential competitors may have substantially greater financial, technical, manufacturing and other resources than we do. Furthermore, it may

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take significant time for our products to gain acceptance in the market. If we were unable to manage the growth of our BIPV business or if our PV modules for BIPV applications failed to meet the needs of our end customers and distributors, a material adverse effect on our reputation, business and prospects would occur.

We have limited experience in the PV power station market, and we may be unable to manage the growth of our solar power generation solutions business.

We began selling PV modules for PV power stations in 2008. Our experience in this market consisted of providing PV modules for a PV power station project located in South Korea. However, as we have limited experience in the PV power station market, we cannot assure you that we can successfully operate and expand in this area. For example, we may not have the necessary research and development, engineering, project management or sales and marketing capabilities to adequately meet our customers' requirements with respect to product design or operational or after-sales services. Furthermore, we cannot assure you that the PV power station projects that we are pursuing will be implemented or that we will be selected as the provider of PV modules for these PV power station projects.

Our operating history may not serve as an adequate basis to judge our future prospects and results of operations, and we may not be able to effectively manage our expansion of operation.

We commenced operations in 1993, became a manufacturer of thin film solar embedded modules in 1995 and began commercial production in 1998. We commenced production of standard PV modules in 2006 and expanded our annual manufacturing capacity to 5 MW that same year. We gradually expanded to 45 MW by October 2008 and 115 MW by the end of August 2009. By March 31, 2010, our annual manufacturing capacity reached 145 MW. Because our thin film manufacturing lines have only been in operation for a limited period of time, our historical operating results may not provide a meaningful basis for evaluating our business, financial performance and prospects.

Although our total revenues grew from RMB272.8 million in the fiscal year ended June 30, 2008 to RMB541.5 million in the fiscal year ended June 30, 2009, and to RMB1,351.2 million in the fiscal year ended June 30, 2010, we may be unable to achieve similar growth in future periods. Our ability to grow is affected by a number of factors, including changes in economic conditions. Accordingly, you should not rely on our results of operations for any prior period as an indication of our future performance.

In addition, to manage the growth of our operations, we will be required to improve our operational and financial systems, procedures and controls, and our manufacturing capacity and operations, while expanding, training and managing our growing employee base. Furthermore, our management will be required to maintain and expand our relationships with our customers, suppliers and other third parties. We cannot assure you that our current and planned operations, personnel, systems, internal procedures and controls will be adequate to support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

If we grant share options or other equity incentives in the future, our operating results could be materially adversely affected.

We are authorized to issue share options or other equity incentives for up to 10,000,000 ordinary shares in the future to our management and other personnel under our Pre-IPO Equity Incentive Plan. We have also conditionally adopted the Share Option Scheme under which options may be granted after completion of the

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Global Offering. We account for share-based compensation by recognizing, as an expense, the fair value of share options and other equity incentives based on the fair value of equity-classified awards on the date of the grant, with the compensation expense recognized generally over the period in which the recipient is required to provide service in exchange for the equity award. If we grant options and other equity incentives to our employees in the future, we could incur significant compensation expenses which could materially reduce our net profit, and your investment in our Shares could be significantly diluted.

Our future success substantially depends on our ability to successfully expand our manufacturing capacity, manage our facilities, utilize our manufacturing capacity, and reduce our manufacturing costs. Our ability to achieve such goals is subject to a number of risks and uncertainties.

Our future success depends on our ability to manage our manufacturing and facilities effectively and to reduce our manufacturing costs. We expanded our annual manufacturing capacity to 145 MW by March 31, 2010. We are building a fully automated 60 MW manufacturing plant next to our plant in Longgang, Shenzhen, where we plan to commence commercial production in the fourth calendar quarter of 2010. We also plan to install three additional 60 MW manufacturing lines that are expected to be completed in June 2011, December 2011 and the first half of 2012, respectively. However, we cannot assure you that future demand will be sufficient to utilize our manufacturing capacity effectively. If the end markets of our PV products fail to grow or grow at a slower rate than we expect or decrease, the utilization rate of our equipment may be reduced.

In addition, if the capacity of any of the new manufacturing lines fails to reach the originally designed levels, we may not be able to achieve the intended economic benefit from the new manufacturing lines in full or at all, which may materially and adversely affect our financial condition and results of operations. Our efforts to reduce our manufacturing costs include lowering our material costs, improving manufacturing productivity, curtailing expansion plans and related capital expenditures, and adopting additional efficient manufacturing processes. If we are unable to achieve these goals, we may be unable to decrease our costs per watt, maintain our competitive position and improve our profitability. Our ability to achieve such goals is subject to significant risks and uncertainties, including:

- our ability to continue driving down cost of materials per watt;
- our ability to improve conversion efficiency;
- delays and cost overruns as a result of a number of factors, many of which may be beyond our control, such as long lead times or delays with certain equipment vendors relating to equipment required to establish our manufacturing lines;
- our ability to address safety and quality issues;
- delays or denial of required approvals by relevant government authorities; and
- diversion of significant managerial and other resources to other matters.

Furthermore, we may not be able to reduce or maintain our manufacturing costs when we focus on improving the conversion efficiencies or other performance standards of our modules. If we are unable to establish or successfully make improvements to our manufacturing facilities or to reduce our manufacturing costs, or if we encounter any of the risks described herein, we may be unable to improve our business as planned. Moreover, we cannot assure you that, if we do achieve our improvement and cost reduction goals, we will be able to generate sufficient customer demand for our PV products.

If our manufacturing equipment fails, we encounter difficulties with our manufacturing technology or our equipment supplier fails to perform its contracts, we could experience manufacturing disruptions and fail to satisfy our contractual requirements.

We purchase substantially all of our equipment from a single supplier who in turn sources equipment from other suppliers based on our technical specifications. Some of our manufacturing equipment is customized to

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our manufacturing lines based on designs or specifications that we provide to our equipment supplier, who then undertakes a specialized process to procure and assemble the custom equipment. As a result of the customization, the equipment is not immediately available from other vendors and may take time to repair or replace if it were damaged to a great extent or stopped working. If any piece of equipment fails, operations along the entire manufacturing line could be interrupted and we could be unable to produce enough PV modules to satisfy our contractual requirements under our sales contracts.

In addition, the manufacture of PV modules is a highly complex process. Minor deviations in the manufacturing process can cause substantial decreases in yield and, in some cases, can cause manufacturing to be suspended or yield no output. As we have limited experience with the technology and operation of automated manufacturing lines, we cannot assure you that we would be able to attain the designed yield or sustain manufacturing on our 100 MW automated manufacturing line.

Our technologies, particularly those related to our new automated manufacturing line, may have unforeseen negative consequences on our yields or our PV module efficiency or reliability once they are put into commercial manufacturing or they may not enable us to realize the cost reductions we hope to achieve. If we do not achieve planned yields, our product costs could increase, and our product availability would decrease. If our equipment supplier, with whom we have a long-standing relationship, fails to perform its obligations under contracts with us, we will have to work with a new equipment supplier or contract with equipment manufacturers on our own. A new equipment supplier will require time to understand our business and our needs. Time and resources on our part will be required if we liaise with our multiple equipment manufacturers on our own. As a result of our reliance on our equipment supplier, the failure of our equipment supplier to supply equipment and maintenance services in a timely manner or on commercially reasonable terms could delay our expansion plans and otherwise disrupt our manufacturing schedule or increase our manufacturing costs, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any failure or unanticipated delay in securing any major certification for our modules could impair our sales and have a material adverse effect on our business, financial condition, results of operations and prospects.

In order to expand the sales of our amorphous thin film PV modules, we engaged UL to certify our PV modules and received a notice of completion of the engineering investigation from UL in June 2010. Before we are authorized to ship our products with the UL mark, an initial product inspection must be successfully performed by a UL representative. We expect no material obstacles in completing this initial product inspection. We have also submitted for product certifications of IEC 61646 from UL and for certifications of IEC 61646 and IEC 61730 from TÜV. However, we cannot assure you that we will receive the relevant certifications in a timely fashion. For example, we could experience an unanticipated delay in securing a necessary certification, which would reduce the desirability of our PV products in the marketplace and impair sales of our modules. Our customers may rely on our ability to secure international certifications or meet regulatory requirements as an indication of the quality of our PV modules, and may be unable or unwilling to purchase PV modules without such certifications. Any failure or unanticipated delay in securing any necessary or desired certification for our modules could negatively impact our sales, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on short-term sales contracts in the off-grid market.

Sales of PV modules for off-grid applications have constituted a significant portion of our total revenues in each of the three fiscal years ended June 30, 2010 and are expected to continue to contribute significantly to the growth of our business. A substantial portion of these thin film PV modules are sold to a select number of

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off-grid product distributors and manufacturers through non-exclusive sales contracts with terms of one year or less. To our knowledge, this is common industry practice in the sales of PV modules for off-grid market applications. A significant percentage of these contracts do not contain pricing terms or specify delivery schedules. As a result, any decision by one or more of our customers to reduce or terminate orders during a certain period of time could have an adverse effect on our sales for those periods. As our existing short-term sales contracts expire, we may be unable to renew them with our desired customers on favorable terms or at all, which may materially and adversely affect our business and results of operations. In addition, our dependence on short-term contracts results in a lack of predictability of order flows, as we plan our raw materials procurement and manufacturing activities based, to a significant extent, on our expectations of future sales. We sell a substantial portion of our PV products, particularly those for solar home systems and other off-grid applications, through distributors and value-added resellers such as system integrators. Because we have limited contact with our end users in these markets, we rely substantially on our distributors to gauge demand. As such, we have little or no ability to independently predict sales or market demand, and it remains extremely difficult for us, or our investors, to assess our prospective financial and operational performance. Any failure to accurately predict demand in the markets we serve would materially adversely affect our results of operations, financial condition and business.

We source many of our key raw materials and components from a limited number of third-party suppliers and their failure to perform could cause manufacturing delays and impair our ability to deliver PV modules to customers in required quantities and at competitive prices.

Our failure to obtain raw materials and components that meet our quality, quantity and cost requirements in a timely manner could interrupt or impair our ability to manufacture our PV modules or increase our manufacturing costs. We source many of our key raw materials and components from a limited number of third-party suppliers. As a result, the failure of any of our suppliers to perform could disrupt our supply chain and impair our operations. In addition, some of our suppliers are small companies that may be unable to meet our increasing demand for raw materials and components as we implement our planned expansion. We may be unable to identify new suppliers or qualify their products for use on our manufacturing lines in a timely manner and on commercially reasonable terms. Raw materials and components from new suppliers may also be less suited for our technology and yield PV modules with lower conversion efficiencies, higher failure rates and higher rates of degradation than PV modules manufactured with the raw materials from our current suppliers. A constraint on our manufacturing may cause us to be unable to meet our customers' demands, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on a small number of customers, and such dependency may cause significant fluctuations or declines in our revenues.

We currently sell a substantial portion of our PV products to a limited number of customers, including distributors and traders, manufacturers and system integrators and contractors and project owners. Our five largest customers together accounted for approximately 79.8%, 31.8% and 32.5% of our total revenues for each of the three fiscal years ended June 30, 2010, respectively. Our largest customer in each of the three fiscal years ended June 30, 2010 accounted for approximately 56.3%, 13.8% and 10.2% of our total revenues, respectively. As we expand our manufacturing capacity, we anticipate developing additional customer relationships in other markets and regions, which will help reduce our customer and geographic concentration and dependence. However, given that we depend on a small number of customers, any one of the following events may cause material fluctuations or declines in our revenues and have a material adverse effect on our results of operations:

- reduction, delay or cancellation of orders from one or more of our significant customers;

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- substitution of our products by one or more of our significant distributor customers with our competitors' alternative products;
- loss of one or more of our significant customers and our failure to identify additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

In addition, a significant portion of our outstanding accounts receivables is derived from sales to a limited number of customers. The accounts receivable with the largest and the second largest balance represented 7.8% and 7.2% of the balance of the account as at June 30, 2010, respectively. The failure of any of these customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

We require a significant amount of cash to fund our operations and meet future capital requirements. If we cannot obtain additional capital, our growth prospects and future profitability may be materially and adversely affected.

We require a significant amount of cash to meet future capital requirements, which are difficult to plan in the rapidly changing solar power industry. In particular, we will need capital to increase our aggregate manufacturing capacity based upon strategic considerations in order to remain competitive. In the fiscal years ended June 30, 2008, 2009 and 2010, our net cash provided by operating activities was RMB198.8 million, RMB132.6 million and RMB454.7 million, respectively, whereas our net cash used in investing activities was RMB 540.5 million, RMB356.5 million and RMB633.3 million, respectively. Such net cash provided by operating activities less net cash used in investing activities resulted in a cash shortfall of RMB341.7 million, RMB223.9 million and RMB178.6 million in the fiscal years ended June 30, 2008, 2009 and 2010, respectively. Nevertheless, in these periods, we had net cash generated from financing activities of RMB341.8 million, RMB239.7 million and RMB250.5 million, respectively. The net effect of cash provided by or used in operating activities, investing activities and financing activities resulted in net increases in cash of RMB87,000, RMB15.8 million and RMB71.9 million, respectively. We therefore had no net cash shortfall after taking into account cash flows from operating, investing and financing activities. We cannot assure you that we will be able to continue obtaining cash from financing activities in the future. Future acquisitions, expansions or market changes or other developments may cause us to require additional funds. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our financial condition, results of operations and cash flows;
- general market conditions for financing activities by manufacturers of solar power products; and
- economic, political and other conditions in the PRC and elsewhere.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and future profitability may decrease materially.

We recorded net current liabilities positions as at June 30, 2008 and 2009.

As at June 30, 2008 and 2009 we had net current liabilities of RMB155.4 million and RMB437.1 million, respectively. Although our net current assets amounted to RMB104.9 million as at June 30, 2010, we cannot assure you that we will not have net current liabilities in the future. Our net current liabilities position exposes us to certain liquidity risks. Our future liquidity, the payment of trade and other payables, and the repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing. Our operating cash flows could be adversely affected by numerous factors, including increased market competition, decreased demand for our products and higher raw material prices. Servicing our debt and other fixed payment obligations will further divert our cash flow from our operations and planned capital expenditures. Furthermore, the interest cost of such obligations could undermine our future profitability.

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Credit terms we provide for our customers may expose us to the credit risks of such customers and may increase our costs and expenses, which could in turn have a material adverse effect on our liquidity.

We have benefited from the abundance and affordability of credit before the recent global financial crisis. Previously, many of our customers were able to obtain credit to purchase our products and to finance their operations or projects utilizing our products on attractive terms. Given the current economic environment, particularly the tightening of the credit markets, we have extended and may continue to extend credit to many new and existing customers who cannot otherwise obtain credit or provide them with more favorable credit terms, including increasing credit limits and extending the time period before payments are due, after prudently assessing the credit worthiness of such customers by evaluating their collective payment histories and their operating and financial conditions. The extended payment periods to our customers may create additional demands on our working capital, as well as increase defaults in accounts receivable if the world economy continues to deteriorate. In addition, some of these customers are new customers with whom we have not historically had extensive business dealings or are small companies that may be relatively more vulnerable to the changing economic environment. The failure of any of our new or existing customers to meet their payment obligations under the credit terms granted could have a material adverse effect on our business, financial condition, results of operations and prospects.

We maintain allowances for doubtful receivables for estimated losses that may result from the failure of customers to make required payments. While our lack of formalized written policy on credit control and monitoring system and the retention of related documentation has not affected the quality of such assessment and consequently has not had a significant effect on the amount we maintain as allowances for doubtful receivables, it could become an important factor when we become a public company upon the completion of the Global Offering and as we continue to grow our business.

Problems with product quality, product performance or workmanship may cause us to incur warranty expenses, damage our market reputation and prevent us from achieving increased sales and market share and we may need to offer warranties with extended terms.

We generally offer warranties for our thin film PV modules with terms satisfactory to customers in order to remain competitive in the market. Our products are typically sold with warranties for up to one year for defects in materials and workmanship in accordance with industry standards in off-grid and BIPV markets. We do not make provisions for our standard one-year warranty for defects in materials and workmanship due to the short duration of the one-year warranties, our assumptions regarding the durability, stability and reliability of our products and the lack of warranty claims we have received to date. On a case by case basis, we provide warranties with extended periods to a select number of customers in response to their requests. For instance, we provided warranties to certain customers for our products for up to ten years for compliance with the quality and technical specifications provided in the relevant contract and against defects in materials and workmanship. We also provided a warranty to another customer for up to 25 years against defects in equipment and workmanship and up to 10 and 25 years against declines of more than 10% and 20% of rated power, respectively. We make provisions for warranty costs for these warranties with extended periods at an accrual rate of 1% of the sales. Due to the absence of warranty claims for over one year warranties we have received to date and no actual warranty payables outstanding, in making these provisions, we reference our competitors' accrual history, taking into consideration the intended applications and specifications of these competitors' products compared to our products and the periods of the warranties offered by these competitors. Our provisions for warranty costs may not accurately reflect our exposure to warranty claims. As at June 30, 2008, 2009 and 2010, provisions for our accrued warranty costs amounted to RMB 1.5 million, RMB 2.6 million and RMB3.3 million, respectively.

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Below is a table setting forth provisions for our accrued warranty costs for the Track Record Period by warranty type.

(in RMB)	June 30, 2008	June 30, 2009	June 30, 2010
≤1year	—	—	—
2-10 years	1,534,449	2,403,305	3,131,189
25 years ⁽¹⁾	—	170,784	170,784
Total provision	<u>1,534,449</u>	<u>2,574,089</u>	<u>3,301,973</u>

(1) 25 years against defects in equipment and workmanship and up to 10 and 25 years against declines of more than 10% and 25% of rated power.

Because our products and workmanship have been in use for only a relatively short period, we cannot assure you that our assumptions regarding the durability, stability and reliability of our products are reasonable. For example, our thin film PV modules could experience more power degradation than what we expect. Our warranty provisions may be inadequate, and we may have to incur substantial expenses to repair or replace defective products and provide repairs in the future.

As our product mix changes, sales of our PV modules for on-grid applications may represent a larger proportion of our total sales, and as a result, it may be necessary for us to offer warranties with extended periods to remain competitive in the on-grid market. We may also be required to provide warranties with extended periods in the off-grid market if the competitive conditions of the off-grid market change. This may require us to make additional provisions as warranty costs, which may have a material and adverse effect on our results of operations.

Furthermore, widespread product failures and workmanship defects may damage our market reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

We face risks associated with the marketing, distribution and sale of our PV products internationally, and if we are unable to effectively manage these risks, they could impair our ability to expand our business abroad.

In the fiscal year ended June 30, 2010, 15.6% of our total revenues were derived from direct sales to customers outside of China. As our business grows, our sales directly to customers in the international markets, such as Thailand, South Korea, Hong Kong and the United States, are expected to increase. For some of these regions, such as the United States, we do not have sales track records. The international marketing, distribution and sale of our PV products expose us to a number of risks, including:

- difficulty with staffing and managing overseas operations;
- fluctuations in currency exchange rates;
- increased costs associated with developing and maintaining marketing and distribution presence in various countries;
- challenges in providing customer service and support in these markets;
- challenges in managing our sales channels effectively;
- difficulties and costs of exporting PV products overseas while complying with the different commercial, legal and regulatory requirements of the overseas markets in which we offer our products;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;

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- difficulty in ensuring the compliance of our distributors and customers with the sanctions imposed by the Office of Foreign Assets Control on various foreign states, organizations and individuals;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- government policies favoring domestic companies in certain foreign markets or trade barriers including export requirements, tariffs, taxes and other restrictions and expenses, such as South Korea's policy emphasizing smaller system sizes in the new feed-in tariff system, intended to increase the market share of domestic players in the renewable energy industry in the country. These government policies or trade barriers could increase the prices of our products and make us less competitive in those countries.

If we are unable to effectively manage these risks, they could impair our ability to expand our business abroad and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business depends substantially on the continuing efforts of our executive officers and our ability to attract, train and retain qualified technical personnel, and our business may be severely disrupted if we lose their services.

Our future success depends substantially on the continued services of our executive officers and our ability to attract, train and retain qualified technical personnel. In particular, we depend on the services of Mr. Li, our founder, chief executive officer and the chairman of our board of directors. Recruiting and retaining capable personnel, particularly those with expertise in the solar power industry, are vital to our success. There is substantial competition for qualified technical personnel, and we cannot assure you that we will be able to attract or retain our technical personnel.

We do not maintain key man life insurance for any of our executive officers or technical personnel. If one or more of our executive officers or technical personnel are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executives or technical personnel joins a competitor or forms a competing company, we may lose some of our customers. Each of our executive officers and technical personnel has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. However, if any disputes arise, we cannot assure you of, in light of uncertainties associated with the PRC legal system, the extent to which any of these agreements could be enforced in China, where most of our executive officers and technical personnel reside and hold some of their assets.

Our Controlling Shareholders have substantial influence over our company and their interests may not be aligned with your interests.

Our Controlling Shareholders, which include Mr. Li, our founding general manager, chief executive officer and chairman of our board of directors, control approximately 52.50% of our outstanding shares as at the date of this prospectus, assuming the conversion of all of our outstanding Series B Preferred Shares into our ordinary shares on the basis of one Series B Preferred Share for one ordinary share. As such, Mr. Li has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for your Shares as part of a sale of our Company. These actions may be taken even if they are opposed by our other shareholders.

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Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.

As at June 30, 2010, we owned 17 patents in China, had 24 pending patent applications in China. In addition, we had exclusive rights to use 78 patents and had exclusive access to 14 pending patent applications in China, two pending patent applications in Japan and one pending patent application in each of the United States and Germany under a license agreement entered into with our chief executive officer and chairman of our board of directors, Mr. Li, in September 2008 as supplemented by a supplemental license agreement we entered into with Mr. Li in September 2009. The development of such patents we license from Mr. Li were led by Mr. Li using our resources, including our research and development personnel, raw materials, equipment and facilities and have been registered or applied for registration in the name of Mr. Li for administrative simplicity. Under the agreements entered into with Mr. Li, such patents are made available to us at zero consideration until Mr. Li has transferred all legal and beneficial ownership of these patents to us. We rely primarily on patent, trademark, trade secret, copyright law and other contractual restrictions to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, certain aspects of our business rely on the technologies covered by the patents, including granted patents and patents under application licensed to us by Mr. Li, which we do not own. Our rights to such technologies are governed by contractual licensing terms, and in case of any breach of these contractual terms, we would have to rely on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. See the paragraph headed “Risks related to doing business in China — Uncertainties with respect to the PRC legal system could have a material adverse effect on us.” in this section of the prospectus.

Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that the outcome of such potential litigation will be in our favor. Such litigation may be costly and may divert management attention as well as divert our other resources away from our business. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Implementation of PRC intellectual property laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in Hong Kong, the United States or other countries.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of legal claims relating to PV technology patents involve complex scientific, legal and factual questions and analyses and, therefore, may have highly uncertain outcomes. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party

RISK FACTORS

could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

Our business, results of operations and financial condition would be materially and adversely affected if our sales outside China were to be restricted by intellectual property claims by third parties.

As at June 30, 2010, we did not have any patents outside of China. The protection of our proprietary technologies outside of China is limited, although we have sold, and expect to continue to sell, a substantial portion of our products outside of China. Since the protection afforded by our current patents only covers China, others may independently develop substantially equivalent technologies, or otherwise gain access to our proprietary technologies, and obtain patents for such intellectual properties in other jurisdictions, including the countries to which we sell our products. If any third parties are successful in obtaining patents for technologies that are substantially equivalent or the same as the technologies we use in our products in any of our markets before we do and enforce their intellectual property rights against us, our ability to sell products containing the allegedly infringing intellectual property in those markets will be materially and adversely affected and we may be liable for damages and subject to other penalties. If we are required to stop selling such allegedly infringing products, seek licenses and pay royalties for the relevant intellectual properties, or redesign such products with non-infringing technologies, our business, results of operations and financial condition may be materially and adversely affected.

We do not have products liability or business interruption insurance and may incur losses resulting from product liability claims or business interruptions.

As with other manufacturers of PV products, we are exposed to risks associated with product liability claims in the event our PV products result in injuries. Since our products are electricity producing devices, it is possible that users could be injured or killed by our products, whether by product malfunctions, defects, improper installation or other causes. We only commenced commercial shipment of PV modules for BIPV applications and PV power stations in the fiscal year ended June 30, 2008, and, due to limited experience in these markets, we are unable to predict whether product liability claims will be brought against us in the future or the effect of any resulting adverse publicity on our business.

Moreover, we do not have product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Payment of such claims could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, as the insurance industry in China is still in an early stage of development, business interruption insurance available in China offers limited coverage compared to that offered in many other countries. We do not maintain any business interruption insurance coverage. As a result, any business disruption or natural disaster could result in substantial costs and diversion of resources. Such business interruptions could have a material adverse effect on our business, financial condition, results of operations and prospects.

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We may incur additional costs, experience manufacturing disruptions or fail to satisfy our contractual requirements if we were forced to relocate from our Futian facility during the lease term or if we cannot renew our lease.

We lease 1,261 square meters of manufacturing facility in Futian district, Shenzhen, where our 5 MW manufacturing line for PV modules for consumer applications is located. We also lease 606 square meters of space nearby as an employee dormitory. The lease for these properties will expire on December 31, 2010. The landlord has not been able to provide us with relevant building ownership certificates. Our PRC legal advisor, Jingtian & Gongcheng, has advised us that due to the lack of the relevant building ownership certificates, we cannot be certain that the landlord's ownership of these properties is not subject to any dispute or that all requisite governmental approvals have been obtained in connection with the construction of these properties. As such, third parties, including relevant government authorities, may interfere with our use and occupation of these leased properties during the term of the lease or prevent us from renewing the leases as they expire. As a result, we may be forced to relocate. While we planned to renew the lease upon the expiry of its existing term, if any dispute arises in the future in relation to our use of the premise due to the lack of the relevant building ownership certificates, we would relocate the relevant operations to our existing production facilities in Longgang, Shenzhen. Although only a small portion of our manufacturing capacity is located on these properties, unplanned relocation may cause us to incur additional moving costs and possibly have a negative impact on our production schedule. As a result, we may be unable to produce enough PV modules to satisfy our contractual requirements under our sales contracts or otherwise meet our sales targets. All of these consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

Most of our manufacturing, storage, administrative and research and development facilities are located in Shenzhen, China. Any damage or disruption at these facilities would have a material adverse effect on our business, financial condition and results of operations.

A significant amount of our manufacturing, storage, administrative, research and development facilities are located in the city of Shenzhen in Guangdong Province, China. A natural disaster such as a fire, flood or earthquake, or other unanticipated catastrophic event, including power interruption, telecommunications failure, equipment failure, explosion, fire, break-in, terrorist attack or act of war, could significantly disrupt our ability to manufacture our products and to operate our business.

If any of our manufacturing facilities or material equipment were to experience any significant damage or downtime, we might be unable to meet our manufacturing targets and our business could suffer. Any damage or disruption at these facilities could have a material adverse effect on our business, financial condition, results of operations and prospects.

Increases in electricity or water costs or shortage or interruption of electricity or water supply may adversely affect our operations.

We consume a significant amount of electricity and water in our manufacturing process. Our results of operations will be materially adversely affected if our electricity supply is interrupted or if electricity or water costs significantly increase.

With the rapid development of the PRC economy, demand for electricity has continued to increase. There have been shortages in electricity supply in various regions across China, especially during the winter season when the weather is bad and during the summer peak seasons. If supply of electricity to our manufacturing facilities are curtailed as a result of power outages in various parts of China, we may experience delays in some of our shipments to customers. We cannot assure you that there will be no interruption or shortages in our electricity or water supply or that there will be sufficient electricity or water available to us to meet our future requirements. Shortages in electricity or water supply may disrupt our normal operations and adversely affect our profitability.

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RISK RELATED TO OUR INDUSTRY

If PV technology is not suitable for widespread adoption, or sufficient demand for PV products does not develop or takes longer to develop than we anticipate, our sales may not continue to increase or may even decline, and we may be unable to sustain profitability.

The solar power industry is at a relatively early stage of development and the extent to which PV products will be widely adopted is uncertain. Market data, analyses and histories in the solar power industry are not as readily available or accessible as those in other more established industries. If PV technology proves unsuitable for widespread adoption or if demand for PV products fails to develop sufficiently, we may not be able to maintain sufficient capacity utilization of our facilities, grow our business or generate sufficient revenues to sustain our profitability. In addition, demand for PV products may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of PV technology and demand for PV products, including:

- the cost and availability of credit, loans and other funding mechanisms to finance the installation and maintenance of PV systems, particularly in the current economic environment;
- capital expenditures by end-users of PV products, which tend to decrease when the economy slows down;
- fluctuations in economic and market conditions that affect the viability of conventional and non-solar alternative energy sources, such as increases or decreases in the prices of oil, coal, natural gas and other fossil fuels;
- cost-effectiveness of solar energy compared to conventional and other non-solar energy sources;
- performance and reliability of PV products compared to conventional and other non-solar energy sources and products;
- availability of government subsidies and incentives to support the development of the solar power industry;
- public perception of the direct and indirect benefits of adopting renewable energy technology;
- success of other alternative energy generation technologies, such as fuel cells, wind power and biomass; and
- deregulation of the electric power industry and the broader energy industry.

Our failure to further improve our technology, develop and introduce new PV products or respond to rapid market changes and technological development in the PV industry could render our products uncompetitive or obsolete, and, consequently, reduce our sales and market share.

We will need to invest significant financial resources in research and development to keep pace with technological advances in the rapidly evolving solar power industry and to effectively compete in the future. Research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research results. In addition, other companies are developing a variety of competing PV technologies, including copper indium gallium diselenide and cadmium telluride, which could produce PV modules that prove more cost-effective or perform better than our PV modules. Furthermore, the discovery of new technology utilizing less expensive raw material might result in competing products being produced that are more cost competitive than our products. Therefore, our development efforts may be rendered obsolete by the technological advances of others. Our failure to further improve our technology, develop and introduce new PV products or respond to rapid market changes and technology evolutions in the PV industry could render our products uncompetitive or obsolete, and reduce our sales and market share.

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Changes to existing government incentive policies and regulations may present technical, regulatory and economic barriers to the purchase and use of PV products, which may have a material adverse effect on our business and prospects.

Demand for PV products depends substantially on government incentives aimed to promote greater use of solar power. In many countries in which we are currently, or intend to become active, the PV product markets, particularly the market for on-grid PV systems, would not be commercially viable without government incentives. This is because the costs of generating electricity from solar power currently exceeds, and it is likely that it will continue to exceed for the next several years, the costs of generating electricity from conventional or certain non-solar renewable energy sources.

In addition, government incentives may have a positive impact on demand in the off-grid market. Examples of these government incentive policies are the "Guidelines for Declaration of Demonstration Project of Solar Photovoltaic Building Applications," which created a subsidy of up to RMB20 per watt for BIPV projects using solar-integrated building materials and components and up to RMB15 per watt for BIPV projects using solar-integrated materials for rooftops or walls, issued by the PRC government authorities; a new solar initiative announced by the Zhejiang provincial government which will facilitate the construction of one million square meters of roof-top solar power stations and the installation of solar street lights on one hundred streets in Zhejiang Province; and a promotion program developed by the Beijing local government for new energy, aiming to achieve over 70 MW of installed PV capacity, based on BIPV and megawatt-scale ground-mount demonstration projects, by 2011. For further details on government incentives applicable to us, please refer to the sections headed "Global Solar Market" and "China's Solar Market and Solar Power Initiatives" in "Industry Overview" and the section headed "Renewable Energy Law and Government Directives" in "Regulatory Overview".

The scope of government incentives for solar power depends, to a large extent, on political, policy and fiscal developments relating to environmental concerns in a given country, which could lead to a significant reduction in or a discontinuation of the support for renewable energies in such country. As a result, governments in China, and many other countries have provided subsidies and economic incentives to encourage the use of renewable energy such as solar power and reduce dependency on conventional fossil fuels as a source of energy. These subsidies and economic incentives have been in the form of capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end users, distributors, system integrators and manufacturers of solar power products. The demand for PV products is significantly affected by the availability of government subsidies and economic incentives.

Nonetheless, the lack of implementation details for recent incentive schemes released by PRC government authorities may cause demand for PV products, including our products, not to grow as rapidly as we expect, if at all. In addition, political changes in a particular country could result in significant reductions or eliminations of subsidies or economic incentives, and the effects of the recent global financial crisis may affect the fiscal ability of governments to offer certain types of incentives, such as tax credits, at the level previously targeted, if at all. Electric utilities that have significant political lobbying powers may also seek changes in the relevant legislation in their markets that may adversely affect the development and commercial acceptance of solar energy. A significant reduction in the scope or discontinuation of government incentive programs could cause demand for PV products and prices to decline, and have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we anticipate that our PV products and their installation will be subject to oversight and regulation in accordance with national and local ordinances relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. Any new government regulations or utility policies pertaining to our PV modules may result in significant additional expenses for us, our resellers and end customers and, as a result, could significantly reduce demand for our products.

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Changes to existing regulations covering the utility sector and the solar power industry may present technical, regulatory and economic barriers to the purchase and use of PV products, which may significantly reduce demand for our products.

The market for power generation products is heavily influenced by government regulations and policies concerning the electric utility industry, as well as the internal policies of electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of end-user-owned power generation. In a number of countries, these regulations and policies are being modified and may continue to be modified. End-users' purchases of alternative energy sources, including PV products, could be deterred by these regulations and policies, which could significantly reduce the potential demand for our PV products. For example, utility companies commonly charge fees to larger, industrial customers for disconnecting them from the electricity transmission grid or for having the capacity to use power from the electricity transmission grid for back-up purposes. These fees could increase end-users' costs of using our PV products and make our PV products less desirable, adversely affecting our business, prospects, results of operations and financial condition.

We anticipate that our PV products and their installation will continue to be subject to oversight and regulation in accordance with national and local ordinances relating to building codes, safety, environmental protection, utility interconnection and metering and related matters in various countries. It is also burdensome to track the requirements of individual localities and design equipment to comply with the varying standards. Any new government regulations or utility policies pertaining to our PV products may result in significant additional expenses to us, our customers or end users and, as a result, could significantly reduce demand for our PV products. Such a reduction could result in a material adverse effect on our business, financial condition, results of operations and prospects.

Compliance with environmental regulations can be expensive, and non-compliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines.

As our manufacturing processes generate noise, waste water, gaseous and other industrial wastes, we are required to comply with all national and local regulations regarding protection of the environment. We are in compliance with present environmental protection requirements and have all necessary environmental permits to conduct our business. However, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. We have necessary permits to conduct our business as it is presently conducted. If we fail to comply with present or future environmental regulations, however, we may be required to pay substantial fines, suspend production or cease operations. The chemicals that we use and wastes that we generate and discharge in our research and development and manufacturing activities may be toxic, volatile and otherwise hazardous. Any failure by us to control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations.

RISKS RELATED TO DOING BUSINESS IN CHINA

Adverse changes in the political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and materially and adversely affect our competitive position.

Almost all of our operations are conducted in China and some of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including:

- the amount of government involvement;
- the level of development;

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- the growth rate;
- the control of foreign exchange; and
- the allocation of resources.

While the Chinese economy has grown significantly in the past 20 years, the growth has been uneven both geographically and among different sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also negatively affect us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations applicable to us.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government has implemented measures emphasizing market-oriented reforms, the reduction of state ownership of productive assets and the establishment of sound corporate governance. The PRC government still owns a substantial portion of the productive assets in China. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over Chinese economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Efforts by the PRC government to slow the pace of growth of the Chinese economy could result in decreased capital expenditures by solar energy users, which in turn could reduce demand for our products.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall level of economic growth and the level of renewable energy investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

We conduct a significant portion of our business through our subsidiary, Trony Science. Trony Science is generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises, or WFOEs. The PRC legal system is generally based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Fluctuations in exchange rates have had, and could continue to have, an adverse effect on our results of operations and may have a material adverse effect on your investment.

Our sales are mainly denominated in Renminbi, with the remainder in U.S. dollars, while a substantial portion of our costs and expenses is denominated Renminbi with the remainder in U.S. dollars. Fluctuations in currency exchange rates have had a limited impact on our result of operations in the past, as most of overseas end-users of our products purchased our products through distributors, who made payment to us in Renminbi. However, as we continue to expand, we expect sales to international customers denominated in U.S. dollars to increase and we may begin selling in Euros or other currencies, such as the Korean won or Thai baht. Continued fluctuations in exchange rates, particularly among the U.S. dollar and Renminbi, could result in foreign exchange losses and affect our gross and net profit margins.

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In addition, our reporting currency is Renminbi and our sales denominated in foreign currencies need to be translated into Renminbi when they are recorded as our revenues. Therefore, depreciation of foreign currencies in which our sales are denominated, such as the U.S. dollar, against the Renminbi will cause our reported revenues to decline. Any further depreciation of foreign currencies in which our sales are denominated against the Renminbi will continue to adversely affect our revenues and results of operations.

Furthermore, the change in value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar. As a significant portion of our costs and expenses is denominated in Renminbi, the revaluation in July 2005 and potential future revaluation has and could further increase our costs. In addition, any significant revaluation of the Renminbi may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our ordinary shares in foreign currency terms. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

A significant portion of our revenues and expenses is denominated in Renminbi. If our revenues denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our ordinary shares. Under China's foreign exchange regulations, our PRC subsidiary is generally able to pay dividends in foreign currencies, without prior approval from the SAFE, by complying with certain procedural requirements. However, the PRC government may take further measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions by our PRC subsidiary under the capital account continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities, including the SAFE. In particular, if our PRC subsidiary borrows foreign currency loans from us or other foreign lenders, these loans must be registered with the SAFE, and if we finance our PRC subsidiary by means of additional capital contributions, these capital contributions must be approved by certain government authorities including the Ministry of Commerce or its local counterparts. These limitations could affect the ability of our PRC subsidiary to obtain foreign exchange through debt or equity financing.

We may rely on dividends paid by our PRC operating subsidiary for our cash needs, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct substantially all of our business through our operating subsidiary incorporated in China. We may rely on dividends paid by our PRC subsidiary for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits determined in accordance with accounting standards and regulations in China.

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Our PRC subsidiary, a WFOE, is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Its statutory reserves are not distributable as loans, advances or cash dividends. In addition, if our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under a new PRC tax law that became effective in January 2008 and the Arrangement between the PRC and the Hong Kong Special Administrative Region on Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement, which became effective on January 1, 2007, any dividends from our PRC subsidiary paid to us through Trony HK, our Hong Kong subsidiary, may be subject to a withholding tax at a rate of 5%. On August 24, 2009, the State Administration of Taxation released the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation), or the Measures, which took effect on October 1, 2009. Under the Measures, Trony HK needs to obtain approval from the Shenzhen Branch of the State Administration of Taxation in order to enjoy the preferential withholding tax rate of 5% in accordance with the Double Taxation Arrangement. To date, the Shenzhen Branch of the State Administration of Taxation has not published relevant implementing regulations for the Measures. As a result, there is no assurance that Trony HK will be able to enjoy the preferential withholding tax rate. The withholding tax on dividends may be exempted or reduced by the PRC State Council. Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the proposed withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC operating subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds we receive from the Global Offering in the manner described in “Use of proceeds,” as an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiary, or we may make additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary are subject to PRC regulations and approvals. For example, loans by us to our wholly owned subsidiary in China that is a foreign-invested enterprise to finance its activities cannot exceed statutory limits, being the difference between the registered capital and total investment amount, and must be registered with the SAFE, or its local branch. Otherwise, such foreign-invested enterprise should increase its total investment amount.

We may also decide to finance our wholly owned subsidiary by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to complete these government registrations or obtain the relevant government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiary or any of its subsidiaries. Failure to complete these registrations or obtain approvals may delay or prevent us from using the proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC operating subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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The discontinuation of any preferential tax treatment currently available to us or the increase in the enterprise income tax in the PRC could result in a decrease of our net profit, materially and adversely affecting our results of operations.

Before China's new Enterprise Income Tax Law, or the EIT Law, and its implementation regulations became effective on January 1, 2008, entities operating in the PRC were typically subject to the old EIT rate of 33% (30% state tax and 3% local tax). However, pursuant to certain tax policies, a preferential tax rate of 15% was available to Trony Science and other foreign investment manufacturing enterprises located in the Shenzhen Special Economic Zone.

Under the EIT Law, effective on January 1, 2008, domestically-owned enterprises and foreign-invested enterprises are typically subject to a uniform tax rate of 25%. However, companies that previously enjoyed preferential tax treatment were afforded a transition period by the implementation regulations. Trony Science enjoyed such a preferential tax treatment and thus would be eligible for transition period rates of 18%, 20%, 22%, 24% and 25% in the calendar years of 2008, 2009, 2010, 2011 and 2012, respectively.

However, Trony Science is eligible for an even more favorable tax rate. While the new tax law equalizes the tax rates for typical foreign invested enterprises, or FIEs, and domestically-owned enterprises, preferential tax treatment would continue to be given to companies in certain encouraged sectors and to those re-classified as new high technology companies enjoying special support from the state. Trony Science, a WFOE registered and operating in a high-tech zone in Shenzhen, was approved to be qualified as a "new high technology enterprise" on December 16, 2008, and was entitled to a 15% preferential rate beginning April 2009 till December 2011. As a result of the EIT Law, for the 2008 calendar year, Trony Science's tax rate was 18%, and for the period from January 1, 2009 to April 17, 2009, Trony Science's tax rate was 20%. Due to the more favorable tax rate of 15% from April 2009 on Trony Science's qualification as a "new high technology enterprise", the EIT Law has no material impact on our income tax expenses for the period from April 17, 2009, and is not expected to have any material impact until December 2011.

However, if significant changes in the business operations, manufacturing technologies or other criteria cause Trony Science to no longer meet the criteria as a "new high technology enterprise," such status will be terminated from the year of such change. Any significant increase in our income tax expenses may have a material adverse effect on our profit for the year.

Reduction or elimination of preferential tax treatments we enjoy or imposition of additional taxes on Trony Science may significantly increase our income tax expenses and materially reduce our net profit, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. If we are considered as a PRC "resident enterprise," it is unclear whether the dividends we pay in respect to our Shares, or the gain you may realize from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC withholding tax of 10% unless otherwise reduced by tax treaties, which may materially and adversely affect the value of your investment in our Shares.

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We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us.

The EIT Law provides that enterprises established outside of China whose “effective management” is located in China are considered “resident enterprises” and are generally subject to the unified 25% tax rate on their entire profits. Under the implementation regulations to the EIT Law, “effective management” is defined as material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. Substantially all of our operational management is currently based in the PRC. However, it is still unclear how the EIT Law and the implementations will be interpreted and enforced. Currently, there are no detailed rules governing the procedures and specific criteria for determining “effective management” which are applicable to Trony Science or Trony HK, our Hong Kong subsidiary. If the “effective management” of our Company and Trony HK were deemed to be located in the PRC, both companies would be treated as resident enterprises for PRC tax purposes. Therefore, all profits from both companies, and other companies with “effective management” in the PRC, would be subject to the 25% unified tax rate promulgated by the EIT Law. This imposition would have an impact on our effective tax rate.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiary to penalties, limit our ability to distribute capital to our PRC subsidiary, limit our PRC subsidiary’s ability to distribute funds to us, or otherwise adversely affect us.

The SAFE issued a public notice in October 2005, or the SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Circular No. 75 as SPVs. PRC residents who are shareholders of SPVs established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. Further, PRC residents are required to file amendments to their registrations with the local SAFE branch if their SPVs undergoes a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments. The SAFE subsequently issued relevant guidance to its local branches for the implementation of the SAFE Circular No. 75. This guidance standardizes more specific and stringent supervision on the registration requirement relating to the SAFE Circular No. 75 and further requests PRC residents holding any equity interests or options in SPVs, directly or indirectly, controlling or nominal, to make an overseas investment foreign exchange registration with the SAFE.

We may not be fully informed of the identities of all our beneficial owners who are PRC residents, whom we do not have control over and we cannot assure you that all of our PRC resident beneficial owners will comply with SAFE Circular No. 75. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No. 75, or the failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in SAFE Circular No. 75, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions imposed by the PRC government, limit our ability to contribute additional capital to our PRC subsidiaries, thereby affecting our ability to use the proceeds we will receive from the Global Offering in China, limit our PRC subsidiaries’ ability to pay dividends or make distributions to us or otherwise materially and adversely affect our business. See “Regulations — Foreign currency exchange.”

Under the implementation rules and guidances issued by the SAFE, PRC citizens who are granted share options by an overseas publicly-listed company are required, through a PRC agent who may be the PRC subsidiary of such overseas publicly-listed company, to register with the SAFE and complete certain other procedures related to the share options.

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We and our PRC citizen employees who will be granted share options in the future, or PRC optionees, will be subject to these regulations when our Company becomes an overseas publicly-listed company. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal sanctions. However, it is currently unclear as to how they will be interpreted and implemented. Please refer to “Regulation of certain onshore and offshore transactions” in the section headed “Regulatory Overview” of this prospectus for further information.

The new M&A rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The new M&A rule establishes additional procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a Chinese domestic enterprise.

In the future, we may want to grow our business in part by acquiring complementary businesses, although we do not have any plans to do so at this time. Complying with the requirements of the new M&A rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS, and swine flu.

Our business could be adversely affected by the effects of avian flu, SARS, swine flu or another epidemic or outbreak. During April and May 2009, there were outbreaks of highly pathogenic swine flu, caused by the H1N1 virus, in certain regions of the world, including parts of Asia. In 2007 and early 2008, there were reports of outbreaks of a highly pathogenic avian flu, caused by the H5N1 virus, in certain regions of Asia and Europe. An outbreak of contagious diseases, and other adverse public health developments in China, would have a material adverse effect on our business operations. These could include restrictions on our ability to travel or to ship our products outside of China, as well as cause temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS, swine flu or any other epidemic.

The implementation of the PRC Labor Contract Law may significantly increase our operating expenses and adversely affect our business and results of operations.

On June 29, 2007, the PRC National People’s Congress enacted the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law formalizes workers’ rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions and provides for specific standards and procedure for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed-term employment contract. The implementation of the Labor Contract Law may significantly increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel.

As a result of the Labor Contract Law’s implementation, salaries increased marginally, as did administrative costs to formalize employment contracts as written employment contracts have to be signed to establish an employment relationship under this law. However, the overall impact of the Labor Contract Law on our

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operations and financial results was minimal, as we already had in place practices, standards and procedures similar to those provided under this law. As a result, the Labor Contract Law's implementation has had no material impact on our operations and financial results since the law became effective, and is also not expected to have a material impact in the future.

However, in the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Price inflation in China could erode some of the advantages of operating in a relatively low-cost jurisdiction such as China, which could negatively affect our competitive advantages and our results of operations.

Inflation in China has increased. According to the National Bureau of Statistics of China, consumer price inflation in China was 4.8%, 5.9% and -0.7% in 2007, 2008 and 2009, respectively. Because we purchase raw materials from suppliers in China, price inflation increases the costs of labor and raw materials we must purchase for manufacturing and risks counteracting the competitive advantage we enjoy as a result of the relatively lower manufacturing costs we incur from operating in China. Although China had experienced lower rates of inflation in 2009, recently released data indicated that China's inflation rates is rising in 2010. If inflationary trends continue in China, China could lose its competitive advantage as a low-cost manufacturing venue, which could in turn lessen any competitive and reputational advantages we gain through China-based manufacturing. Accordingly, inflation in China may weaken our competitiveness in our markets and have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active or liquid trading market for our Shares may not develop.

Prior to this Global Offering, there has not been a public market for our Shares. Although application has been made for listing of our Shares on the Stock Exchange, we cannot assure you that an active public market for our Shares will develop or that the market price of our Shares will not decline below their initial Offer Price. The Offer Price of the Shares will be determined through negotiations among us, the Selling Shareholders and the Joint Global Coordinators and it may not be indicative of the market price of the Shares after this Global Offering is complete. You may be unable to resell your Shares at or above the Offer Price, and as a result, may lose all or part of the investment in such Shares.

The trading price of our Shares may be volatile.

The price at which our Shares will trade after this Global Offering may fluctuate substantially as a result of many factors some of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts' estimates, if any, of our financial performance;
- announcements by us or our competitors of new products, patent litigation, issuance of patents, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in the economic performance or market valuations of other solar power companies;
- technological breakthrough in the solar and other renewable power industries;
- reduction or elimination of government subsidies and economic incentives for the solar power industry;
- fluctuations of exchange rates between the RMB and U.S. dollar or other foreign currencies; and
- general market conditions or other developments affecting us or our industry.

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You should note that the stock prices of solar power companies have experienced wide fluctuations. In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations which are not related to the operating performance of the companies listed on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of our Shares and a decrease in the value of our Shares, regardless of our operating performance or prospects.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their market price.

Additional sales of our Shares in the public market after the completion of this Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. All Shares sold in this Global Offering will be freely transferable. We and our controlling shareholders have agreed, subject to certain exceptions, not to transfer or dispose of any of our Shares, in the form of Shares or otherwise, for a period of 6 months after the Listing Date. After the expiration of the 6 months period, the Shares held by these Shareholders may be sold, and we may sell additional Shares. To the extent Shares are sold into the market, the market price of our Shares could decline.

Purchasers of our Shares in the Global Offering will experience immediate dilution in net tangible asset value per Share and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares will be higher than the net tangible asset value per Share immediately prior to the Global Offering. As a result, purchasers of our Offer Shares will experience immediate dilution in our net tangible asset value of approximately HK\$1.65 or HK\$2.74 per Share, representing the differences between our unaudited pro forma adjusted net tangible asset value per Share as at June 30, 2010 after giving effect to this Global Offering (net of underwriting commissions and other expenses) and an assumed Offer Price of HK\$3.10 or HK\$4.50, respectively which is the lower and higher end of the indicative Offer Price range, respectively. If the Joint Global Coordinators (on behalf of the International Underwriters) exercises the Over-allotment Option or if we issue additional Shares in the future, investors of our Shares may experience further dilution.

We intend to use a portion of the net proceeds of this offering to repay our existing debt and the net proceeds from this offering may be used for corporate purposes that do not improve our efforts to maintain profitability or increase our Share price.

We have allocated a portion of the net proceeds of the Global Offering to fully repay our shareholder loan from Lakes Invest, of which the outstanding amount as at June 30, 2010 was US\$30 million. In addition, our management will have considerable discretion in the application of the net proceeds. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds from this offering may be used for corporate purposes that do not improve our efforts to maintain profitability or increase our Share price.

Issuance of Shares pursuant to the Pre-IPO Equity Incentive Plan and/or the Share Option Scheme will result in dilution to your shareholding in our Company and may have a dilutive effect on our earnings and net asset value per Share.

We are authorized to issue share options or other equity incentives for up to 10,000,000 ordinary shares in the future to our management and other personnel under our Pre-IPO Equity Incentive Plan. We have also conditionally adopted the Share Option Scheme under which options may be granted after the completion of the Global Offering. Issuance of Shares pursuant to the Pre-IPO Equity Incentive Plan and/or the Share Option Scheme and/or pursuant to the exercise of the options to be granted under the Pre-IPO Equity Incentive Plan and/or the Share Option Scheme will cause dilution to your shareholding in our Company and dilution to the earnings per Share and net asset value per Share because of the increase in the number of Shares in issue after the issuance.

RISK FACTORS

The shares to be issued upon the exercise of all the options granted under the Pre-IPO Equity Incentive Plan represent approximately 0.36% of our Company's enlarged issued share capital as at the Listing Date. If all options are exercised, taking into account all restricted shares granted under the Pre-IPO Equity Incentive Plan that have vested, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 0.36% and a dilutive effect of approximately 0.36% on earnings per Share such that the forecast earnings per Share for the six months ending December 31, 2010 will be diluted from approximately HK\$0.1964 to approximately HK\$0.1957.

In addition, our Company has determined that no share-based compensation cost in relation to the options granted under the Pre-IPO Equity Incentive Plan will be recorded until the completion of the Global Offering. Based on the probable outcome of the award's performance condition and any incremental fair value, such share-based compensation cost will be recorded by our Company at the completion of the Global Offering and over relevant remaining vesting period in respect of such share options. We expect a share based payment of RMB7.8 million to be recognized in the calendar year of 2010.

You should not rely on certain information contained in press articles or other media regarding the Group.

Prior to the publication of this prospectus, there has been certain press and media coverage (including but not limited to Apple Daily, Hong Kong Daily News, Hong Kong Economic Journal, Hong Kong Economic Times and Sing Tao Daily on September 20, 2010) regarding the Group, which included profit forecasts, targeted operational information and other information about the Group that does not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to purchase the Shares.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

I. MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations and manufacturing facilities are located in the PRC, our executive directors and members of our senior management are and will therefore be expected to continue to be based in the PRC. At present, Mr. Howard Chu, our chief financial officer, and Mr. Fat Hing Quan, our company secretary, are ordinarily resident in Hong Kong but none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We appoint two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. Fat Hing Quan, our company secretary, who is ordinarily resident in Hong Kong, and Mr. Li, an executive Director. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or e-mail. Each of the two authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange;
- (b) We have appointed a compliance advisor pursuant to Rule 3A.19 of the Listing Rules who will also act as our additional authorised communication channel with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules;
- (c) Both of the authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board on any matters. We will implement a policy whereby (i) each Director will provide his or her mobile phone number, office phone number, fax number and e-mail address to the authorized representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is travelling; and (iii) each Director will provide his or her mobile phone number, office phone number, fax number and e-mail address to the Stock Exchange; and
- (d) All Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that either they possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered for subscription and sale solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Selling Shareholders, the Joint Global Coordinators, any of the Underwriters, any of their respective directors, agents, employees or advisors or any other parties involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Global Offering. For applicants under the Global Offering, this prospectus and the related Application Forms contain the terms and conditions of the Global Offering.

The Global Offering is sponsored by the Sponsor. Pursuant to the Underwriting Agreement, the Global Offering is fully underwritten by the Underwriters. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters), our Company and the Selling Shareholders on the Price Determination Date. The Price Determination Date is expected to be on or before September 30, 2010 (unless further extended at the sole discretion of the Joint Global Coordinators (on behalf of the Underwriters)). If, for whatever reason, our Company, the Selling Shareholders and the Joint Global Coordinators are not able to agree on the Offer Price, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

No action has been taken to permit a Hong Kong Public Offer of the Offer Shares or the distribution of this prospectus and the Application Forms in any jurisdiction other than Hong Kong. Accordingly this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Application Forms and offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of the Offer Shares to have confirmed, that he is aware of the restriction on offer of the Offer Shares described in this prospectus and the Application Forms and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalization Issue, Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) on the Main Board.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Application Lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering, the Capitalization Issue and any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme will be registered on our Company's register of members to be maintained in Hong Kong by the Hong Kong Share Registrar. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on our Company's register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered in the register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder of our Company, Company, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of our Group, the Underwriters, the Sponsor, any of their respective directors, supervisors, agents or advisors or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of arrangements with respect to stabilization and the Over-allotment Option are set out in "Over-allotment And Stabilization" in the section headed "Structure Of The Global Offering".

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Offer Shares are set out in the section headed “How To Apply For The Offer Shares” to this prospectus and on the relevant applications forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure Of The Global Offering” to this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Yi Li	24-504, Du Qian Village Futian District Shenzhen City Guangdong Province PRC (廣東省深圳市福田區渡前村24-504)	Chinese
Yixiang Chen	420, Building 1 Optical Fiber Industry Community Ba Gua San Road, Yuan Ling Jie Dao Futian District Guangdong Province PRC (廣東省深圳市福田區園嶺街道八卦三路20號光纖工業社區1棟420)	Chinese
<i>Non-executive Director</i>		
Hong Yu	Flat C, 12/F, Dragon Villa 8 Sik On Street Wanchai Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
David Ka Hock Toh	30 Woollerton Park #10-32, Regent Block Singapore 257530	Australian
Chia-Wei Woo	SSQ, T6/8B, HKUST Clear Water Bay Kowloon Hong Kong	Chinese
Shujian Che	3, Building 6, Gan Yang Shu Jia 16 Chaoyang District Beijing PRC (北京市朝陽區幹楊樹甲16號6號樓3門)	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sponsor	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong
Joint Global Coordinators	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
Joint bookrunners of the Hong Kong Public Offering	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Central, Hong Kong ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
Joint bookrunners of the International Placing	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint lead managers of the Hong Kong
Public Offering**

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road Central
Central, Hong Kong

ICBC International Securities Limited
Level 18, Three Pacific Place
1 Queen's Road East
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

**Joint lead managers of the
International Placing**

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

ICBC International Securities Limited
Level 18, Three Pacific Place
1 Queen's Road East
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to United States federal law and New York law:
Simpson Thacher & Bartlett LLP
35th Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F., Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing 100025
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands law:</i> Walkers 15th Floor, Alexandra House 18 Chater Road Central Hong Kong</p>
Legal advisors to the Sponsor, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	<p><i>As to Hong Kong and United States federal law and New York law:</i> Latham & Watkins 41st Floor, One Exchange Square Connaught Place Central Hong Kong</p> <p><i>As to PRC law:</i> Commerce & Finance Law Offices 6F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 PRC</p>
Auditors and reporting accountants	<p>Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong</p>
Property valuer	<p>American Appraisal China Limited 1506 Dah Sing Financial Centre 108 Gloucester Road Wanchai Hong Kong</p>
Receiving banker	<p>Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong</p> <p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

CORPORATE INFORMATION

Registered office	Walkers Corporate Services Limited Walker House, 87 Mary Street George Town Grand Cayman KY1-9005 Cayman Islands
Head office in the PRC	Units 2112-2116 Great China International Exchange Square No. 1 Fuhua Road Futian District Shenzhen 518048 PRC
Principal place of business in Hong Kong	Unit 103B, 1/F, Enterprise Place No. 5 Science Park West Avenue Hong Kong Science Park Shatin, New Territories Hong Kong
Company's website	www.trony.com (<i>information contained in this website does not form part of the prospectus</i>)
Company secretary	Fat Hing Quan (HKICPA, ACCA)
Authorized representatives	Fat Hing Quan Unit B, 20/F, Wanchai Commercial Center 194-204 Johnston Road Wan-Chai, Hong Kong Yi Li 24-504, Du Qian Village Futian District Shenzhen City Guangdong Province PRC (廣東省深圳市福田區渡前村24-504)
Audit committee	David Ka Hock Toh (Chairman) Chia-Wei Woo Shujian Che
Nomination committee	Yi Li (Chairman) David Ka Hock Toh Chia-Wei Woo
Remuneration committee	Yi Li (Chairman) David Ka Hock Toh Chia-Wei Woo

CORPORATE INFORMATION

Compliance advisor	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
Principal bankers	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong China Construction Bank Shenzhen Branch East Section, Finance Centre South Hongling Road Shenzhen 518010 PRC
Cayman Islands principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

INDUSTRY OVERVIEW

This section contains information and statistics relating to the Chinese economy and the industry in which we operate. We have derived such information and data partly from publicly available government official sources which have not been independently verified by us, the Sponsor, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisors or any other party involved in the Global Offering. Our Directors have taken reasonable care in the reproduction of such information. The information in such government official sources may not be consistent with the information compiled within or outside China. We make no representation as to the correctness or accuracy of such information and accordingly such information should not be unduly relied on. We have taken such care as we consider reasonable in the reproduction and extraction of such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

INFORMATION ABOUT SOLARBUZZ LLC, PHOTON CONSULTING AND FROST & SULLIVAN

Frost & Sullivan

Frost & Sullivan is a global consulting company which provides services such as technology research, market research and economic research. In this prospectus, we refer to data from Frost & Sullivan, which is derived from the report of Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. titled "Assessment of Chinese Off-Grid Solar PV Market", dated December 2009. We commissioned and paid a fee of US\$32,000 for this report.

We understand that Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. maintains a proprietary data base on the global and China solar industry. In compiling this report, it relied on this data base, analyzed the market and industry trends and interviewed a variety of industry experts, competitors and key customers to determine the most probable outcome quoted in the report.

Photon Consulting

Photon Consulting is an international solar energy research firm and consultancy. Photon Consulting provides a range of services including business strategy and planning services, market and demand forecasting services and policy analysis services. In this prospectus, we refer to data from Photon Consulting, which is derived from their report titled "Thin Film Leaders" and is dated May 2010. We commissioned and paid a fee of US\$10,000 this year for this report.

We understand that Photon's production analysis is based on guidance from the publicly listed companies combined with outside-in analysis of equipment orders, contracts and manufacturing capacity. It is important to emphasize that Photon's production estimates are subject to uncertainty. Supply chain or manufacturing disruptions, contract amendments and/or above or below-expectation demand visibility at the company level could lead to higher or lower output from specific producers. Similarly, for private companies with limited to no public disclosure, Photon's outside-in estimates may over or understate their true production levels. Despite these limitations, Photon shares these estimates as its best-effort assessment of thin film production volume.

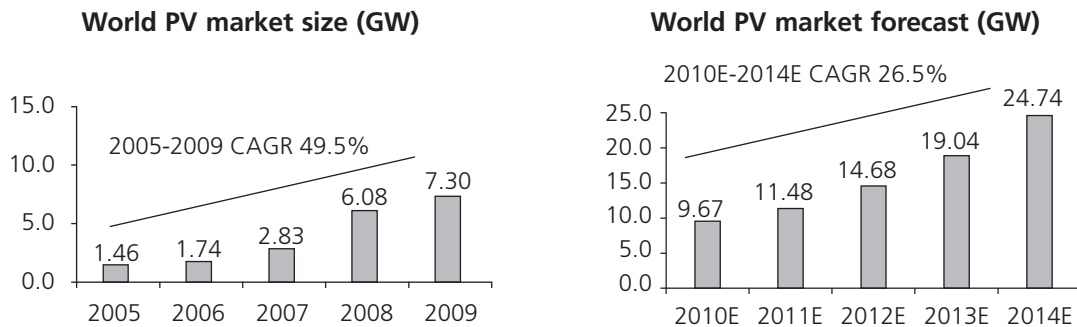
Solarbuzz LLC

Solarbuzz LLC is an international solar energy research firm. It provides industry reports, commissioned studies and research and consultancy services in relation to the PV market and industry. Information derived from Solarbuzz LLC's reports and quoted in this prospectus is not commissioned by us.

INDUSTRY OVERVIEW

GLOBAL SOLAR MARKET

The PV market is one of the most rapidly growing renewable energy markets and has grown significantly over the past decade. According to Solarbuzz, the world PV market grew at a CAGR of 49.5%, from 1.46 GW in 2005 to 7.30 GW in 2009. Despite this robust growth, solar power accounts for less than 1% of global electricity generation, providing significant room for future development. Solarbuzz's "Green World" scenario forecasts that end-customer PV market demand will increase from 7.30 GW in 2009 to 24.74 GW in 2014. Solarbuzz's "Green World" scenario assumes that government policies are very positive toward PV and there is constrained growth in PV production capacity and strong growth in market demand. The following charts demonstrate the rapid growth of this sector:



Source: Solarbuzz, "Green World" scenario

The growth of the PV market is driven by rising electricity demand, increasing rural electrification, increasing cost-competitiveness of solar-generated electricity, continuing government incentives, increasing desire for energy independence from volatile commodity markets, ability of solar power systems to meet peak electricity demand, rising demand for distributed energy generation systems and enhanced environmental awareness. Future PV market expansion will also depend on the growth of the global economy, including developing economies, the availability of financing for PV projects and the ability of PV product manufacturers to further expand production capacity.

THIN FILM PV PRODUCTS

There are two categories of PV products that are commercially available: crystalline silicon-based PV products and thin film PV modules. The global thin film market has experienced rapid growth in the past few years. According to Solarbuzz, in 2009, the world thin film market size was 1.70 GW. 1.70 GW of thin film PV modules were manufactured worldwide in 2009, representing growth of 91% over 2008, while the number of crystalline silicon PV modules produced increased by 28%. Due to this faster growth rate, thin film represents an increasingly large portion of the total PV industry. In 2009, thin film modules represented 18.2% of global production, more than three times the 2005 production share of 5.9%, according to Solarbuzz. The Solarbuzz "Green World" scenario forecasts that thin film modules will represent 24.0% of global production from 2010 to 2014.

INDUSTRY OVERVIEW

Below is a table showing the top four thin film market players globally according to Photon as measured by thin film module production, and our estimate of each of these companies' approximate global thin film PV market share, in 2009.

	2009 module production	2009 Market Share
	(MW)	(%)
First Solar, Inc.	1,100 ⁽¹⁾	64.7 ⁽²⁾
Energy Conversion Devices, Inc.	111 ⁽¹⁾	6.5 ⁽²⁾
Sharp Corporation.....	90 ⁽¹⁾	5.3 ⁽²⁾
The Group.....	70 ⁽³⁾	4.1 ⁽⁴⁾

(1) Estimate from Photon.

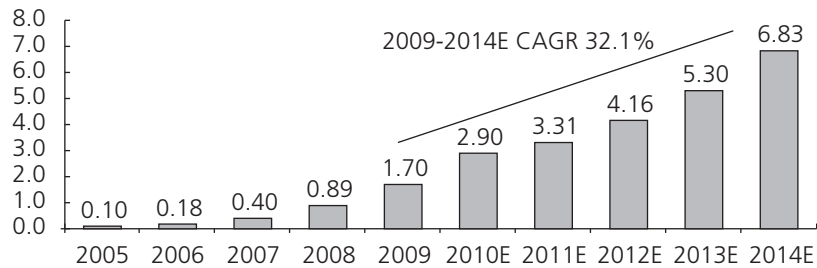
(2) This approximate market share percentage is derived based on the company's estimated module production in 2009 according to Photon and the world's thin film PV market size of 1.70 GW according to Solarbuzz.

(3) Our approximate actual production volume.

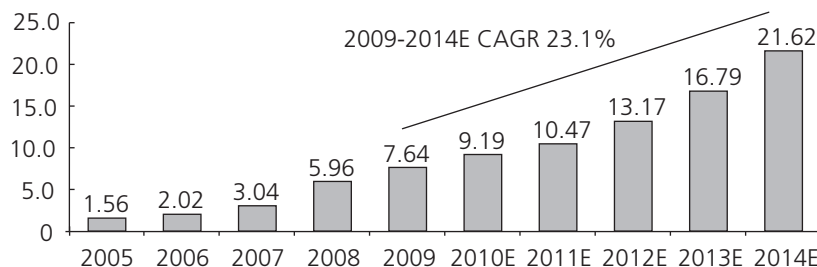
(4) This approximate market share percentage is derived based on our production of approximately 70 MW in 2009 and the world's thin film PV market size of 1.70 GW according to Solarbuzz.

The ramp-up in the scale of thin film manufacturing over the next few years will depend on the successful transition from small volume pilot plants to high volume commercial manufacturing facilities at prices and performance-levels sufficiently attractive to the market. The following charts show the expected growth of world thin film PV modules production and world crystalline silicon PV cell production for the next several years:

World thin film PV modules production (GW)



World crystalline silicon PV cell production (GW)



Source: Solarbuzz, "Green World" scenario

INDUSTRY OVERVIEW

Note: Solarbuzz does not explicitly disclose thin film PV module demand. It only explicitly discloses thin film PV module production volume. Thin film PV module production volume is estimated based on Solarbuzz's estimate of overall end-market PV demand and of the percentage of that demand to be satisfied by thin film PV module production versus crystalline silicon PV modules production. We believe Solarbuzz's estimates of thin film PV modules production to be derived and correlated with its estimates of overall end-market PV demand, which is based on its forecasts of the policy environment, project pipeline and order book data.

Crystalline silicon technology is the mainstream manufacturing technology for PV products. According to Solarbuzz, over 80% of the PV modules manufactured in 2009 in the world were crystalline silicon PV modules. However, thin film PV modules has become an increasingly significant contributor to the total PV module manufacturing.

Thin film technology offers several cost and performance advantages over crystalline silicon technology, including:

- **Lower manufacturing cost.** Costs of energy consumption and silicon materials represent a substantial portion of the cost of producing PV modules. The energy consumed in the thin film PV manufacturing process is significantly less than that consumed in the crystalline silicon PV module manufacturing process. In addition, thin film PV modules are significantly thinner than conventional crystalline silicon PV modules. As a result, the silicon materials used in thin film PV module manufacturing are only approximately 1% to 2% of those used to produce crystalline silicon PV modules. This cost advantage is partially offset by the recent decline in polysilicon prices.
- **Integrated manufacturing process.** Unlike the crystalline silicon manufacturing process, which involves separate steps, usually by various players on the value chain, of converting polysilicon feedstock into crystalline ingots, which are sliced into wafers, then subsequently manufactured into solar cells and then interconnected and packaged to form solar modules, thin film production is a fully integrated and continuous process which typically does not involve multiple players on the value chain, which has the effect of increasing manufacturing efficiency.
- **Superior product performance in various environments.** In certain environments, including those with high temperatures and low light, certain types of thin film PV modules, such as amorphous silicon based thin film modules, can have higher energy yields compared to crystalline silicon PV modules with similar power rates. In addition, thin film PV modules are better suited for off-grid applications, as they normally have simpler system designs, which may lower the total system costs.

However, thin film technology also faces a number of disadvantages when compared to crystalline silicon, including:

- **Limited operating history.** In contrast to crystalline silicon PV modules, no thin film PV modules have been in service for their entire estimated useful lives, limiting the data available to validate estimates of the applicable degradation rate. The first amorphous silicon solar cell used in thin film technology was developed in 1976, whereas crystalline silicon technology was developed much earlier, with the first silicon monocrystalline solar cell being constructed in 1941. According to Solarbuzz, investment in crystalline silicon technology has been higher than thin film technology, with plant capacity expansion investment of over US\$17.05 billion in 2009 compared to thin film plant capacity expansion investment of US\$3.89 billion.
- **Lower conversion efficiency and added space.** The average conversion efficiency of thin film PV modules in high commercial volume (over 20 MW per year) is significantly lower than the current average conversion efficiency of readily available crystalline silicon PV modules. The average conversion efficiency of our thin film modules was approximately 6.0% for the fiscal year ended June 30, 2009, and the conversion efficiency of thin film PV modules of First Solar, Inc., a U.S. company listed on the Nasdaq

INDUSTRY OVERVIEW

Global Market, for its fiscal year ended December 31, 2009 was 11.1%. By contrast, the average conversion efficiency of crystalline silicon PV modules for 2009 was 14.6%, according to Solarbuzz. Since conversion efficiency has a significant impact on cost-per-watt, low conversion efficiencies may make it difficult for some thin film manufacturers to achieve a competitive cost-per-watt.

- **Additional installation space required.** Compared to crystalline silicon PV modules, thin film PV modules require more space to produce a given amount of electricity, due to lower conversion efficiency. This may cause the total installation cost of thin film systems to be greater than that of crystalline silicon systems of same installed capacity. As a result, the price per watt of thin film PV modules is typically lower than that of crystalline silicon PV modules in order to be competitive.

Because of the above reasons, we believe crystalline silicon PV modules will continue to dominate the market in the next five years; however, we believe it will lose market share to thin film PV modules.

DIFFERENT THIN FILM TECHNOLOGIES

There are three main types of thin film technologies, silicon-based thin film, cadmium telluride and copper indium diselenide/copper indium gallium diselenide. They represented approximately 32.0%, 63.0% and 5.0% of total solar power manufacturing in 2009, respectively:

- **Silicon-based thin film.** Silicon-based thin film modules are manufactured from chemical vapor deposition of silane and hydrogen gas. Under certain parameters, this disposition can yield amorphous silicon, nanocrystalline silicon or crystalline silicon on glass.
- **Cadmium Telluride, or CdTe.** Cadmium and tellurium are used as the photosensitive materials in a thin film PV cell. Because cadmium is a toxic material, there are concerns over the adoption of this technology. In addition, manufacturers using CdTe may face difficulties in sourcing tellurium because of its rarity.
- **Copper Indium Diselenide/Copper Indium Gallium Diselenide, or CIS and CIGS.** CIS and CIGS are multi-layered thin film modules made out of copper, indium and selenide. Manufacturers using CIS and CIGS may face difficulties in sourcing indium. There has been no commercial scale manufacturing of CIGS.

The world's major thin film manufacturers employ "in-house" developed thin film manufacturing designs while a few new market entrants produce thin film based on equipment supplied by Applied Materials, Inc. or Oerlikon Corporation.

We use amorphous silicon thin film technology in our manufacturing process.

Amorphous silicon thin film technology, one of the most commonly used silicon-based thin film technologies, offers several advantages over other types of thin film including:

- **Greater application potential.** Amorphous silicon PV modules can be manufactured in low deposition temperatures, allowing for the use of different substrates. Due to their greater versatility in size and substrate, amorphous silicon PV modules are typically suited for more applications than traditional crystalline silicon PV modules and other thin film PV modules, including applications requiring flexible, lightweight and transparent materials. For example, because amorphous silicon PV modules can be more easily integrated into facades, roofs and other structures, they are better suited for BIPV solutions that require embedding solar materials in building materials.

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- **Well-tested and proven non-toxic.** Amorphous silicon PV modules incorporate no heavy metals or toxic compounds into finished products. In contrast, conventional crystalline silicon PV modules contain lead-based cell interconnections, and thin film technologies such as CdTe and CIGS contain toxic materials in finished products.
- **Abundant material supply.** Amorphous silicon thin film is a well-characterized and relatively easily deposited material that has been used in semiconductors and flat panel displays. In contrast, the availability of Cadmium and Indium used in CdTe and CIGS is limited.

Despite these advantages, amorphous silicon thin film technology has shown the potential to yield products at a competitive cost only at efficiency levels that are lower than that of the other two types of thin film technologies. Manufacturing of amorphous silicon thin film modules generally requires higher capital costs, particularly with respect to equipment, and applications that use this type of thin film also generally require a larger area than those of other types of thin film.

OFF-GRID SOLAR APPLICATIONS

The global PV market can be divided into two major application segments: the on-grid segment (in which electricity is fed into an electricity transmission grid for sale such as PV power plants) and the off-grid segment (where access to an electricity transmission grid is not physically available or economically feasible).

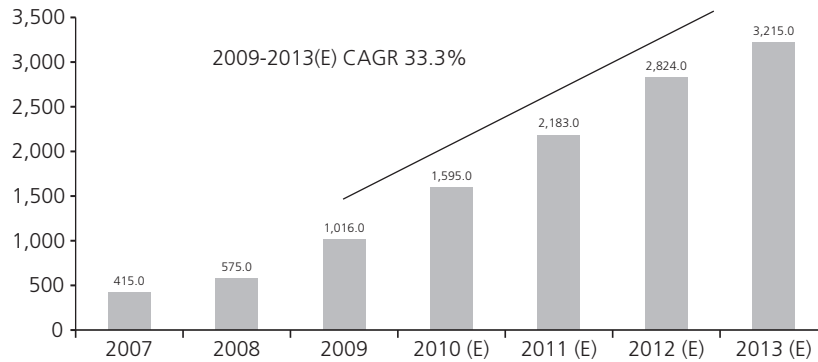
According to Solarbuzz, in 2009, the total world PV market size was 7.30 GW. We commissioned Frost & Sullivan to prepare a report to measure the off-grid PV market size. According to Frost & Sullivan, in 2009, global off-grid PV market installation has exceeded 1.0 GW. We estimate that in 2009, our global off-grid PV market share was approximately 7%, assuming all of our PV products are used for off-grid applications. This approximate market share percentage is derived based on our production of approximately 70 MW in 2009 and the 2009 global off-grid PV market size of 1.02 GW from Frost & Sullivan's report.

The off-grid market includes rural residential applications such as solar home systems, garden lighting systems, industrial applications such as road signs, street lighting, highway call boxes and communications support along remote pipelines, and telecommunications equipment. Compared to on-grid applications, off-grid applications tend to have lower operating and maintenance costs, longer operating lifetimes and higher factory gate prices. Off-grid applications generally represent a suitable option for electricity supply in dispersed communities or communities located far away from electricity grids. Given the lack of viable energy alternatives in these communities, revenues from off-grid applications are less susceptible to the effects of the global economic downturn. According to EPIA, an international industry association in the solar power industry, and Greenpeace, a non-governmental organization, off-grid applications are expected to represent an increasingly larger percentage of the global PV market, as measured by annual PV installations. EPIA and Greenpeace predict that global annual PV installations will reach 35 gigawatts, or GW, and 105GW in 2020 and 2030, respectively, under their moderate scenario. Under the same scenario, the number of people using off-grid home systems will reach 837 million and 2,023 million by 2020 and 2030, respectively. EPIA and Greenpeace also predict that off-grid applications will capture approximately 20% and 30% of the market share by 2020 and 2030, respectively. The off-grid market has been an early adaptor of solar applications, and has developed significantly in recent years. According to Frost & Sullivan report, the global off-grid market is expected to grow at a CAGR of 33.3% from 2009 to 2013.

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The following chart sets forth the expected growth of the off-grid PV market in the world for the periods indicated:

Global Off-grid PV Market Size by Volume (MW)

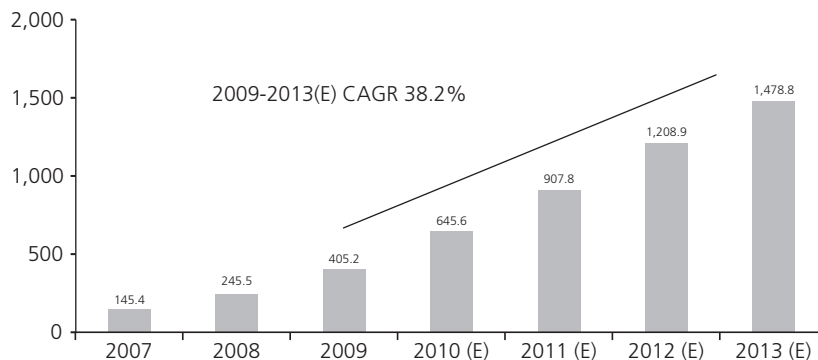


Source: Frost & Sullivan

China has become the global manufacturing hub for off-grid solar applications. According to Frost & Sullivan, total off-grid PV applications manufactured in China for domestic installation and exports are forecasted to increase from 405 MW in 2009 to 1,479 MW in 2013, representing a CAGR of 38.2%. In particular, off-grid PV applications manufactured in China for domestic installation were approximately 50 MW in 2009 and are expected grow at a CAGR of 66% to 384 MW in 2013. Driven by the awareness-raising and government policy, solar home systems and solar lighting systems are expected to be the main engines for China's off-grid market. The export portion of off-grid PV applications manufactured in China is mainly targeted to customers in Europe and the United States, with solar lamps being the major application for export.

The following chart sets forth the expected growth of the off-grid PV products manufactured in China for the periods indicated.

Off-grid PV Products Manufactured in China by Volume (2007-2013)



Source: Frost & Sullivan

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According to Solarbuzz, as at December 31, 2009, the cost of solar power exceeds retail electric rates in many locations. As a result, national and local government bodies in many countries, including China, South Korea, Southeast Asia, Europe, the United States and Africa, have provided incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy and to reduce dependency on other forms of energy. In South Korea, in 2007, the government increased the cap on its feed-in tariff for solar energy in cumulative installations from 20 MW to 100 MW and lifted the per system cap of 3 MW. The current program cap are limited to 70 MW in 2010 and 80 MW in 2011. In Europe, attractive feed-in tariff rates are provided in Spain, Germany, Italy and other European countries. In the United States, in February 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 into law. Under this piece of legislation, the federal government would invest approximately US\$70 billion in renewable energy and energy efficiency measures. This piece of legislation presented significant opportunities for PV as PV deployment has been supported via several programs run by federal agencies. On the state level, as at December 2009, 17 states offer state tax incentives for residential taxpayers, including West Virginia that enacted residential state tax credit in 2009, to promote the use of PV electricity generation. In Africa, the potential of the PV market is high, especially considering the increasing cost of traditional sources of power generation and the decreasing costs of PV systems. According to Solarbuzz, the vast majority of the African PV market is expected to continue to be small-scale solar home systems and community systems ranging from 50 to 1,000 watts, as well as off-grid transmitting outposts used in the telecom industry. In Africa, the majority of the funding for solar energy projects comes from international development programs such as World Bank and the Global Environmental Fund. For example, in December 2009, the World Bank's Clean Technology Fund approved US\$750 million in financing towards solar power plants and infrastructure upgrades in North Africa. The World Bank is also pursuing the Southern Africa Power Market Project, which aims to improve the power infrastructure of Southern African countries.

CHINA'S SOLAR MARKET AND SOLAR POWER INITIATIVES

China's PV market is still relatively small compared to many developed markets. However, this market has grown rapidly in recent years, mainly due to rising demand for electricity and increasing government incentives. According to Solarbuzz, China's domestic PV market grew by a factor of six to 208 MW in 2009, up from just 35 MW in 2008.

China's long-term renewable energy policy has been shaped by the government's central planning agency, the National Development and Reform Commission, or the NDRC. In August 2007, the NDRC issued the Medium and Long-term Development Plan for Renewable Energy, or the NRDC Plan, which describes the national government's financial incentives for the renewable energy industry for the multi-year period ending 2020, with an estimated required investment amount of approximately US\$293 billion during the fifteen-year period ending in 2020. The NDRC's original 2007 target of 300 MW by 2010 and 1.8 GW by 2020 was increased considerably in July 2009 to better reflect the increased potential of solar in the country. The National Energy Association's new guidance foresees 2 GW by 2011 and 20 GW of installed PV capacity by 2020 among the 290 GW of total renewable capacity expected by that date.

In addition to the NRDC Plan, PRC government authorities have recently announced the following incentive schemes:

- In April 2009, the PRC Ministry of Finance and the Ministry of Housing and Urban-Rural Development jointly issued the "Guidelines for Declaration of Demonstration Project of Solar Photovoltaic Building Applications," which created a subsidy of up to RMB20 per watt for BIPV projects using solar-integrated building materials and components and up to RMB15 per watt for BIPV projects using solar-integrated materials for rooftops or walls.

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- In July 2009, the PRC Ministry of Finance announced the Golden Sun Program to support the demonstration and application of the PV industry in China. Under this program, on-grid PV systems will be subsidized at 50% of total investment costs while off-grid PV systems installed in remote regions with no access to grid will be subsidized at 70% of total investment costs. The program seeks to encourage the installation of demonstration projects with an aggregate capacity of 500 MW. Subsidized systems must be at least 300 kW in size and owned by investors with assets of at least RMB100 million. 294 project approvals were announced in November 2009, according to Solarbuzz.
- In July 2010, the PRC National Energy Administration, or the NEA, issued a development plan with respect to the new energy industries. According to this plan, the NEA encourages direct investments of up to RMB5 trillion from 2011 to 2020 in the renewable energy industries. 60% of this RMB5 trillion should be used for the development of renewable energy such as nuclear, wind and solar energy. The plan also includes targets such as increasing the share of non-fossil energy to 15% by 2020.
- The PRC government is in the process of finalizing the details of its national feed-in tariff program, which is expected to be one of the most important performance-based incentive programs to be introduced. It is not yet clear when and at what rate, the program will be announced, according to Solarbuzz.

Regional governments have also introduced, and are expected to continue to introduce, detailed incentive schemes to encourage regional use of solar energy. Recently announced examples include the following:

- In June 2009, the Jiangsu provincial government announced three-year feed-in tariffs of RMB4.3 per kilowatt hour, or kWh, for BIPV projects, RMB3.7 per kWh for rooftop PV modules and RMB2.15 per kWh for ground installations, with these amounts reduced in 2010 to RMB3.5 per kWh, RMB3.0 per kWh and RMB1.7 per kWh and in 2011 to RMB2.9 per kWh, RMB2.4 per kWh and RMB1.4 per kWh, respectively. In June 2009, the Jiangsu provincial government also announced a PV industry promotion roadmap to achieve an installation base of 400 MW by 2011.
- In June 2009, the Ningxia provincial government announced a new energy promotion roadmap which laid out an objective to achieve PV installation base of 100 MW, 600 MW and 2.0 GW by 2010, 2015 and 2020, respectively.
- In May 2009, the Zhejiang provincial government announced a new solar initiative which will facilitate the construction of one million square meters of roof-top solar power stations and the installation of solar street lights on one hundred streets, bringing the total PV system installed capacity in Zhejiang Province to 50 MW by 2012. Solarbuzz has recently updated this installation capacity figure to 200 MW. The plan also stated that the government will encourage financial institutions to provide financial support for new energy projects.
- In March 2010, the Beijing local government developed a promotion program for new energy, aiming to achieve over 70 MW of installed PV capacity, based on BIPV and megawatt-scale ground-mount demonstration projects, by 2011.
- In November 2009, the Hunan provincial government announced a target of achieving 200 MW in PV projects within three years of the announcement.
- Inner Mongolia plans to establish large-scale PV farms with a total installed capacity of 4 GW by 2020.

For a more detailed discussion on such incentives in China, see “Regulations — Renewable energy law and government directives.”

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POTENTIAL FOR SIGNIFICANT COST REDUCTIONS

Cost differentials between solar energy and conventional energy sources have narrowed due to greater economies of scale for manufacturing PV modules, lower equipment and raw material costs and improved conversion and production efficiencies. In addition, once installed, PV systems typically require lower maintenance and little or no fuel, resulting in substantial savings in operating expenses over the expected 20- to 25-year life of the system.

The PV industry is still a nascent industry and has the potential for significant cost reductions. According to the International Energy Outlook 2009 published by the U.S. Department of Energy, although prices for electricity from PV energy may not become widely competitive with wholesale prices for electricity from conventional generating technologies in the near future, they may already be competitive with high retail electricity prices in regions with high sunlight exposure, such as California, Southern Spain and Italy. Additional gains in conversion and production efficiencies and further cost reductions through greater economies of scale for manufacturing PV modules and lower equipment and raw material costs will further lower the cost of solar energy and increase its competitiveness with respect to conventional electricity.

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This section sets out summaries of certain aspects of the PRC laws and regulations, which are relevant to our Group's operation and business.

RENEWABLE ENERGY LAW AND GOVERNMENT DIRECTIVES

China in recent years has undertaken the following initiatives to encourage the development of the renewable energy sector and, in particular, the PV sector:

- **Off-grid electrification projects supporting solar energy.** Off-grid rural electrification projects have been the largest segment in China's PV market. In 2000, the PRC government initiated the RMB10 billion Brightness Program (光明工程) with the goal of providing electricity to nearly 30 million people by 2015. The program seeks to install as much as 320 MW of PV capacity by 2015. China's Renewable Energy Development Project (中國可再生能源發展項目), another program to supply solar home systems to the rural population, ended in 2008. The program supported installation of 402,000 PV systems for public facilities and private households — providing light to more than 2 million homes at a total PV capacity of approximately 11.3 MW.
- **Renewable Energy Law.** In February 2005, China enacted its Renewable Energy Law (《中華人民共和國可再生能源法》), which became effective on January 1, 2006. The Renewable Energy Law sets forth policies to encourage the development and use of solar energy and other non-fossil energy and their on-grid application. It authorizes the relevant pricing authorities to set favorable prices for the purchase of electricity generated by solar and other renewable power generation systems. It also sets forth China's national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling systems, PV systems and other solar energy utilization systems. In addition, it provides financial incentives, such as national funding, preferential loans and tax preferences for the development of renewable energy projects.
- **National directive to expand solar energy usage in residential and commercial buildings.** China's Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) issued a directive in June 2005, which seeks to expand the use of solar energy in residential and commercial buildings and encourages the increased application of solar energy in various townships. In addition, China's State Council promulgated a directive in July 2005, which sets forth specific measures to conserve energy.
- **Special funding for renewable energy applications in building construction.** On September 4, 2006, China's Ministry of Finance (中華人民共和國財政部) and Ministry of Housing and Urban-Rural Development jointly promulgated the Interim Measures for Administration of Special Funds for Application of Renewable Energy in Building Construction (《可再生能源建築應用專項資金管理暫行辦法》), which provides that the Ministry of Finance will arrange special funds to support the application of renewable energy in building construction in order to enhance building energy efficiency, protect the ecological environment and reduce the consumption of fossil energy. These special funds provide significant support for the application of solar energy in hot water supply, refrigeration and heating, PV technology and lighting integrated into building construction materials.
- **Financial subsidies and preferential tax regulations for renewable energy industry.** In August 2007, the NDRC issued the Medium and Long-term Development Plan for Renewable Energy (《可再生能源中長期發展規劃》) which describes the national government's financial incentives for the renewable energy industry for the multi-year period ending 2020, with an estimated required investment amount of approximately US\$300 billion. The plan also calls for increasing the overall installation capacity for solar energy to 300 MW by 2010 and 1.8 GW by 2020. Recent policy statements have indicated that these targets may rise to 400 MW to 500 MW by 2010 and 2 GW by 2020.

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- **Energy Conservation Law.** On April 1, 2008, the PRC Energy Conservation Law 《中華人民共和國節約能源法》 came into effect. Among other objectives, this law encourages the utilization and installation of solar power facilities in buildings for energy-efficiency purposes.
- **Regional government solar initiatives.** Regional governments have also introduced, and are expected to continue to introduce detailed incentive schemes to encourage regional use of solar energy. Recently announced examples include the following:
 - In June 2009, the Jiangsu provincial government announced three-year feed-in tariffs of RMB4.3 per kWh, for BIPV projects, RMB3.7 per kWh for rooftop PV modules and RMB2.15 per kWh for ground installations, with these amounts reduced in 2010 to RMB3.5 per kWh, RMB3.0 per kWh and RMB1.7 per kWh and in 2011 to RMB2.9 per kWh, RMB2.4 per kWh and RMB1.4 per kWh, respectively. In June 2009, the Jiangsu provincial government also announced a PV industry promotion roadmap to achieve an installation base of 400 MW by 2011.
 - In June 2009, the Ningxia regional government announced a new energy promotion roadmap which laid out an objective to achieve PV installation base of 100 MW, 600 MW and 2.0 GW by 2010, 2015 and 2020, respectively.
 - In May 2009, the Zhejiang provincial government announced a new solar initiative which will facilitate the construction of one million square meters of roof-top solar power stations and the installation of solar street lights on one hundred streets, bringing the total PV system installed capacity to 50 MW by 2012 in Zhejiang Province. The plan also stated that the government will encourage financial institutions to provide financial support for new energy projects.
- **National and local government subsidies for PV technology applications in building construction.**
 - In March 2009, China's Ministry of Finance promulgated the Interim Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology in Building Construction 《太陽能光電建築應用財政補助資金管理暫行辦法》, or the Interim Measures, to support the demonstration and the promotion of PV applications in China. Local governments are encouraged to issue and implement supporting policies for the development of PV technology. These Interim Measures, set forth subsidy funds set at RMB20 per watt for 2009 to cover PV systems integrated into building construction that have a minimum capacity of 50 kilowatt peak.
 - In April 2009, the Ministry of Finance and the Ministry of Housing and Urban-Rural Development jointly issued the "Guidelines for Declaration of Demonstration Project of Solar Photovoltaic Building Applications (太陽能光電建築應用示範項目申報指南)." These Guidelines create a subsidy of up to RMB20 per watt for BIPV projects using solar-integrated building materials and components and up to RMB15 per watt for BIPV projects using solar-integrated materials for rooftops or walls.
- **Renewable energy incentive plan.** The PRC government is currently drafting a renewable energy incentive plan, which is expected to accelerate the growth in China's solar power industry. The estimated PV manufacturing capacity in 2020 under this plan will be more than four times larger than under the previous plan released in 2007.
- **National subsidies for solar power applications.** In July 2009, the Ministry of Finance promulgated the Notice for Application of Renewable Energy in Building Construction in Rural Areas 《關於印發加快推進農村地區可再生能源建築應用的實施方案的通知》, under which the government would support the application of solar energy in building construction for houses and schools in rural areas. The program

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is expected to provide 60% of the construction costs for buildings with solar power applications. In addition, the Ministry of Finance promulgated the Notice for Application of Renewable Energy in Exemplary Cities 《關於印發可再生能源建築應用城市示範實施方案的通知》，under which the central government would provide subsidies for exemplary cities for a term of three years based on areas with solar power applications.

- **National subsidies for building PV systems.** In July 2009, the PRC Ministry of Finance announced the Golden Sun Program “金太陽”示範工程 to support the demonstration and application of the PV industry in China. Under this program, on-grid PV systems will be subsidized to cover 50% of total investment costs while off-grid PV systems installed in remote regions with no access to grid will be subsidized to cover 70% of total investment costs. The program seeks to encourage the installation of demonstration projects with an aggregate capacity of 500 MW. A majority of these projects will be on-grid ground-mounted projects. Subsidized systems must be at least 300 kW in size and owned by investors with assets of at least RMB100 million.

ENVIRONMENTAL REGULATIONS

Our research and development and manufacturing activities may use, generate and discharge toxic, volatile or otherwise hazardous chemicals and wastes. We are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. We are subject to various PRC laws and regulations with respect to environmental protection, the prevention and control of water, air, noise and solid waste pollution, and construction project environmental protections. The main PRC environmental laws and regulations applicable to us include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the PRC Law on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on Prevention and Treatment of Air Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on Prevention and Treatment of Solid Waster Pollution (《中華人民共和國固體廢物污染環境防治法》) and the PRC Law on Appraising Environment Impacts (《中華人民共和國環境影響評價法》). In addition, the Administration Regulation on the Levy and Use of Discharge Fees (《排污費徵收使用管理條例》) together with two implementing rules are also applicable to us.

WORK SAFETY LAW

The PRC Work Safety Law 《中華人民共和國勞動安全法》, or WSL, was adopted at the 28th meeting of the Standing Committee of the Ninth People’s Congress on June 29, 2002, and was promulgated for implementation as at November 1, 2002. The WSL is applicable to the work safety for entities engaging in manufacturing and business operation activities within the PRC. Such entities must comply with the WSL and other relevant laws and regulations concerning work safety and strengthen the administration of work safety, establish and perfect the system of responsibility for work safety, ensure conditions for safe manufacturing, and ensure safety in manufacturing.

REGULATIONS ON LABOR PROTECTION

The PRC Labor Contract Law 《中華人民共和國勞動合同法》 was promulgated on June 29, 2007 and became effective on January 1, 2008. This law governs the establishment of employment relationships between employers and employees, and the conclusion, performance and termination of, and the amendment to, employment contracts. To establish an employment relationship, a written employment contract must be signed. In the event that no written employment contract is signed at the time of establishment of an employment relationship, a written employment contract must be signed within one month after the date on which the employer engages the employee.

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PRODUCT QUALITY LAW

According to the PRC Product Quality Law 《中華人民共和國產品質量法》, manufacturers shall be liable for the quality of products that they produce and sellers shall take reasonable actions to ensure the quality of the products they sell. The seller is responsible for the repair, exchange or refund of the products if the product displays the following defects:

- the product sold does not have the attribute or function it ought to have, and there was no advance explanation or statement made to that effect;
- the product sold does not comply with the adopted standards indicated on the product or its package; or
- the product sold does not comply with similar product quality as indicated by means of product instruction or sample.

The manufacturer is to compensate the user of the defective product for harm caused by the defective product to any person or property other than the defective product itself, unless the manufacturer is able to provide evidence that:

- it did not put the product into circulation;
- the defect did not exist at the time the product was put into circulation, or it came into being afterwards; or
- the state of scientific or technological knowledge when the product was circulated was not such as to allow the defect be discovered.

The seller is to compensate the user of the defective product for harm caused by the defective product to any person or property other than the defective product itself if such defect is caused by the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller.

RESTRICTIONS ON FOREIGN BUSINESSES AND INVESTMENTS

The principal regulation governing foreign ownership of PV product manufacturing businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue 《外商投資產業指導目錄》, updated and effective as at December 1, 2007. Under this regulation, the PV product manufacturing business is listed as an industry where foreign investments are encouraged.

DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends by WFOEs, include:

- Corporation Law of 1993 (《公司法》), as amended;
- Wholly Foreign-Owned Enterprise Law of 1986 《外資企業法》, as amended; and
- Wholly Foreign-Owned Enterprise Law Implementation Rules of 1990 《外資企業法實施細則》, as amended.

Under the current regulatory regime in China, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. After making up for any deficit in prior years pursuant to the PRC laws, a WFOE in China is required to set aside at least 10% of its after-tax profit calculated in accordance with PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a WFOE has the discretion to allocate a portion of its after-tax profits to its staff welfare and bonus funds, which is likewise not distributable to its equity owners except in the event of a liquidation of the foreign-invested enterprise.

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FOREIGN CURRENCY EXCHANGE

China regulates foreign currency exchanges primarily through the following rules and regulations:

- Foreign Currency Administration Rules of 1996 《中華人民共和國外匯管理條例》, as amended; and
- Administrative Rules of the Settlement, Sale and Payment of Foreign Exchange of 1996 《結匯、售匯及付匯管理規定》.

Changes in foreign exchange and foreign investment regulations in China may affect our ability to invest in China and the ability of our PRC subsidiary to pay dividends and service debts in foreign currencies. Renminbi is not presently a freely convertible currency. Under the current PRC regulations, conversion of Renminbi is permitted in China for routine current-account foreign exchange transactions, including trade and service related foreign exchange transactions, payment of dividends and service of foreign debts. Conversion of Renminbi for most capital-account items, such as direct investments, investments in PRC securities markets and repatriation of investments, however, is still subject to the approval of the SAFE.

Pursuant to the above-mentioned administrative rules, foreign-invested enterprises may buy, sell and/or remit foreign currencies for current-account transactions at banks in China with authority to conduct foreign exchange business by complying with certain procedural requirements, such as presentation of valid commercial documents. For most capital-account transactions, approval from SAFE is a pre-condition. Capital investments by foreign-invested enterprises outside China are also subject to limitations and requirements in China, such as prior approvals from the PRC Ministry of Commerce, the SAFE and the NDRC.

REGULATION OF CERTAIN ONSHORE AND OFFSHORE TRANSACTIONS

In October 2005, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies 《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》, or Circular No. 75, which became effective as at November 1, 2005, and was further supplemented by an implementing notice issued by the SAFE on November 24, 2005. Circular No. 75 suspends the implementation of two prior regulations promulgated in January and April of 2005 by SAFE. Circular No. 75 states that Chinese residents, whether natural or legal persons, must register with the relevant local SAFE branch prior to establishing or taking control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by them.

The term “Chinese legal person residents” as used in the Circular No. 75 refers to those entities with legal person status or other economic organizations established within the territory of China. The term “Chinese natural person residents” as used in the Circular No. 75 includes all Chinese citizens and all other natural persons, including foreigners, who habitually reside in China for economic benefit. The SAFE implementing notice of November 24, 2005 further clarifies that the term Chinese natural person residents as used under Circular No. 75 refers to those “Chinese natural person residents” defined under the relevant PRC tax laws and those natural persons who hold any interests in domestic entities classified as “domestic-funding” interests.

Chinese residents are required to complete amended registrations with the local SAFE branch upon (i) transfer of equity interests or assets of an onshore enterprise to the offshore entity, or (ii) subsequent overseas equity financing by such offshore entity. Chinese residents are also required to complete amended registrations or filing with the local SAFE branch within 30 days of any material change in the shareholding or capital of the offshore entity, such as changes in share capital, share transfers and long-term equity or debt investments, and provision of security. Chinese residents who have already incorporated or gained control of offshore entities that have made onshore investment in China before Circular No. 75 was promulgated must register their shareholding in the offshore entities with the local SAFE branch on or before March 31, 2006.

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Under Circular No. 75, Chinese residents are further required to repatriate back into China all of their dividends, profits or capital gains obtained from their shareholdings in the offshore entity within 180 days of their receipt of such dividends, profits or capital gains. The registration and filing procedures under Circular No. 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholder loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction.

As advised by Jingtian & Gongcheng, our PRC legal advisors, the Directors confirmed that Trony Science, our only operating subsidiary and our only subsidiary established in the PRC, has obtained all the necessary permits, certificates and licenses for its operations and has complied with the relevant PRC laws and regulations in all material respects.

In order to maintain our on-going compliance with the relevant regulatory requirements in the PRC, we have appointed Mr. Yi Li, our executive Director, to be in charge of all legal and compliance matters and will engage a PRC law firm to advise us on legal and compliance matters in the PRC generally on an on-going basis (including any changes in the relevant PRC law) and Shenzhen Yiying to advise us on matters relating to intellectual properties. We have also established and implemented various internal control rules and guidelines in connection with the various aspects of our Group's business and operations, which will be regularly adjusted to adapt to changes in the business and operations environment. When necessary, we would also make enquiries with the relevant governmental authorities, agencies or legal experts for specific matters relating to legal compliance in the PRC.

HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

We trace our origins to 1993 when Trony Science was established in Shenzhen, the PRC, with an initial registered share capital of RMB3 million. In 1998, we commenced the commercial production of thin film solar embedded modules. We commenced the Corporate Reorganization in 2006 and as part of the Corporate Reorganization, our Company was incorporated in the Cayman Islands on June 23, 2006 to act as the holding company of our Group. Trony HK is the directly wholly-owned subsidiary of our Company, while Trony Science is the directly wholly-owned subsidiary of Trony HK. Trony HK was incorporated on August 3, 2006 and is an investment holding company which holds our Company's interest in Trony Science. Substantially all of our business is conducted through Trony Science, which develops, manufactures and sells solar products primarily in the PRC. Our Controlling Shareholder, Mr. Li, has been the general manager of Trony Science since its inception in 1993. On March 12, 1997, Mr. Li entered into an equity interest transfer agreement with Shenzhen Heima Industry Limited (深圳黑馬實業有限公司) ("**Heima**") pursuant to which the 6% equity interest in Trony Science held by Heima was transferred to Mr. Li at a consideration of RMB180,000, which was settled in cash and determined by reference to the appraised value of the total asset of Trony Science as at December 31, 1996. On March 15, 1997, Mr. Li entered into an equity interest transfer agreement with Hongquan (深圳鴻泉機械有限公司) ("**Hongquan**") pursuant to which the 38% equity interest Trony Science held by Hongquan was transferred to Mr. Li at a consideration of RMB1,140,000, which was settled in cash and determined by reference to the appraised value of the total asset of Trony Science as at December 31, 1996. On April 8, 2002, the registered capital of Trony Science was increased by RMB3,500,000, which was contributed by Mr. Li. On September 13, 2003, the registered capital of Trony Science was further increased by RMB3,580,000, in which RMB920,000 was contributed directly by Mr. Li, RMB1,600,000 was contributed by Yiyang Zhang as nominee for and on behalf of Mr. Li and RMB1,600,000 was contributed by Shenzhen Wujie Industry Development Limited (深圳市五傑實業發展有限公司) ("**Wujie**"). Since then, Trony Science was held as to 32.54% by Wujie, as to 56.94% by Mr. Li directly and as to 10.52% by Mr. Li indirectly through Yiyang Zhang as his nominee. On November 20, 2003, Mr. Li entered into an equity interest transfer agreement with Wujie pursuant to which the 32.54% interest in the capital of Trony Science held by Wujie, a company owned as to 86.67% by Mr. Li at that time, was transferred to Mr. Li at a consideration of RMB3,280,000, which was settled in cash and determined by reference to the then registered capital of Trony Science. Upon the completion of the said transfer, Trony Science became wholly-owned by Mr. Li.

At the time of its establishment, Trony Science was initially held as to 6% by Heima, 38% by Hongquan, 38% by Shenzhen Shenhui Technology Limited (深圳深輝技術有限公司) ("**Shenhui**") and 18% by Shenzhen Nanya Technology Limited (深圳南亞技術有限公司) ("**Nanya**"). Our Directors confirm that, to the best of their knowledge, Heiman, Hongquan, Shenhui and Nanya were Independent Third Parties. On November 14, 2000, Wujie acquired 38% and 18% equity interest in Trony Science from Shenhui and Nanya for a consideration of RMB1,140,000 and RMB540,000, respectively, based on by arm's length negotiation. To the best knowledge of our Directors, at that time, each of Wujie and its shareholders was an Independent Third Party. Mr. Li acquired 80% equity interest in Wujie on May 25, 2001 and further increased his equity interest in Wujie to 86.67% in 2002 by contributing additional capital to Wujie.

HISTORY AND CORPORATE STRUCTURE

BUSINESS MILESTONES

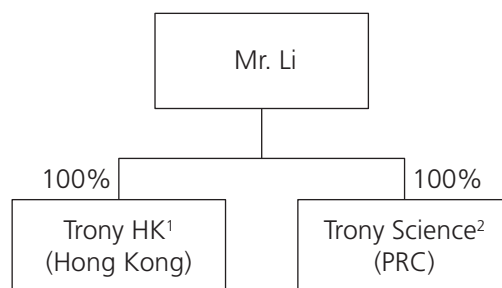
The following table summarises various key milestones in the development of our business:

Year	Event
1993.....	Trony Science was established in the PRC
1995.....	Trony Science commenced production of thin film solar embedded modules
1996.....	Trony Science received a Science and Technology Progress Award from the Ministry of Domestic Trading for its indoor amorphous silicon solar module manufacturing technologies which significantly contribute to progress of science and technology
1997.....	Mr. Li received a Science and Technology Progress Award from the State Science and Technology Commission for its indoor amorphous silicon solar module manufacturing technologies which significantly contribute to progress of science and technology
1998.....	Trony Science began commercial production of thin film solar embedded modules
2004.....	Mr. Li received the Golden Medal in the Concours Lepine International Inventors Exhibition Trony Science was chosen by the PRC Ministry of Science and Technology to participate in 863 program
2006.....	Trony Science commenced production of standard PV modules for solar home systems and other off-grid applications Mr. Li received a China Patent Gold Award which was issued jointly by the World Intellectual Property Organization and the State Intellectual Property office of the PRC Trony Science entered into BIPV market
2007.....	15 MW semi-automated production line capable of producing 0.43 and 1.0 square meter modules commenced operation in July
2008.....	Expansion of annual production capacity to 45 MW Trony Science was selected by the PRC Ministry of Housing Construction for Urban and Rural Areas as preferred provider of BIPV products
2009.....	70 MW fully automated production line capable of producing 1.0 and 1.8 square meter modules commenced operation in August Trony Science commenced production of double junction a-Si module with higher conversion efficiency Trony Science was chosen by the PRC Ministry of Science and Technology to participate in 863 program Trony Science received BlueSky Award from the United Nations Industrial Development Organization — Shenzhen International Technology Promotion Center Mr. Li received a China Patent Excellence Award from the State Intellectual Property Office
2010.....	Trony Science received 2009 Low Carbon China Contribution Enterprise Award from the Low Carbon China Forum Association Expansion of annual production capacity to 145 MW was completed by March 31, 2010

HISTORY AND CORPORATE STRUCTURE

CORPORATE REORGANIZATION

The chart below illustrates the shareholding structure of Trony Science immediately prior to the Corporate Reorganization:



Notes:

1. Trony HK is held as to 50% directly by Mr. Li and 50% by Mr. Li through Guo Yingru, an employee of our Group, pursuant to a declaration of trust dated September 6, 2006 as part of the procedures taken for the incorporation of Trony HK.
2. The entire equity interests in Trony Science were beneficially held by Mr. Li, which he held directly as to 55% and indirectly held as to 15% through Yiyong Zhang, the mother of Mr. Li, 5% through Ying Li, a sister of Mr. Li, and 25% through Chuangyixing pursuant to declarations of trust dated December 20, 2005 entered into between Mr. Li and Yiyong Zhang, Ying Li and Chuangyixing, respectively. These trust arrangements were made as part of a restructuring exercise of Trony Science, which was subsequently superseded by the Corporate Reorganization.

Establishment of our offshore shareholding structure

In contemplation of the Global Offering, our Group underwent the Corporate Reorganization prior to the Listing which involved the follow steps:

(1) Incorporation of our Company

Our Company was incorporated in the Cayman Islands on June 23, 2006 to act as the ultimate holding company of our Group. At the time of our incorporation, Offshore Incorporations (Cayman) Limited held the one subscriber share of US\$1.00 par value in our Company.

(2) Acquisition of Trony Science by Trony HK and acquisition of Trony HK by our Company

On September 6, 2006, Trony HK entered into an equity transfer agreement with Yiyong Zhang, Ying Li and Chuangyixing, nominee shareholders holding Shares on behalf of Mr. Li, and Mr. Li for the acquisition of the entire equity interest in Trony Science at a consideration of RMB40,000,000. Pursuant to a supplemental equity transfer agreement dated November 3, 2006, the parties subsequently agreed to reduce the consideration to RMB20,000,000 as a result of the valuation of Trony Science by an independent valuer. On September 7, 2006, after having obtained the approval of the People's Government of Shenzhen, Trony Science was converted into a wholly foreign-owned enterprise of Trony HK. At that time, Trony HK was held as to 50% by Mr. Li and 50% by Guo Yingru as nominee on behalf of Mr. Li pursuant to a declaration of trust dated September 6, 2006.

Pursuant to an instrument of transfer entered into between our Company and Mr. Li on November 17, 2006 and an instrument of transfer entered into between our Company and Ms. Yingru Guo, a nominee of Mr. Li, on November 17, 2006, our Company acquired the entire equity interest in Trony HK from Mr. Li and Ms. Yingru Guo for a nominal consideration.

HISTORY AND CORPORATE STRUCTURE

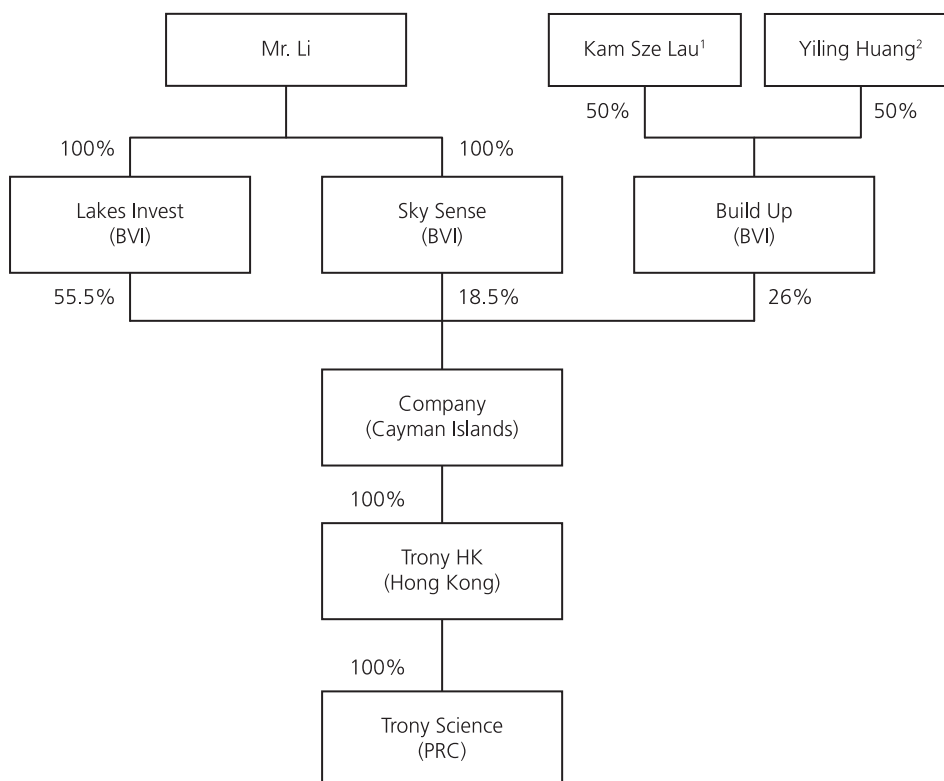
(3) Issue of Shares in our Company to Lakes Invest, Sky Sense and Build Up

On November 17, 2006, Offshore Incorporations (Cayman) Limited transferred the one subscriber share of US\$1.00 par value in our Company to Lakes Invest, and our Company allotted and issued an additional 554 shares of US\$1.00 each to Lakes Invest for a subscription price of US\$1.00 per share. On the same date, our Company allotted and issued 185 and 260 shares of US\$1.00 each to Sky Sense and Build Up, respectively, for a subscription price of US\$1.00 per share. However, as set out below, Build Up had originally intended to purchase a 26% interest in the Company from Lakes Invest for a consideration of RMB40,000,000, which was based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of the Group at the time of the transaction. Build Up had paid the said RMB40,000,000 to Lakes Invest, through which US\$260 was paid to our Company as subscription price for the 260 shares issued to Build Up. Subsequent to the above allotment and issue, our Company was owned as to 55.5% by Lakes Invest, as to 18.5% by Sky Sense and as to 26.0% by Build Up. At that time, Sky Sense was wholly owned by Mr. Li. The entire equity interest of Lakes Invest was beneficially owned by Mr. Li, which he directly owned 73% and indirectly owned 20% through Ms. Yiyang Zhang, his mother, who held such interest on his behalf pursuant to a declaration of trust dated July 5, 2006, and 7% through Ms. Ying Li, his sister, who held such interest on his behalf pursuant to a declaration of trust dated July 5, 2006. Build Up was owned as to 50% by Kam Sze Lau and as to 50% by Yiling Huang. Each of Kam Sze Lau and Yiling Huang is an Independent Third Party and has no relationship with our Group before and after their investment except for their interest in the Shares of our Company. Kam Sze Lau and Yiling Huang were introduced to Mr. Li by Guanghua Liu and Yan Wang, shareholders of Tang&Lee. They were then introduced by Mr. Li to our Company. On August 10, 2009, the directors and shareholders of Lakes Invest, Sky Sense and Build Up executed a letter of understanding and confirmed that the details recorded on the register of members of the Company did not reflect the true intentions of the Company, Lakes Invest, Sky Sense and Build Up. The Company originally intended to issue an additional 999 shares to Lakes Invest and Lakes Invest originally intended to subsequently transfer 185 and 260 shares to Sky Sense and Build Up, respectively. As confirmed by Walkers, the legal advisors to the Company as to the laws of the Cayman Islands, the subscription and issue of shares to Lakes Invest, Sky Sense and Build Up as set out above were legal and valid under the laws of the Cayman Islands. The letter of understanding therefore had no impact on the legality and validity of the shares issued to the respective shareholders. The letter of understanding was executed in order to document the actual intentions of the shareholders at the time of the transactions and that Build Up paid consideration to Lakes Invest for the 260 shares issued to Build Up.

HISTORY AND CORPORATE STRUCTURE

(4) Restructuring of the share capital of our Company

The following diagram sets out our offshore shareholding structure immediately before the following restructuring of the share capital of our Company:



Notes:

1. Kam Sze Lau is an Independent Third Party.
2. Yiling Huang is an Independent Third Party.

In preparation for the investments by JPMSS and Intel Capital as detailed in paragraph 8 below, we restructured our share capital on September 23, 2008 by subdividing each of our shares of US\$1.00 par value into 10,000 shares of US\$0.0001 par value each. Immediately after the subdivision, we issued 49,950,000 Shares, 16,650,000 Shares and 23,400,000 Shares to Lakes Invest, Sky Sense and Build Up, respectively, at a subscription price of US\$0.0001 per share. Immediately after the above share subdivision and issue, Lakes Invest held 55,500,000 Shares, Sky Sense held 18,500,000 Shares and Build Up held 26,000,000 Shares. Accordingly, our Company was owned as to 55.5% by Lakes Invest, as to 18.5% by Sky Sense and as to 26.0% by Build Up.

(5) Transfer of shares in our Company by Lakes Invest

On September 23, 2008, Lakes Invest transferred 50,000 and 1,100,000 shares of US\$0.0001 each in our Company, representing approximately 0.05% and 1.1% of our share capital then in issue, to Ellipsis Limited at nil consideration and to Liu Lai Ting at a consideration of US\$2.8 per share based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction, respectively. On the same date, Build Up transferred 2,000,000 shares of US\$0.0001 each, representing approximately 2.0% of our share capital then in issue, to Ellipsis Limited at nil consideration,

HISTORY AND CORPORATE STRUCTURE

and Ellipsis Limited subsequently transferred 550,000 shares of US\$0.0001 each, representing approximately 0.55% of our share capital then in issue, to Liu Lai Ting at nil consideration as a gift for personal reasons. To the best knowledge of our Directors, Yixiang Chen and Liu Lai Ting are not related. On the same date, we also allotted and issued an aggregate of 1,122,871 shares of US\$0.0001 each, representing approximately 1.1% of our share capital then in issue, to Liu Lai Ting for a subscription price of US\$2,000,000 plus RMB5,000,000 based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction. Ellipsis Limited is wholly owned by Mr. Chen Yixiang, an executive Director. Liu Lai Ting is an Independent Third Party and has no relationship with our Group before and after her investment in our Company except for her interest in the shares of our Company. Liu Lai Ting was a personal acquaintance of Mr. Li, who introduced her to our Company as an investor.

Subsequent to the above transfers and issue of shares in our Company, the then issued share capital of our Company was owned as to 53.57% by Lakes Invest, 23.73% by Build Up, 18.29% by Sky Sense, 1.48% by Ellipsis Limited, 0.18% by Warsaw Holdings Limited and 2.74% by Liu Lai Ting.

On September 23, 2008, Lakes Invest also transferred 180,000 shares of US\$0.0001 each, representing approximately 0.18% of our share capital then in issue, to Warsaw Holdings Limited at a consideration of US\$2.8 per share based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction. Warsaw Holdings Limited was wholly owned by Lo Li, an Independent Third Party. Lo Li was introduced by the shareholders of Build Up to Mr. Li, who introduced her to our Company as an investor when Mr. Li sold some of his equity interests in our Company to Warsaw Holdings Limited. Lo Li has no relationship with our Group before and after her investment in our Company except for her interest in the shares of our Company.

As a result of the above share transfers and share issue, Ellipsis Limited, Liu Lai Ting and Warsaw Holdings Limited became shareholders of our Company. Subsequent to the above transfers and issue, our Company was owned as to 53.57% by Lakes Invest, as to 18.3% by Sky Sense, as to 23.73% by Build Up, as to 1.48% by Ellipsis Limited, as to 0.18% by Warsaw Holdings Limited and as to 2.74% by Liu Lai Ting.

(6) Restructuring of the share capital of Trony HK

Trony HK restructured its share capital on September 25, 2008 by subdividing each of its share of HK\$1.00 par value into 100 shares of HK\$0.01 par value each. Immediately after the subdivision, Trony HK issued 9,800 shares of HK\$0.01 par value to our Company for a subscription price of HK\$0.01 per share.

(7) Issue of Series A Preferred Shares

On September 25, 2008, the authorized share capital of our Company was redesignated and reclassified into 493,972,809 ordinary shares of US\$0.0001 par value each and 6,027,191 Series A Preferred Shares of US\$0.0001 par value each.

Pursuant to a Series A Preferred Share Purchase Agreement entered into by and among our Company, Trony HK, Trony Science, all of the then shareholders of our Company and the Series A Shareholders on September 26, 2008 ("**Series A Agreement**"), we allotted and issued 3,348,439 and 2,678,752 Series A Preferred Shares to JPMSS and Intel Capital, respectively, for a consideration of US\$25,000,000 and US\$20,000,000, respectively.

The Series A Preferred Shares were redeemable at the election of the Series A Shareholders at any time after the one (1) year anniversary of the original issue date of the Series A Preferred Shares for the original purchase price plus a sum representing a yield of twenty percent (20%) of the original purchase price for the Series A Preferred Shares, compounded annually from the original issue date of the Series A Preferred Shares until the date of such redemption (the "**Series A Redemption Price**").

HISTORY AND CORPORATE STRUCTURE

JPMSS is a Mauritius company, is a wholly owned subsidiary of JPMorgan Chase & Co, a public company listed on the New York Stock Exchange. Intel Capital Corporation is a company incorporated under the laws of Delaware and a wholly owned subsidiary of Intel Corporation, a public company listed on NASDAQ.

The proceeds from the issue of the Series A Preferred Shares were primarily applied to the expansion of our production capacity.

On March 29, 2010, the Series A Preferred Shareholders submitted written notice to us to exercise its put options on the Series A Preferred Shares.

The Series A Preferred Shares redemption was completed on April 28, 2010. Please refer to paragraph (10) for further details of the redemption.

(8) Further restructuring of the share capital of our Company

On August 6, 2009, 1,122,871 ordinary shares of our Company, representing approximately 1.06% of our share capital then in issue, previously issued to Liu Lai Ting were forfeited due to Liu Lai Ting's failure to pay the subscription price in respect of such shares.

On October 27, 2009, Sky Sense transferred 497,900 and 2,120,544 ordinary shares of our Company of US\$0.0001 each, representing approximately 0.47% and 2.00% of our share capital then in issue, to Wang Mei Po and Warsaw Holdings Limited, respectively, at a consideration of US\$3.0 per share based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction. On the same date, Build Up transferred 3,180,000 ordinary shares of our Company of US\$0.0001 each, representing approximately 3.00% of our share capital then in issue, to Wang Mei Po at a consideration of US\$3.0 per share based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction; and Ellipsis Limited transferred 1,500,000 ordinary shares of our Company of US\$0.0001 each, representing approximately 1.41% of our share capital then in issue, to Wellink Management Limited at nil consideration. As a result of the above share transfers, Ellipsis Limited ceased to be a shareholder of our Company and each of Wellink Management Limited and Wang Mei Po became a shareholder of our Company. Wellink Management Limited is wholly owned by Mr. Yixiang Chen, an executive Director. Wang Mei Po is an Independent Third Party and has no relationship with our Group before and after her investment in our Company except for her interest in the shares of our Company. Wang Mei Po was introduced by the shareholders of Build Up to Mr. Li, who introduced him to our Company as an investor when Mr. Li sold some of his equity interests in our Company to him.

(9) Restructuring of interest held by Mr. Li and the establishment of Li Family Trust

On November 17, 2009, Spring Shine acquired the entire issued share capital of Lakes Invest through the following transactions:

- (i) Mr. Li transferred 73 ordinary shares of US\$1.00 each in the share capital of Lakes Invest, representing 73% of the share capital of Lakes Invest then in issue, to Spring Shine at nil consideration.
- (ii) Ying Li transferred 7 ordinary shares of US\$1.00 each in the share capital of Lakes Invest, representing 7% of the share capital of Lakes Invest then in issue, to Spring Shine at nil consideration.
- (iii) Yiyang Zhang transferred 20 ordinary shares of US\$1.00 each in the share capital of Lakes Invest, representing 20% of the share capital of Lakes Invest then in issue, to Spring Shine at nil consideration.

On the same date, Spring Shine also acquired the one (1) ordinary share of US\$1.00 each in the share capital of Sky Sense held by Mr. Li, representing the entire issued share capital of Sky Sense, for nil consideration.

HISTORY AND CORPORATE STRUCTURE

As at the Latest Practicable Date, Spring Shine was owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust. The Li Family Trust is a discretionary trust set up by Mr. Li, the beneficiary objects of which include the immediate family members of Mr. Li. Mr. Li is the settlor of the Li Family Trust.

(10) Issue of Series B Preferred Shares and redemption of Series A Preferred Shares

Pursuant to a Series B Preferred Share Purchase Agreement entered by and among our Company, Trony HK, Trony Science, Mr. Li, Sky Sense, Build Up, Lakes Invest and the Series B Shareholders on April 23, 2010 (the “**Series B Agreement**”), we allotted and issued 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares, representing approximately 12.50%, 1.25% and 1.25% of our share capital then in issue, to ICBCI Fund Management, Shikumen and Tailwind, respectively, for a consideration of US\$49,999,998.80, US\$5,005,000.60 and US\$5,005,000.60, respectively. On April 28, 2010, the authorized share capital of our Company was redesigned and reclassified into 482,350,000 ordinary shares of US\$0.0001 par value each and 17,650,000 redeemable Series B Preferred Shares of US\$0.0001 par value each and the subscription and issue of the Series B Preferred Shares was completed on April 28, 2010. For details on the principal terms of the Series B Preferred Shares, please refer to the section headed “— Principle Terms of Investment by The Series B Shareholders”. On the same date, our Company redeemed all of the 6,027,191 Series A Preferred Shares held by the Series A Shareholders for an aggregate amount of US\$60,122,187, which represents the Series A Redemption Price. The entire proceeds from the sale of the Series B Preferred Shares were used by our Company to pay the said consideration. Upon redemption of the Series A Preferred Shares, the Series A Shareholders no longer have any outstanding rights or obligations in relation to our Group.

Subsequent to the redemption of the Series A Preferred Shares and issue of the Series B Preferred Shares, our Company was owned as to 46.04% by Lakes Invest, as to 13.50% by Sky Sense, as to 17.70% by Build Up, as to 1.27% by Wellink Management Limited, as to 1.96% by Warshaw Holdings Limited, as to 1.40% by Liu Lai Ting, as to 3.13% by Wang Mei Po, as to 12.50% by ICBCI Fund Management, as to 1.25% by Shikumen and as to 1.25% by Tailwind.

ICBCI Fund Management, which is engaged in the business of asset management, is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of ICBC International Holdings Limited. Shikumen is a company incorporated in the Cayman Islands and managed by Shikumen Capital Management (HK) Limited. Shikumen focuses on “special situation” investment opportunities in the Asia Pacific region which may involve the purchase and sale of securities of companies that are the subject of merger and acquisition activities, corporate reorganizations, stock placements, distress, spin-offs or other significant corporate events or transactions, as well as asset-level investments, such as real estate and infrastructure projects. Tailwind is a company incorporated in the BVI and a special investment vehicle managed by Shikumen Capital Management (HK) Limited. As at the Latest Practicable Date, its sole investment was the Series B Preferred Shares held by it. Shikumen Capital Management (HK) Limited is a company incorporated in Hong Kong and licensed under the SFO permitted to carry on Type 4 (advising on securities) and Type 9 (asset management) of the regulated activities (as defined in the SFO).

(11) Transfer of share in our Company by Sky Sense to ICBC International Strategic Investment Limited

As at May 26, 2010, immediately prior to the transfer of Shares from Sky Sense to ICBC International Strategic Investment Limited as described below, Lakes Invest had an outstanding loan in the aggregate principal amount of US\$30,000,000 with ICBC International Finance Ltd. On May 26, 2010, in consideration for ICBC International Finance Ltd. canceling US\$15,000,000 of the principal amount of the said loan, Sky Sense, at the direction of Lakes Invest, transferred 4,411,765 Shares, representing approximately 3.75% of our share capital then in issue, to an affiliate of ICBC International Finance Ltd., ICBC International Strategic Investment Limited.

HISTORY AND CORPORATE STRUCTURE

(12) Transfer of share in our Company by Sky Sense and Build Up

On May 27, 2010, Sky Sense transferred 2,590,000 Shares, representing approximately 2.20% of our share capital then in issue, to Tang&Lee in consideration for their valuable support and assistance provided to Mr. Li. Tang&Lee had assisted Mr. Li in building our Group's relationships with potential investors in the PRC during its early stage of development and introduced the shareholders of Build Up as investors in our Company. Tang&Lee is held as to 60% by Guanghai Liu and as to 40% by Yan Wang. Guanghai Liu and Yan Wang are Independent Third Parties. Guanghai Liu and Yan Wang were personal acquaintances of Mr. Li, who introduced them to our Company as investors. Each of Guanghai Liu and Yan Wang has no relationship with our Group before and after their investment, except for their interest in the shares of our Company. On the same date, Sky Sense transferred 1,000,000 Shares, representing approximately 0.85% of our share capital then in issue, to Wang Mei Po at a consideration of US\$3.4 per share based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction and Build Up transferred 400,000 Shares, representing approximately 0.34% of our share capital then in issue, to Wang Mei Po at a consideration of US\$3.4 per share based on arm's length negotiation between the parties with reference to the net asset value, earnings and growth prospect of our Group at the time of the transaction.

(13) Increase in authorized share capital of our Company

On September 13, 2010, the authorized share capital was increased to US\$500,000 by the creation of an additional 4,500,000,000 Shares of par value US\$0.0001 each.

(14) Conversion of the Series B Preferred Shares, reclassification and redesignation of authorized share capital of the Company

Conditional on the closing of the Global Offering (not taking into account the exercise of the Over-allotment Option), the 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares respectively beneficially owned by ICBCI Fund Management, Shikumen and Tailwind as at the date of this prospectus will be converted, re-designated and re-classified as 14,705,882, 1,472,059 and 1,472,059 ordinary Shares which shall rank *pari passu* in all respects with the existing Shares in issue so that immediately following such conversion, there will only be one single class of Shares in the share capital of our Company and our Company will have an authorized share capital of US\$500,000 divided into 5,000,000,000 Shares.

(15) Issue of Shares pursuant to the Pre-IPO Equity Incentive Plan

Subject to and upon the Offer Price being agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, 554,678 Shares will be allotted and issued to Mr. Howard Chu, the chief financial officer of our Company, pursuant to the Pre-IPO Equity Incentive Plan and a restricted share award agreement between our Company and Mr. Chu dated February 4, 2010 and amended on September 16, 2010. These Shares, together with any additional Shares to be issued pursuant to the Capitalization Issue to Mr. Chu arising from Mr. Chu's interest in these 554,678 Shares, will be subject to a vesting schedule set out in the restricted share award agreement. Please refer to the paragraph headed "H. Options and Restricted Shares granted to Senior Management" in Appendix VI to this prospectus for further details.

(16) Capitalization Issue

Upon our share premium account being credited with sufficient balance as a result of the Global Offering, the sum of US\$106,384.22 will be capitalized and applied in paying up in full at par 487,530,000 Shares to Lakes Invest, 70,918,119 Shares to Sky Sense, 183,780,000 Shares to Build Up, 20,704,896 Shares to Warshaw Holdings Limited, 14,850,000 Shares to Liu Lai Ting, 45,701,000 Shares to Wang Mei Po, 13,500,000 Shares to Wellink Management Limited, 23,310,000 Shares to Tang&Lee, 132,352,938 Shares to ICBCI Fund

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Management, 39,705,885 Shares to ICBC International Strategic Investment Limited, 13,248,531 Shares to Shikumen, 13,248,531 Shares to Tailwind and 4,992,111 Shares to Howard Chu, and such Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued Shares of our Company.

For further details regarding the Corporate Reorganization, please refer to the section “Statutory and General Information — Corporate Reorganization” in Appendix VI to this prospectus.

PRINCIPAL TERMS OF INVESTMENT BY THE SERIES B SHAREHOLDERS

The principal terms of the investment in our Company by the Series B Shareholders are summarized as follows:

Redemption of Series B Preferred Shares. The Series B Shareholders are not entitled to redeem the Series B Preferred Shares, except for the purpose of effecting a conversion of the Series B Preferred Shares into Ordinary Shares.

Conversion of Series B Preferred Shares. The Series B Preferred Shares are automatically convertible into Ordinary Shares immediately upon the earlier of (i) the closing of a qualified public offering or (ii) the date specified by written consent or agreement of holders of at least two-thirds of the then outstanding Series B Preferred Shares, voting as a separate class, at an initial conversion price that is equivalent to the original purchase price of the Series B Preferred Shares, subject to certain anti-dilution adjustments from time to time.

Board Representation. The majority in interest of the Series B Preferred Shares shall be entitled to appoint and remove one director, subject to the approval of the directors appointed by the holders of a majority of the outstanding Ordinary Shares, which approval shall not be unreasonably withheld or delayed.

Liquidation Preference. The Series B Shareholders shall be entitled to receive, prior and in preference to any distribution to the holders of Ordinary Shares in the event of liquidation or winding up.

Reserve Matters. Certain reserved matters of our Group (including sell or issue of any debt or equity securities of our Company, public offering, payment of dividends, amendment of constitutional documents) must be approved by the holders of not less than two-thirds of the outstanding Series B Preferred Shares.

Information Right. Our Company is required to deliver financial statements to the Series B Shareholders on a periodic basis and the Series B Shareholders are entitled to inspect and examine our books and records, subject to customary confidentiality restrictions and limitations.

Other Preferential Rights. The Series B Shareholders are also entitled to other customary preferential rights, including preemptive rights, rights of first refusal and co-sale rights.

The Series B Preferred Shareholders will cease to enjoy the foregoing preferential rights of upon the conversion of their Series B Shares into Ordinary Shares on the Listing Date.

The Series B Shareholders agreed that they shall not sell, contract to sell, make any short sale of, loan, grant any option for the purchase of, pledge, charge or otherwise transfer or dispose of any securities of the Company without the prior consent of the Company or the Underwriters, for a period of six months after the Listing.

Upon the completion of the Global Offering, ICBCI Fund Management, Shikumen and Tailwind will be holding 147,058,820 Shares, 14,720,590 Shares and 14,720,590 Shares, respectively, representing approximately 9.63%, 0.96% and 0.96% shareholding in our Company, respectively, assuming the Over-allotment Option is not exercised and there are no diluting issuances by our Company such as consolidation, subdivision and capitalization of our Shares.

HISTORY AND CORPORATE STRUCTURE

Taking into account the Capitalization Issue and the Global Offering, the price per Share paid by each of ICBCI Fund Management, Shikumen and Tailwind was approximately US\$0.34 (equivalent to approximately HK\$2.65) (the “**Entry Price**”). Based on the stated indicative Offer Price range, the Entry Price represents a discount of 30.3% to the Offer Price of HK\$3.80 per Share, being the mid-point of the indicative Offer Price range.

SAFE REGISTRATION

The SAFE issued a public notice in October 2005, or the SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Circular No. 75 as SPVs. PRC residents who are shareholders of SPVs established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. Further, PRC residents are required to file amendments to their registrations with the local SAFE branch if their SPVs undergoes a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments. The SAFE subsequently issued relevant guidance to its local branches for the implementation of the SAFE Circular No. 75. This guidance standardizes more specific and stringent supervision on the registration requirement relating to the SAFE Circular No. 75 and further requests PRC residents holding any equity interests or options in SPVs, directly or indirectly, controlling or nominal, to make an overseas investment foreign exchange registration with the SAFE.

As advised by our PRC legal advisers, Jingtian & Gongcheng, each of Mr. Li, Yiyang Zhang, Ying Li, Yixiang Chen, Guanghua Liu and Yan Wang who are all PRC residents and beneficial owners of our shares (direct or indirect), has completed the foreign exchange registration of overseas investments at the Shenzhen Branch of SAFE on 14 September 2010.

OUR CORPORATE REORGANIZATION AND THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

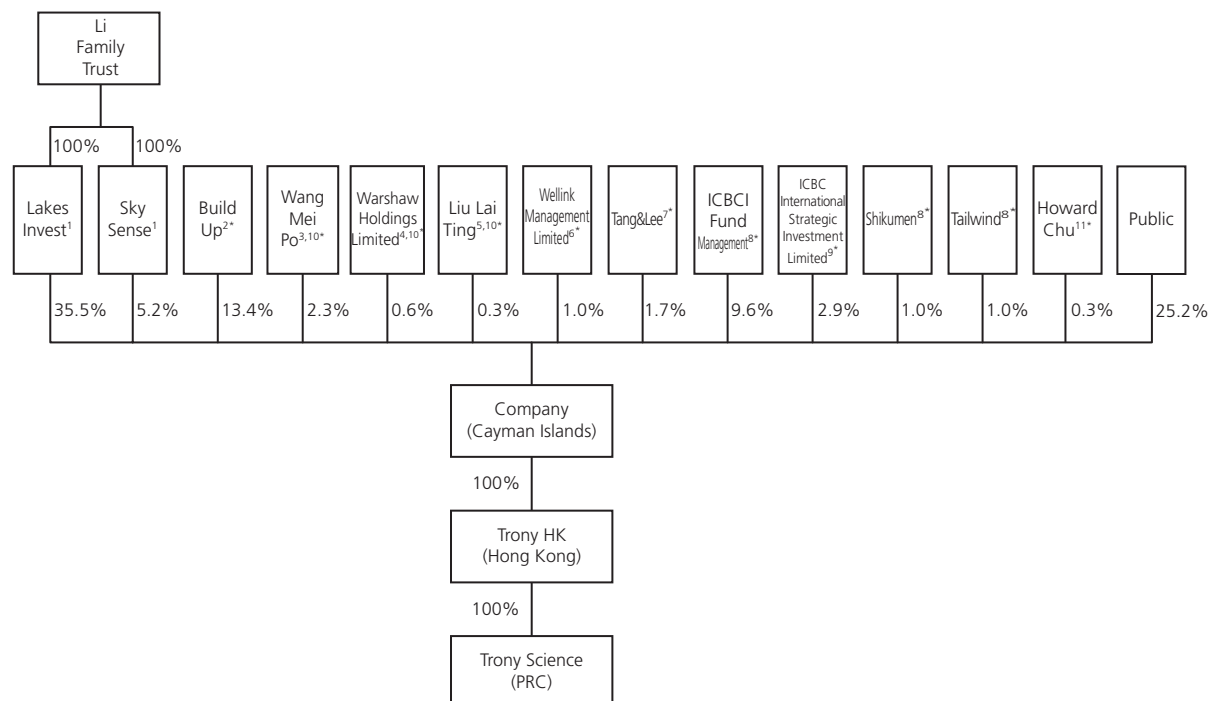
Under the Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the “**New M&A Rules**”) promulgated by PRC governmental and regulatory agencies on August 8, 2006, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The acquisition shall be based on the appraisal result on the equity or assets to be acquired. According to Article 15 of the New M&A Rules, where parties to an acquisition are related including where the control is only de facto, the parties must “provide an explanation on the purpose of the acquisition and whether the appraisal result is consistent with fair market value”. Avoiding this requirement by using trusts, nominees, or other means is prohibited.

Our PRC legal advisers, Jingtian & Gongcheng, have advised that, as the acquisition of the 100% equity interests in Trony Science by Trony HK was approved by relevant PRC foreign investment administration authorities before September 8, 2006, being the effective date of New M&A Rules, the New M&A Rules does not apply to the aforesaid acquisition of the 100% equity interests in Trony Science by Trony HK and Jingtian & Gongcheng further advised that all approvals or permits required under PRC laws and regulations in connection with each stage of the Corporate Reorganization and the Listing of our Company have been obtained.

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE UPON LISTING

The following diagram sets out our corporate structure immediately after the Corporate Reorganization, the Global Offering (assuming the Over-allotment Option is not exercised), the conversion of the Series B Preferred Shares and the Capitalization Issue:



Notes:

- * Each of Build Up, Wang Mei Po, Warshaw Holdings Limited, Liu Lai Ting, Wellink Management Limited, Tang & Lee, ICBC International Strategic Investment, Shikumen, Tailwind and Howard Chu has undertaken to the Joint Global Coordinators and the Company to be subject to a six-months lock-up period from the date of the Listing.
- (1) The entire issued share capital of each of Lakes Invest and Sky Sense is held by Spring Shine. As at the Latest Practicable Date, Spring Shine was owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust. The Li Family Trust is a discretionary trust set up by Mr. Li, the beneficiary objects of which include the immediate family members of Mr. Li. Mr. Li is the settlor of the Li Family Trust.
 - (2) As at the Latest Practicable Date, Build Up Investments Limited was owned as to 50% by Yiling Huang and as to 50% by Kam Sze Lau. Each of Yiling Huang and Kam Sze Lau is an Independent Third Party.
 - (3) Wang Mei Po is an Independent Third Party.
 - (4) As at the Latest Practicable Date, Warshaw Holdings Limited was owned by Lo Li, an Independent Third Party.
 - (5) Liu Lai Ting is an Independent Third Party.
 - (6) As at the Latest Practicable Date, Wellink Management Limited was owned 100% by Mr. Yixiang Chen, an executive Director.
 - (7) Tang & Lee is an Independent Third Party.
 - (8) ICBCI Fund Management, Shikumen and Tailwind will be treated as members of the public for the purpose of satisfying the minimum public float requirement under the Listing Rules.
 - (9) ICBC International Strategic Investment Limited will be treated as members of the public for the purpose of satisfying the minimum public float requirement under the Listing Rules.
 - (10) To realize part of their investments in our Group, Wang Mei Po, Warshaw Holdings Limited and Liu Lai Ting will offer 15,000,000, 13,000,000 and 12,000,000 Sale Shares, respectively, for sale at the Offer Price under the International Placing. Following completion of the Corporate Reorganization, the Global Offering (assuming the Over-allotment Option is not exercised), the Capitalization Issue and sale of Sale Shares, Wang Mei Po, Warshaw Holdings Limited and Liu Lai Ting will remain interested in 35,779,000, 10,005,440 and 4,500,000 Shares, respectively.
 - (11) Upon the Listing, Mr. Howard Chu, the chief financial officer of our Company, will hold a total of 5,546,789 Shares which will be issued and allotted to him pursuant to the Pre-IPO Equity Incentive Plan and a restricted share award agreement between our Company and Mr. Chu dated February 4, 2010 and amended on September 16, 2010 and the Capitalization Issue. These Shares will be subject to a vesting schedule set out in the restricted share award agreement. Please refer to the paragraph headed "H. Options and Restricted Shares granted to Senior Management" in Appendix VI to this prospectus for further details.

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OVERVIEW

We are one of the world's leading producers of thin film solar modules. We were ranked number four globally as measured by thin film module production volume in 2009, according to a report commissioned by us and prepared by Photon Consulting, a solar energy research firm and consultancy. According to this report, we were China's only thin film PV module producer ranked in the top ten globally by module production volume in 2009. We estimate that in 2009, our global thin film PV market share was approximately 4.1%. This approximate market share percentage is derived based on our module production volume of approximately 70 MW in 2009 and the world's thin film PV market size of 1.70 GW according to Solarbuzz. According to a 2009 report commissioned by us and prepared by Frost & Sullivan, an independent research and consulting firm, we were the top off-grid PV product producer among all solar companies in China, which include thin film, multi-crystalline and monocrystalline module producers, with 14.8% of the market share in terms of total shipments for 2009. Our total shipments, which include all of the products which we have manufactured for export as well as for domestic sales within China, were approximately 69.2 MW in 2009. As at June 30, 2010, our annual manufacturing capacity was 145 MW.

We believe that our self-designed equipment and proprietary manufacturing process have built-in flexibilities to allow us to expand manufacturing capacity rapidly and cost-effectively through modifications to, and optimizing the manufacturing process of, existing manufacturing lines. This advantage, when combined with our increasing scale and low-cost China-based manufacturing, allowed us to achieve an average annual manufacturing cost of approximately US\$1.01 per watt for the fiscal year ended June 30, 2010. Our average manufacturing cost per watt for the three months ended June 30, 2010 was approximately US\$0.98. We define average manufacturing cost per watt as the total manufacturing cost incurred during a period divided by the total watts produced during that period.

We distinguish ourselves from other thin film solar companies with our strong research and development capabilities, which are evidenced by the awards and recognition we have received. In 2008, the PRC Ministry of Housing Construction for Urban and Rural Areas selected us as the preferred provider of BIPV products as part of their initiative to support the development of green energy. In 2007, four members of our management team were selected to serve on China's national BIPV technical standard committee. Since our inception in 1993, we have accumulated substantial intellectual property in the thin film PV industry. As at June 30, 2010, we had 17 patents and exclusive rights to use 78 patents in China.

We commenced operations in 1993, became a manufacturer of thin film solar embedded modules in 1995 and began commercial production in 1998. We expanded our annual manufacturing capacity to 5 MW and began manufacturing standard PV modules for solar home systems and other solar off-grid applications in 2006, and gradually increased our annual manufacturing capacity to 45 MW by October 2008. In July 2009, we completed construction of our 70 MW fully-automated manufacturing line, which commenced commercial production in August 2009, bringing our annual manufacturing capacity to 115 MW. By March 31, 2010, our annual manufacturing capacity was 145 MW as a result of the further expansion of our existing 70 MW manufacturing line. We commenced a project to install a new 60 MW fully-automated manufacturing line in a new facility and expect that the project will be completed in the fourth calendar quarter of 2010, which will bring our annual manufacturing capacity to 205 MW.

Our PV modules can be applied to a wide range of applications. We offer more than 200 different varieties of PV modules to meet different customer needs, which provides us with competitive advantages compared to some of our other competitors. Our PV modules can be used in off-grid applications, including solar home systems, solar lighting products and solar consumer applications. According to Frost & Sullivan, we are the leading producer of PV modules for off-grid applications in China. Our PV modules can also be used in BIPV applications and PV power stations. We plan to continue to maintain and improve our leading position in the

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off-grid market and develop and market BIPV products, which generally have higher margins as compared to our other products. Our diverse and expanding customer base includes distributors and traders, manufacturers and system integrators and contractors and project owners in China, South Korea, Thailand, Hong Kong and other countries.

The following table sets out a breakdown of our revenues by customer type for the periods indicated:

(in thousands of RMB)	Fiscal year ended June 30,					
	2008		2009		2010	
	RMB	Number of customers	RMB	Number of customers	RMB	Number of customers
Distributors/traders	180,723	4	163,684	8	411,466	8
Manufacturers/system integrators ...	59,164	78	306,304	59	800,046	83
Contractors/project owners	32,930	4	71,474	8	139,718	7
Others (samples)	—	2	—	—	—	—
Total revenue.....	<u>272,817</u>	<u>88</u>	<u>541,462</u>	<u>75</u>	<u>1,351,230</u>	<u>98</u>

The table below sets forth a breakdown of our customers by geographical region during the Track Record Period:

	Year ended June 30,		
	2008	2009	2010
PRC	86	69	92
Hong Kong.....	1	1	1
Thailand.....	1	1	1
South Korea	—	1	0
Others	—	3	4

Our total revenues increased from RMB272.8 million in the fiscal year ended June 30, 2008 to RMB541.5 million in the fiscal year ended June 30, 2009 and to RMB1,351.2 million in the fiscal year ended June 30, 2010, representing a CAGR of 122.6% over the three fiscal years. Our gross profit increased from RMB122.5 million in the fiscal year ended June 30, 2008 and to RMB230.0 million in the fiscal year ended June 30, 2009 and to RMB573.0 million in the fiscal year ended June 30, 2010, representing a CAGR of 116.3% over the three fiscal years. Sales to our existing customers increased during the Track Record Period. In addition, we also enlarged our customer base. Both of these factors contributed to the increase in our revenue. Our Group does not have any ownership or management control over our customers. We assign sales managers to manage our relationships with our customers and to obtain market feedback on our products.

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OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths will sustain our rapid growth and enable us to continue to compete effectively:

Low-cost solutions

For the fiscal year ended June 30, 2010, the average manufacturing cost for our PV modules was approximately US\$1.01 per watt. Our average manufacturing cost per watt for the three months ended June 30, 2010 was approximately US\$0.98. We define average manufacturing cost per watt as the total manufacturing cost incurred during a period divided by the total watts produced during that period. Manufacturing cost comprises raw materials, labor cost and other manufacturing overhead. In the fiscal years ended June 30, 2009 and 2010, we produced approximately a total of 40.5 MW and 112.7 MW, respectively. Our raw materials costs were US\$33.2 million (RMB226.9 million) and US\$84.9 million (RMB580.4 million), respectively, our labor costs were US\$1.4 million (RMB9.8 million) and US\$2.4 million (RMB16.1 million), respectively, and our other manufacturing overheads were US\$11.8 million (RMB80.7 million) and US\$25.7 million (RMB175.3 million), respectively. We believe our ability to provide low-cost solutions stems from several factors:

- Our manufacturing expertise and proprietary technology have enabled us to internally design and develop manufacturing lines and key equipment that allow us to produce our PV modules efficiently and cost-effectively.
- Our PV modules require approximately 1% to 2% of the silicon materials needed for crystalline silicon PV modules of similar power output. Cost of silicon materials typically represents a substantial portion of the cost of producing crystalline silicon PV modules.
- As we conduct substantially all of our operations in China, we are able to capitalize on the low cost for labor and materials, manufacturing facilities and utilities.

Proprietary manufacturing process and self-designed key equipment

Using our proprietary technology and expertise, we design the critical elements of our manufacturing lines and much of the important equipment used in our manufacturing process. We design our manufacturing lines with proprietary technology, expertise and equipment at certain key manufacturing steps, including deposition and testing. This integrated process improves our manufacturing efficiency and cost effectiveness. We have also designed production equipment to allow cutting of plated glasses to sizes or shapes to our specifications or those of our customers. This provides us with production flexibility. We believe our self-designed equipment and proprietary manufacturing process have built-in flexibilities to allow us to expand manufacturing capacity rapidly and cost-effectively through modifications to, and optimizing the manufacturing process of, existing manufacturing lines, or to modify and adjust our manufacturing lines for commercial production of new or improved product designs faster and more cost-effectively than most of our competitors. We were able to complete equipment procurement for our 70MW production line under six months, and ramp up production in three months. Our ability to ramp up production quickly in response to increases in market demand or changes in technology allows us to capture market opportunities and increase our market share timely. This flexibility also enables us to achieve significant operational and financial advantages over companies that purchase turn-key amorphous silicon thin film solutions. These advantages include lower capital investment, shorter time-to-build and time-to-market, greater flexibility in manufacturing process optimization, lower maintenance time and costs and greater flexibility to manufacture products to the specifications of our customers. For instance, our proprietary technology and expertise allow for the flexibility to manufacture PV modules of specified sizes of up to 1.0 square meter, which can be increased to 1.8 square meters with limited additional capital investment. This is especially beneficial for BIPV applications, which require a greater level of product customization than other applications.

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Leading position in the rapidly expanding global thin film market in general and the off-grid market in particular

We are one of the world's leading producers of thin film solar modules. We were ranked number four globally as measured by thin film module production volume in 2009, according to a report commissioned by us and prepared by Photon Consulting. According to this report, we were also China's only thin film PV module producer ranked in the top ten globally by module production volume in 2009. Our module production volume in 2009 was approximately 70 MW. Following the commencement of commercial production of our new 70 MW fully automated manufacturing line, our annual manufacturing capacity reached 115 MW in August 2009. We expanded our annual manufacturing capacity to approximately 145 MW by March 31, 2010. We believe that we are well positioned to leverage our brand name and well-established customer relationships to capture significant expansion opportunities in the rapidly growing thin film markets.

We derive a significant portion of our revenues from sales of our PV modules for off-grid applications and believe that we are one of the leading producers of thin film PV modules for off-grid applications globally measured by production output. According to Solarbuzz, off-grid applications are currently economically self-sustainable and present significant market opportunities. The pricing of our PV modules for off-grid applications has been more stable than that of our PV modules for on-grid applications. We expect this to continue to be the case based on historical fluctuations of the pricing of PV modules for on-grid applications as compared to off-grid applications. The pricing of PV modules for on-grid applications are affected by a number of factors such as the change in government incentive policies, competition and market demand. By contrast, we price our PV modules for off-grid applications based on the prevailing market conditions when we enter into sales contracts with our customers or when our customers place their purchase orders with us. We also consider the size of the contract or the purchase order, the history and strength of our relationship with a particular customer, our raw material costs and other factors. Pricing of our PV modules for off-grid applications are typically determined by factors such as the product design, output, module size and application. Due to the specifications and design requirements of our PV modules for off-grid applications, the competition in terms of pricing for specific products is less intense than that for PV modules for on-grid applications that are standard and can be readily replaced. We have established long-term relationships with a select number of China-based distributors and traders and manufacturers of off-grid applications as well as a select number of foreign-based distributors and manufacturers.

The following table sets out a breakdown of our revenues for our PV modules by application category, and each expressed as a percentage of our total revenues, for the periods indicated:

(in thousands of RMB)	Fiscal year ended June 30,					
	2008		2009		2010	
	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues
PV modules for off-grid applications.....	254,066	93.1	482,068	89.0	1,241,775	91.9
- standard modules.....	218,590	80.1	359,033	66.3	1,006,414	74.5
- embedded modules	35,476	13.0	123,035	22.7	235,361	17.4
PV modules for BIPV applications.....	18,751	6.9	45,019	8.3	109,455	8.1
PV modules for PV power stations.....	—	—	14,375	2.7	—	—
Total revenues	<u>272,817</u>	<u>100.0</u>	<u>541,462</u>	<u>100.0</u>	<u>1,351,230</u>	<u>100.0</u>

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Our amorphous thin film PV modules can have higher energy yields compared to crystalline silicon PV modules with similar power rates in certain environments, including those with high temperature and low light. In addition, due to the unique features of amorphous thin film technology, certain off-grid applications, such as solar street lamps and solar lawn lamps, can adopt simpler designs with fewer components to achieve cost savings. Furthermore, our amorphous silicon thin film PV modules are more versatile in size compared to other types of thin film PV modules as they can be cut into small sized PV modules for different applications. As a result, we believe that we are well positioned to remain competitive and maintain and improve our leading market position in the off-grid market.

A wide range of product offerings for diverse end-use applications

We derive our income from PV modules that can be used in a wide range of end-use applications, including off-grid applications such as solar home systems, solar lighting products and solar consumer applications, BIPV applications and PV power stations. As a result of our accumulated product development capabilities, we offer more than 200 varieties of products for various applications. Our ability to customize the design, size, shape and technical specifications of our PV modules for various end-use applications enables us to provide convenience to and better serve the needs of our customers. As a result, we believe we are able to strengthen relationships with our customers, attract more customers and generate higher revenue from existing customers.

Our business and future growth depend on a number of factors, including changes in market conditions, government subsidies and economic incentives in markets in which our products are used. These changes typically impact the markets for each category of end-use applications differently. For instance, the market for off-grid applications is generally less susceptible to economic downturns. Our ability to customize the design, size, shape and technical specifications of our PV modules for various end-use applications has enabled and will continue to enable us to maintain and grow our business despite difficult market conditions or unfavorable changes in government subsidies and economic incentives. It will also provide us with increased flexibility to prepare for and react to these adverse conditions and changes and allow us to take advantage of any favorable changes.

Distinguished research and development capabilities providing key technology competitiveness

We believe that our distinguished research and development capabilities allow us to meet customer demands more quickly, reliably and affordably than many of our competitors. As at June 30, 2010, we had a research and development team with 77 employees. Mr. Li, our chief executive officer and chairman of our board of directors, also chairs China's national BIPV technical standard committee. Three other members of our management team are also on this 23-member committee. With ownership of 17 patents and exclusive access to 78 patents in solar manufacturing, we enjoy one of the largest pools of thin film patents in China. We have won a number of awards for our technological innovation from central and provincial governments. Mr. Li received a China Patent Excellence Award for the invention of a PV glass design and its manufacturing method from the State Intellectual Property Office in December 2009. In January 2010, we received the 2009 Low Carbon China Contribution Enterprise Award from the Low Carbon China Forum Association, which was only awarded to 10 domestic enterprises in the PRC nationally. In 2009, we also received the BlueSky Award from the United Nations Industrial Development Organization — Shenzhen International Technology Promotion Centre for Sustainable Development for our low cost amorphous silicon BIPV products. This award is intended to recognize new technologies that have a significant measurable impact on the environment, economy and society and that are cost effective in commercial applications. We were also selected by the PRC Ministry of Housing Construction for Urban and Rural Areas in 2008 as the preferred provider of BIPV products as part of their initiative to support the development of green energy. We believe this recognition provides us with an additional endorsement of our quality and capabilities, and enables us to generate greater interest among customers for our BIPV products. In addition, a number of our research projects have won government grants and subsidies.

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Experienced, cohesive and stable management team well-positioned to deliver profitable growth

We have an experienced management team with strong technology expertise and a long track record in the thin film PV industry in China. Under the leadership of our management team, we have increased our research and development capability, our manufacturing capacity, and, as a result, our revenues and profits. Our experienced senior management and research personnel, team cohesion and low turnover are essential factors in our ability to compete effectively in the solar power industry, realize greater cross department synergies and capture additional profits at different points in the solar power value chain.

OUR STRATEGIES

Leveraging our strong research and manufacturing capacities, we seek to grow rapidly into the world's leading thin film PV producers, and to build ourselves into a first-class brand in the global PV industry through the following strategies:

Leverage our strength in research and development and proprietary technologies to improve conversion efficiencies and reduce costs

We intend to continue to develop and implement new product and process technologies and design more advanced equipment to manufacture PV modules with higher conversion efficiencies in a cost-effective manner and on a large scale. In July 2010, we commenced pilot production of PV modules using a germanium double junction a-si/a-GeSi structure with conversion efficiency rate of up to 7.0%. We aim to commence pilot production of these PV modules at an average conversion efficiency rate of 7.5% and 9.0% by December 2010 and December 2011, respectively. We plan to continue to develop, improve and commercialize laboratory-demonstrated advancements to produce more efficient PV modules, improve PV module designs and streamline our manufacturing process. We believe that the close interaction between our research and development and manufacturing engineering teams will enable us to modify and adjust our manufacturing lines for commercial production more quickly than most of our competitors once we have successfully developed new technologies.

We also intend to further improve our manufacturing techniques and processes to reduce our manufacturing costs. We seek to continue to increase manufacturing efficiency and product quality and reduce the amount of raw materials required. We plan to further reduce our manufacturing costs by reducing our raw material costs. We intend to purchase certain of our raw materials directly from foreign suppliers as opposed to purchasing from China-based importers, as we currently do. In addition, we plan to identify reputable domestic suppliers from whom we can obtain materials of similar quality to those from overseas suppliers at significantly lower prices. We also expect to reduce our unit cost of raw materials as we expand our production, benefiting from economies of scale.

Maintain and enhance our leading market position in the off-grid market

According to Frost & Sullivan, the global off-grid market is expected to grow at a CAGR of 33.3% from 2009 to 2013, and total off-grid applications manufactured in China for domestic installation and exports are forecasted to increase from 405 MW in 2009 to 1,479 MW in 2013, representing a CAGR of 38.2%. As such, off-grid applications present us with significant market opportunities. We plan to maintain and improve our leading market position in the growing off-grid market through the following efforts:

- strengthening our long-term relationships and developing new relationships with domestic manufacturers of off-grid applications to secure recurring orders of larger size;
- strengthening existing relationships and building new relationships with China-based traders and distributors and manufacturers and building and enhance direct selling forces to increase sales of our PV modules for off-grid applications in these markets;

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- Expanding overseas sales by working with non-profit organizations and foundations who provide funding for solar applications such as computer power supplies for schools, refrigeration power for healthcare and communication systems;
- Offering pre-packaged solution kits for selected applications, such as home lighting systems, home entertainment systems and irrigation pumping systems;
- increasing market awareness of the technological and cost advantages of our amorphous thin film modules for off-grid applications over traditional crystalline silicon PV modules to increase the market share of amorphous thin film modules in the off-grid market; and
- participating in industry conferences and trade shows and collaborating with traders and local distributors to increase market awareness of our products and brand name, particularly in markets in which our products are used.

We have identified a number of markets, particularly in developing regions, for the marketing and sales of pre-packaged solar solutions, which are intended to simplify installation and provide good value for our customers. An example of such a solar solution is a home light system, which consists of a solar panel and a matching set of battery, charger and light-emitting diode lamps. Another example is an off-grid pumping system for agricultural irrigation, where a group of PV modules is used to power water pumps at a low cost. We plan to work with selected manufacturers in China to source non-solar components of such pre-packaged solar solutions.

Expand our presence in the BIPV market

In comparison with traditional standard PV modules, product areas such as BIPV, which generally have higher margins as compared to our other products, have become some of the most profitable segments of the solar market. The inherent characteristics of thin film technology, such as its stability, transparency and aesthetics, tend to make it a better solution for BIPV. We intend to pursue opportunities in the market for BIPV applications, which would allow us to leverage our product and manufacturing strengths.

We believe that there is a growing market for BIPV in China and an increasing demand for customized BIPV applications. In April 2009, the PRC Ministry of Finance and the Ministry of Housing and Urban-Rural Development jointly issued the "Guidelines for Declaration of Demonstration Project of Solar Photovoltaic Building Applications," which set a subsidy of up to RMB20 per watt for BIPV projects using solar-integrated building materials and components and up to RMB15 per watt for BIPV projects using solar-integrated materials for rooftops or walls. We expect these government subsidies to further increase demand for BIPV products. As four members of our management team were selected to serve on China's national BIPV technical standard committee in 2007, we plan to continue to leverage this competitive strength to take advantage of the increased demand for BIPV products in China. We also plan to form strategic alliances with EPC firms and other project developers and contractors as well as manufacturers in China and become their preferred supplier of BIPV products, which had contributed to our involvement in several large-scale domestic BIPV projects in the past.

Focus on the China market to capture market opportunities created by recent government policies

China's nascent solar market, which was previously dominated by off-grid rural and industrial projects, is set for significant future growth. We believe we have significant cost and technological advantages over many of our domestic competitors, who either utilize crystalline silicon-based technology or purchase turn-key amorphous silicon thin film solutions, as well as significant cost and home market advantages over our international competitors. We plan to work closely with various local government authorities in China to target specific groups of project owners such as government agencies, utilities, infrastructure builders (including airports, railroads and convention centers) as well as distributors to capture this opportunity. In addition, we plan to develop our presence in the PV power station market by improving the conversion efficiencies of our

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PV modules, increasing module size, expanding our operation to benefit from economies of scale and introducing modules that are pre-installed in our factories to reduce customer installation costs. We plan to market directly to owners and operators of PV power stations as well as provincial and municipal governments in the PRC market.

Increase manufacturing capacity to drive market leadership

Our proprietary self-designed amorphous silicon thin film manufacturing line is highly scalable, allowing us to expand rapidly, gain market share by capitalizing on the shortage of thin film supply and benefit from economies of scale in production and reduced material procurement costs. As at the end of August, 2009, our annual manufacturing capacity reached 115 MW, which represents one of the highest manufacturing capacities among solar module manufacturers that utilize amorphous silicon thin film technology. In addition, our annual production capacity reached 145 MW by March 31, 2010. We are building a fully automated 60 MW manufacturing plant next to our plant in Longgang, Shenzhen, which we plan to commence commercial production in the fourth calendar quarter of 2010. We believe we are well-positioned to maintain our market position through our ability to scale up our manufacturing capacity relatively quickly and cost-effectively.

We intend to increase manufacturing capacity in a controlled manner to ensure that such expansion is completed in an efficient way at competitive price points closely aligned with market demand.

OUR PRODUCTS

We design, develop, manufacture and market a variety of solar thin film PV modules using amorphous silicon technology. Our PV modules are used to provide reliable and environmentally friendly electric power for consumer, residential, commercial, industrial and public utility applications in various markets worldwide. As at June 30, 2010, the average conversion efficiency rate on 1.0 square meter glass is 6.0% for our PV modules using a single junction structure and 6.5% for our PV modules using a double junction structure. In a double junction structure, cells with two matching p-i-n structures are stacked to form layers. This design has demonstrated less light induced degradation. We define conversion efficiency rate as the stabilized conversion efficiency rate of our PV modules that is achievable after a light soaking degradation process. For more details, see “— Manufacturing.”

Our thin film PV modules are created by depositing thin layers of non-crystalline form of silicon onto a glass substrate, where the individual cells are connected through a monolithically integrated process during the deposition steps instead of being assembled as individual cells. Energy is converted into direct-current, or DC, electricity when sunlight hits a PV module. PV modules can be inter-connected to form a solar power system. PV systems are used for both on-grid generation, in which electricity generated is fed into an electricity transmission grid for sale, and off-grid generation, for locations where access to the electricity transmission grid is not physically available or economically feasible. The DC electricity may be routed directly to power a DC load or charge a battery bank. In grid-tied applications, an inverter is used to convert the DC electricity from the PV system into alternating current, or AC electricity, which can be interconnected directly to the electric utility grid to power AC appliances. In addition, PV systems usually have mounting structures, cable cords to route the power, and circuit protection.

Our PV modules can be used in the following three categories of applications:

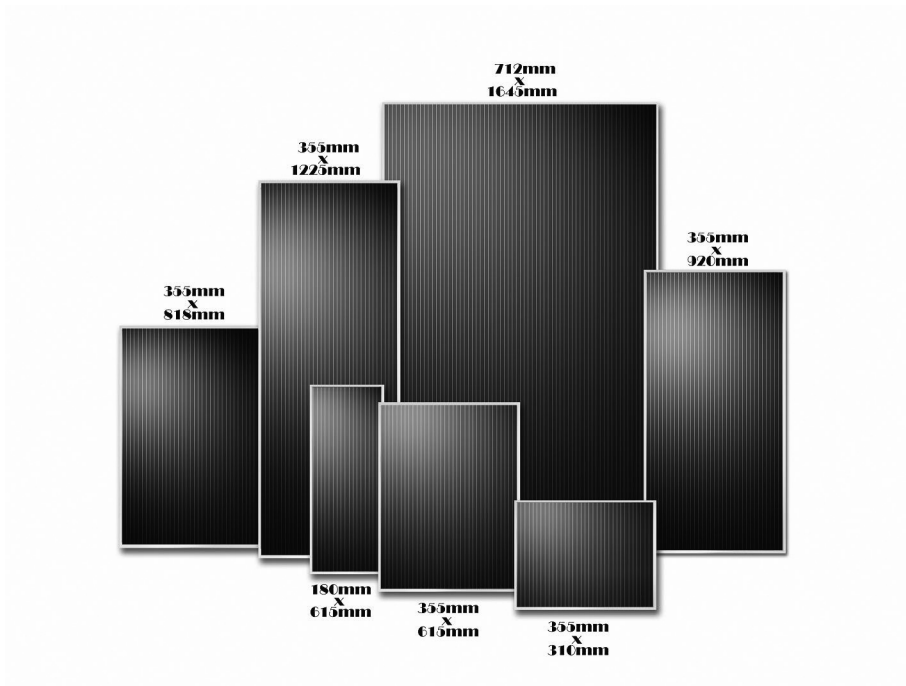
- off-grid applications;
- BIPV applications; and
- PV power stations.

Off-grid applications

We manufacture standard PV modules with a power output ranging from two watts to 65 watts for off-grid solar home systems and other solar off-grid applications such as solar lighting products and solar agricultural applications. We sell the standard PV modules primarily to China-based distributors and traders and manufacturers and a select number of foreign distributors and manufacturers. Off-grid solar home systems are particularly suited to rural areas that are not connected to the public electricity grid. An off-grid solar home system consists of a PV module, control system, a re-chargeable battery and, optionally, a DC-AC inverter. The PV module captures solar power and converts it into electricity, which is then stored in the battery. The control system regulates the system and prevents the battery from becoming overly-charged or overly-discharged. The DC-AC inverter converts the DC electricity dispensed from the battery into AC electricity, which can be used by household appliances. We manufacture embedded modules used in other off-grid applications such as solar street lamps and solar lawn lamps primarily for sale to domestic manufacturers whose products are sold and used worldwide. We believe these off-grid applications have large market potential in developed countries. We also have been manufacturing embedded modules for use in off-grid consumer products such as calculators, watches and toys. Our off-grid PV modules have a size from 0.000025 square meters to 1.0 square meters, an estimated useful life of five to 25 years and a conversion efficiency rate of approximately 6.0% to 6.5%.

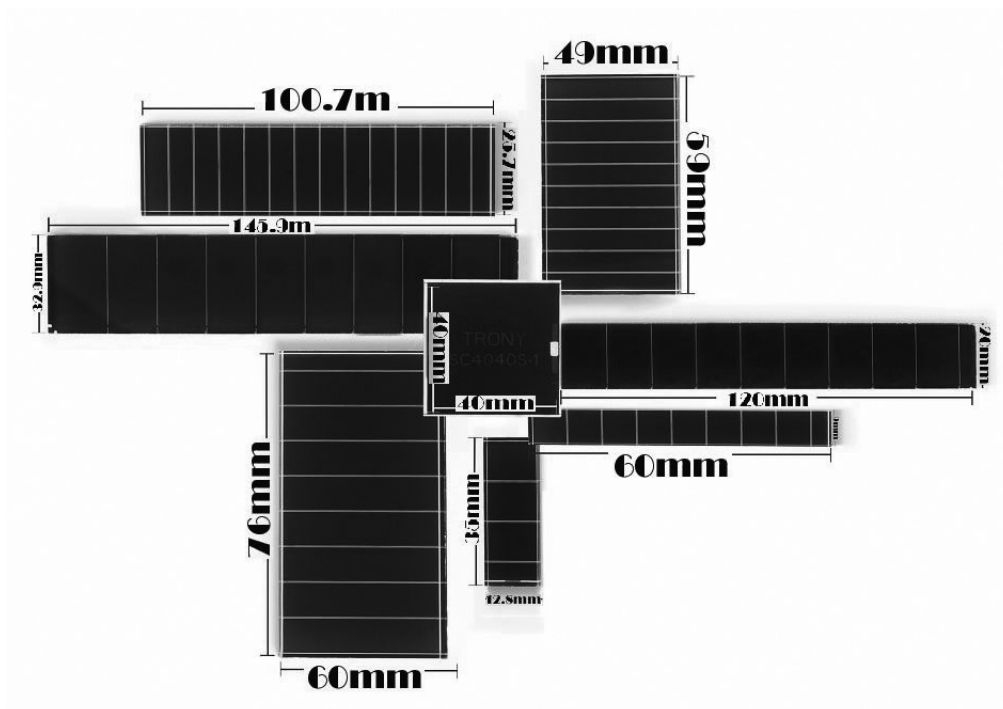
These are examples of standard modules and embedded modules we produce for off-grid applications:

Standard modules:



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Embedded modules:



BIPV applications

Since amorphous silicon PV modules are more easily integrated into facades, roofs and other structures, they are generally better suited for BIPV solutions that require embedding solar materials in building materials. We entered the BIPV market in 2006.

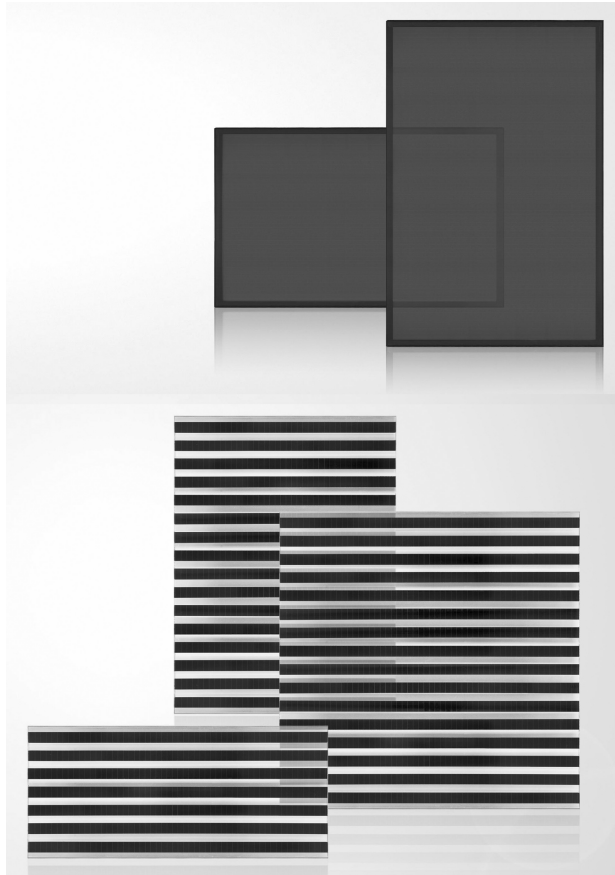
We produce two types of PV modules for BIPV applications: sealed insulating amorphous silicon glass, which has a hollow design, and laminated amorphous silicon glass, which has a laminated design. Our PV modules for BIPV applications have an estimated useful life of 25 years. The conversion efficiency of BIPV modules is depending on the product design, and could be at a maximum of 6.5%. BIPV applications can be classified as either on-grid or off-grid based on whether the specific projects of our customers purchasing our PV modules are on-grid or off-grid projects.

We provide our BIPV products and BIPV solution services directly to glass curtain wall manufacturers, project developers, contractors and owners. For example, our PV modules are installed on the outside walls of the Guangzhou TV Tower, which is currently in construction and is expected to be completed in the fourth calendar quarter of 2010. In January 2008, we provided an integrated BIPV system for the Zhongjian Building in Changsha, Hunan province. In 2008, we provided PV modules for Jianke Building in Shenzhen, Guangdong Province. In 2006, we provided an integrated BIPV system for Nanshan Software Park in Shenzhen, Guangdong Province. We have recently entered into a non-binding cooperation agreement with a local government entity in connection with, among other things, BIPV projects. We also sell our PV modules to glass curtain wall manufacturers in China.

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In 2008, we were selected by the PRC Ministry of Housing Construction for Urban and Rural Areas as the preferred provider of BIPV products as part of their initiative to support the development of green energy. We believe this recognition provides us with an additional endorsement of our quality and capabilities, and enables us to generate greater interest among customers for our BIPV products. In 2009, we were authorized to use the China Green Star logo, an identification for environmentally friendly products, on our BIPV modules.

Each of our PV modules for BIPV applications can be sized or shaped to fit our customers' requirements. These are examples of products we produce for BIPV applications:

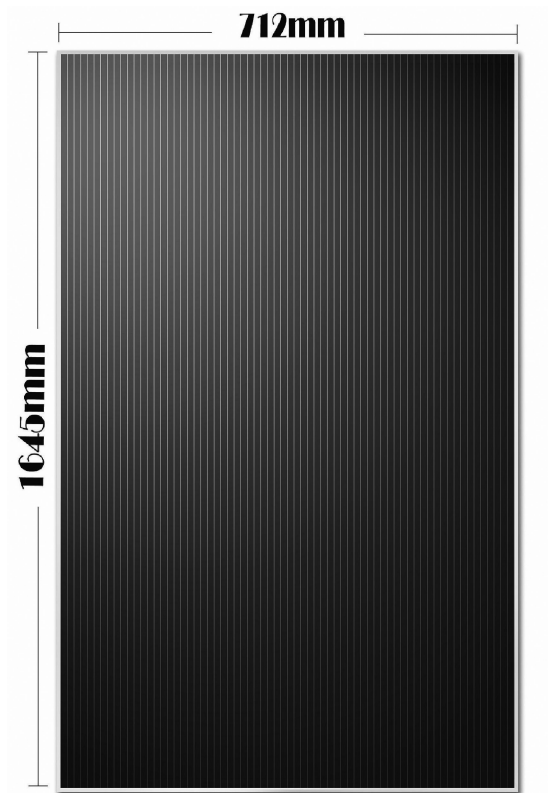


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PV power stations

We provide PV modules to project developers and owners of PV power stations. A PV power station consists of a series of solar power systems that are physically mounted and electrically interconnected to produce and store electricity. Our on-grid PV modules have a size of 1.0 square meter, an estimated useful life of 25 years and a conversion efficiency rate of approximately 6.5%. We began providing PV modules for PV power stations in the fiscal year ended June 30, 2008. We have provided PV modules to an EPC firm based in South Korea in its construction of a 1 MW on-grid power station project. In addition, we are in active discussions with a number of local government authorities in China to encourage them to promote our PV modules for solar power station projects to be built in their respective regions.

This is an example of a product we produce for PV power stations applications:



MANUFACTURING

We built our first amorphous silicon thin film PV module manual manufacturing line in the Futian district of Shenzhen in 1998, which was expanded to 5 MW in 2006. We subsequently launched our 40 MW semi-automated manufacturing line in 2008. Our 40 MW semi-automated manufacturing line combines automated and manual operations to take advantage of our location in China, where the costs of skilled labor, engineering and technical resources, as well as land, manufacturing equipment, facilities and utilities, tend to be lower than those in developed countries.

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In July 2009, we completed construction of our 70 MW manufacturing line, which commenced commercial production in August 2009, bringing our total annual manufacturing capacity to 115 MW. We expanded this line's capacity to 100 MW in March 2010, bringing our total annual manufacturing capacity to 145 MW. This 100 MW manufacturing line is fully automated and has a high throughput. We will continue to assess and adjust our combination of automated and manual operations to optimize the costs and productivity of our manufacturing process.

As at June 30, 2008, 2009 and 2010, our production capacity was 20 MW, 45 MW and 145 MW, respectively. In each of the fiscal years ended June 30, 2008, 2009 and 2010, our production volume was approximately 18 MW, 40 MW and 112.7 MW, respectively, and our utilization rate for these periods was approximately 91%, 89% and 93%, respectively. Utilization rate is calculated for the relevant period by dividing (i) our production volume for the period by (ii) production capacity for the number of months our manufacturing lines are utilized for commercial production for the period. As of June 30, 2010, the Group's production capacity was 145 MW. However, the 70 MW line only commenced commercial production in August 2009, and therefore only had 6 months' capacity from August 2009 to January 2010. This 70 MW line was expanded to 100 MW in February 2010. The 100 MW line therefore only had 5 months' capacity from February to June 2010. For the fiscal year ended June 30, 2010, the capacity was a total of 121.7 MW (5 MW from the 5 MW line, the 40 MW from the 40 MW line, 35 MW from the 70 MW line and 41.7 MW from the 100 MW line). As such, the utilization rate for the period was approximately 93% (112.7MW divided by 121.7MW).

The Group intends to take up the extra capacity with reference to the latest production utilization rate by increasing production volume, based on the Directors' outlook on the Group's business after considering factors such as current market demand.

We are currently installing a 60 MW manufacturing line, which is expected to commence commercial production by the fourth calendar quarter of 2010. We intend to expand our manufacturing capacity in a controlled manner to ensure that we complete such expansion in an efficient way at competitive costs and in a manner closely aligned with market demand.

After our 60 MW line which is expected to commence commercial production by the fourth calendar quarter of 2010, we expect our annual manufacturing capacity to increase to approximately 205 MW. We have substantially completed equipment ordering for this line.

We intend to complete the installation of three additional 60 MW lines in June 2011, December 2011 and the first half of 2012, respectively.

Proprietary manufacturing process and self-designed equipment

We design our manufacturing lines with proprietary technology, expertise and equipment at certain key manufacturing steps, including deposition and testing. This integrated process improves our manufacturing efficiency and cost effectiveness. We have also self-designed and assembled PECVD and PVD equipments, which are crucial in amorphous silicon thin film PV module manufacturing. Our proprietary PECVD chamber design enables us to reduce the use of silane gas and energy consumption.

We believe our proprietary manufacturing process and self-designed equipment have built-in flexibilities which allow us to expand manufacturing capacity rapidly and cost-effectively through modifications to, and optimizing the manufacturing process of, existing manufacturing lines, or to modify and adjust our manufacturing lines for the commercial production of new or improved product designs faster and more cost-effectively than most of our competitors. Our ability to ramp up production quickly in response to increases in market demand or changes in technology allows us to capture market opportunities and increase our market share timely. This flexibility also enables us to achieve significant operational and financial advantages over companies that purchase turn-key amorphous silicon thin film solutions. These advantages

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include lower capital investment, shorter time-to-build and time-to-market, greater flexibility in manufacturing process optimization and lower maintenance time and costs. For instance, our proprietary technology and expertise allow for the flexibility to manufacture PV modules of different sizes (up to 1.8 square meters) and of varying specifications, allowing us to produce PV modules that closely meet customer requirements. The ability to produce PV modules of different sizes and specifications by making minor adjustments to the equipment used in our manufacturing lines is especially beneficial for BIPV applications since BIPV applications require a greater level of product customization than other applications. This flexibility also makes it less expensive and easier to meet specific customer requirements and needs.

The total contracted cost of our 100 MW fully-automated manufacturing line was approximately RMB680 million. This manufacturing line, which currently produces PV modules of 1.0 square meters in size, can be adjusted with limited additional capital investment to produce PV modules of 1.4 and 1.8 square meters in size. We plan to convert this manufacturing line to test produce PV modules of 1.4 square meters in size in the second half of 2010.

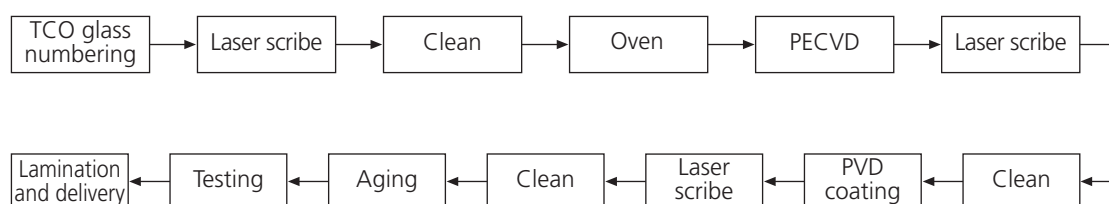
Procurement of equipment for manufacturing lines

We procure substantially all of the equipment for our manufacturing lines from a single equipment supplier, Shenzhen Zhongpu Industry Co., Ltd. (深圳市中蒲實業有限公司) (“Zhongpu”) to whom our research and development team communicates our technical specifications and design requirements. To the best knowledge of the Directors, the shareholders of Zhongpu are Independent Third Parties. We have been working with the same equipment supplier since March 2007, when we entered into a supply contract for our 40 MW semi-automated manufacturing line. Our equipment supplier assembled the equipment and integrated the systems of our current 40 MW and 100 MW manufacturing lines and our 60 MW manufacturing line which is expected to be completed in the fourth calendar quarter of 2010. Our equipment supplier contracts directly with multiple equipment manufacturers to purchase the parts required for our lines. We contract directly with our equipment supplier, and not with separate equipment manufacturers, and we pay the equipment supplier a contractual amount. In addition to assembling the equipment and integrating the systems of our manufacturing lines, our equipment supplier typically clears any customs paperwork for equipment imported from other countries, conducts annual inspections and maintenance and provides technical spare parts. In addition to the repair and maintenance service provided by Zhongpu, we also operate an internal maintenance crew to perform regular repair and maintenance work on our equipment. Our internal maintenance crew generally serves as the first line of support for the repair and maintenance of our equipments and we would only engage Zhongpu if further assistance is required.

From our long-standing relationship with our equipment supplier, our equipment supplier has gained a good understanding of our manufacturing needs. Contracting with just one equipment supplier instead of with multiple equipment manufacturers results in our ability to manage our resources more efficiently.

Manufacturing process

The diagram below illustrates our manufacturing process:



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Our manufacturing process for making PV modules, depicted above, begins with a laser scribe on the TCO coated glass substrate followed by a cleaning process. We then effectuate the amorphous silicon deposition with our proprietary deposition process based on the PECVD technique. The junction partner zinc oxide is deposited on top of the amorphous silicon-coated plate layer, and the second scribe is accomplished before the metal conductive layer coating process. The monolithic cell structure is completed with the third scribe, where a polymer laminate is laid down and the encapsulating glass sheet is bonded to the substrate glass. Electrical leads and junction boxes are added at the finishing step. The completed module is tested and binned by performance.

Depending on the size of the PV module produced, the manufacturing process typically takes approximately three to four hours.

RAW MATERIALS

Our manufacturing process employs a variety of raw materials to construct a complete PV module. Of those raw materials, the following six are critical to our manufacturing process: TCO coated glass panels, silane, ethylene vinyl acetate, tempered glass, lead wire and solar connectors. Before we use these materials in our manufacturing process, a supplier must generally undergo a qualification process, the length of which depends on the type of raw material. Although we continually evaluate new suppliers and currently are qualifying several new suppliers, most of our critical materials are supplied by only one or two sources.

The most critical raw material in our manufacturing process is TCO coated glass, which we purchase from importers in China, who in turn source the TCO coated glass from international suppliers. In addition, due to our increased volume demand, we have recently started to purchase TCO coated glass directly from a Japanese supplier. Our second most critical raw material is silane, which we primarily source from a Chinese branch of a U.K. supplier. We also source a limited quantity of silane from a Chinese supplier. We acquire the remainder of our raw materials from a limited number of domestic suppliers. Purchases from our five largest suppliers together accounted for approximately 64.2%, 56.5% and 59.0% of our total raw material purchases for each of the three fiscal years ended June 30, 2010, respectively. Purchases from our largest supplier, accounted for approximately 29.7%, 18.9% and 21.7% of our total purchases for each of the three fiscal years ended June 30, 2010, respectively.

None of our other Directors or any person who owned 5% or more of the issued share capital of our Company as at the Latest Practicable Date or any of their respective associates has any interest in any of our five largest suppliers during the Track Record Period. We order our raw materials on a monthly basis, and we generally maintain approximately one month of inventory. The sales prices in our raw material supply contracts are determined at the beginning of each contract term, but they may contain an adjustment clause to account for raw material price increases or decreases throughout the term.

RESEARCH AND DEVELOPMENT

We focus our research and development activities principally on development and implementation of product and process technologies that enhance the conversion efficiency of our PV modules, increase the size of our PV modules and reduce our manufacturing costs. To this end, we engage in a range of thin film PV research, product development and application development programs, as well as PECVD and PVD equipment engineering projects. As a result of our research and development efforts, we have been able to achieve over 6.0% conversion efficiency on 1.0 square meter glass in volume manufacturing, and 6.5% conversion efficiency utilizing the double junction structure. In July 2010, we commenced pilot production of PV modules using a germanium double junction a-si/a-GeSi structure with conversion efficiency rate of up to 7.0%. We aim to commence pilot production of these PV modules at an average conversion efficiency rate of 7.5% and 9.0%

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by December 2010 and December 2011, respectively. In addition, we have been able to achieve 12.0% conversion efficiency in laboratory tests using the inter-layer and optical light-trapping structures on an amorphous — microcrystalline double junction device. We plan to continue to develop, improve and commercialize laboratory-demonstrated advancements to produce more efficient PV modules, improve PV module designs and streamline our manufacturing process. We also work on PV modules that are pre-installed in our factories to reduce customer installation costs.

In order to reduce the extent of conversion efficiency degradation of our amorphous thin film PV modules, we employ buffer layer design in our commercial production, which is a film design technique used to reduce lattice mismatch between layers and improve stability. We also intend to use multi-junction and light-trapping techniques. These techniques reduce the layer thickness of the silicon materials, which is widely recognized as a key factor in conversion efficiency degradation. We also plan to implement micro-crystalline thin film deposition technology, which is an alternative manufacturing technology with proven track record of reducing PV module conversion efficiency degradation. Furthermore, our research and development are engaged in various projects related to the reduction of conversion efficiency degradation, a crucial aspect in the improvement of stabilized conversion efficiency.

Our achievements in research and development derive from the strength of our research and development team, which comprised of 77 employees as at June 30, 2010.

Our chief executive officer and chairman of our board of directors, Mr. Li, has extensive experience in the amorphous silicon thin film solar industry. He has been recognized by China's central and provincial governments for his technological innovation. Mr. Li obtained the Third Prize in the National Science and Technology Progress Award from the National Science and Technology Committee in 1997, and the Golden Medal in the Concours Lepine International Inventors Exhibition of Paris in 2004 from the Association of French Inventors and Manufacturers based in Paris, France. In January 2006, Mr. Li received a China Patent Gold Award which was issued jointly by the World Intellectual Property Organization and the State Intellectual Property Office of the PRC for his invention of internal-connecting amorphous silicon PV modules and their fabrication method. Mr. Li received a China Patent Excellence Award for the invention of a PV glass design and its manufacturing method from the State Intellectual Property Office in December 2009. Our research and development team is led by our chief technology officer, Mr. Shengming Hu, who has over 10 years of experience in the thin film PV industry and has accumulated in-depth knowledge and expertise.

Mr. Li also chairs China's national BIPV technical standard committee, and three other members of our team have also been elected as members of this 23-member committee. This committee was established by the Office of the National Standardization Management Committee.

We have won a number of awards for our technological innovation from central and provincial governments in China. In January 2010, we received the 2009 Low Carbon China Contribution Enterprise Award from the Low Carbon China Forum Association, which was only awarded to 10 domestic enterprises in the PRC nationally. In 2009, we also received the BlueSky Award from the United Nations Industrial Development Organization — Shenzhen International Technology Promotion Centre for Sustainable Development for our low cost amorphous silicon BIPV products. This award is intended to recognize new technologies that have a significant measurable impact on the environment, economy and society and that are cost effective in commercial applications. In addition, we were selected by the PRC Ministry of Housing Construction for Urban and Rural Areas in 2008 as the preferred provider of BIPV products as part of their initiative to support the development of green energy. In addition, a number of our research projects have won government grants and

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subsidies. For certain projects, we are required to fulfill certain conditions. As of the Latest Practicable Date, we have been able to fulfill all the applicable conditions specified in the grants that are required to be fulfilled at the relevant stages. Set forth below are our representing research and development projects that won government grants and subsidies:

- In January 2009, we were chosen by the PRC Ministry of Science and Technology to participate in a project under the National High Technology Research and Development Program, also known as the 863 Program, which is funded and administered by the PRC government with an aim to stimulate the development of advanced technologies in a wide range of fields within the PRC. The PRC Ministry of Science and Technology has agreed to provide a RMB0.8 million grant for the research and development of low-cost manufacturing of flexible amorphous silicon PV modules to which we are entitled RMB0.4 million. The project is expected to be completed in 2010.
- In March 2009, we were awarded by the Science and Technology Agency of Guangdong Province to undertake the research and development demonstration project on the cost-effective manufacturing of amorphous/microcrystalline silicon PV modules. The Science and Technology Agency of Guangdong Province has agreed to provide a RMB2.5 million grant in connection with the project, to which we are entitled RMB1.5 million. The project is expected to be completed in December 2011.
- In November 2008, we were awarded by the Office of Production and Research of the Ministry of Education of Guangdong Province to undertake the research and development of cost-effective amorphous/microcrystalline silicon heterojunction PV modules. The Office of Production and Research of the Ministry of Education of Guangdong Province has agreed to provide a RMB1.0 million grant in connection with the project, to which we are entitled RMB0.4 million. The project is expected to be completed in December 2010.
- In December 2006, we were awarded by the Economic and Trade Commission of Guangdong Province to undertake the research and development of low-cost technologies and equipment for BIPV applications, and were provided with a RMB3.0 million grant in connection with the project in March 2007.

Going forward, we intend to continue to focus our research and development efforts in the following areas:

- *Increase conversion efficiencies in a cost-effective manner.* Our research efforts focus on thin film design and deposition technology, with the goal of improving the stabilized conversion efficiency of our PV modules. Our current programs include developing novel uses of various silane and doping gases that enhance deposition speed and quality; light trapping structures that improve absorption and optimize film layer thickness and stability; coating processing techniques in window layer design, interface optimization and buffer layer for crystal lattice matching and defect reduction; metal oxide coating for improved optical and electric performance; hetero-junctions formed with amorphous and microcrystalline silicon layers, or with amorphous silicon and silicon-based alloys, for improved efficiency and stability.
- *Increase size of PV modules without compromising conversion efficiencies.* Our research efforts are also focused on achieving the same conversion efficiency on 1.8 square meter glasses that we can currently achieve on 1.0 square meter glasses.
- *Reduce module costs.* Our product development programs integrate the latest advances in TCO glass, laser scribing, encapsulation materials and processing equipment into a coherent module construction technology. Our goal is to reduce the average PV module manufacturing cost to below US\$1.00 per watt in the near future.

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- *Develop and commercialize flexible PV modules.* We are developing PV modules that can be made from more flexible substrates. Compared with our current PV modules which are made from glass, a rigid substrate, PV modules made from more flexible substrates are lighter, more impact resistant, more flexible and easier to install, making them well-suited for portable electronics, roof installations and space, military or other special applications. We have successfully tested TCO layer coating, amorphous silicon deposition and metal conductive layer coating on flexible substrates, and expect to begin small-scale production of flexible PV modules by the end of 2010.
- *Develop strategic applications to broaden our customer base.* We deploy resources in the development of fast installation techniques for utility-scale PV power stations, which we believe will improve user-friendliness and reduce the installation costs of our products. We also deploy resources in the development of several strategic applications such as pre-packaged off-grid irrigation systems. We believe that these applications can help us attract a wider range of customers.
- *Further automate our manufacturing lines.* We focus on developing thin film fabrication technology that incorporates highly automated, large scale manufacturing systems with high manufacturing efficiency and product flexibility. Our proprietary manufacturing flow design aims at greatly reducing our unit manufacturing cost. We aim to implement our manufacturing flow design in our new manufacturing facilities.

In May 2009, Trony Science and Hong Kong Polytechnic University entered into a renewable energy research co-operation agreement under the Guangdong-Hong Kong Technology Co-operation Funding Scheme to co-develop amorphous silicon photovoltaic modules or amorphous microcrystalline double junction solar modules for photovoltaic power generation. Trony Science will provide subsidies for the university in research and development and the parties will jointly own the research results. In June 2009, Trony Science, Jinan University, Leaguer Film Technology (Shenzhen) Co., Ltd. and Hong Kong University of Science and Technology entered into a co-operation agreement to jointly research for two years whether it would be possible to have controllable growth of silicon-based thin film solar cells. The parties would then apply under the framework of the "Shenzhen-Hong Kong Innovation Circle" for funding by the Shenzhen Bureau of Science, Technology and Innovation of RMB5 million and the Hong Kong Innovation and Technology Commission of HK\$5.175 million. Trony Science would provide a subsidy of HK\$250,000 for the project, and would own 50% of the intellectual property rights in the production technology research results.

Our research and development expenses amounted to RMB3.1 million, RMB5.5 million and RMB11.3 million in the fiscal years ended June 30, 2008, 2009 and 2010, respectively.

SALES AND MARKETING

Sales and marketing channels and strategies

We use different distribution channels and deploy different sales and marketing strategies for different end-use application markets.

The off-grid market. Sales of PV modules for off-grid applications have constituted a significant portion of our total revenues in each of the three fiscal years ended June 30, 2010 and are expected to continue to contribute significantly to the growth of our business. We have established long-term relationships with certain foreign manufacturers and a number of domestic manufacturers, who assemble solar home systems and other solar off-grid applications and have sales in overseas markets such as Europe, Japan, the United States, Malaysia, Indonesia, Kenya, South Africa, Israel, Nigeria, Argentina and Iran. A substantial portion of our products may ultimately be exported to developing countries in Southeast Asia, Africa and the Middle East after assembly by our customers into end products. We also sell standard PV modules for solar home systems and other

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solar off-grid applications to a select number of China-based distributors and traders who distribute our PV modules to solar application manufacturers in overseas markets through their trade relationships and a select number of foreign distributors. We sell embedded PV modules for consumer applications primarily to domestic and international electronics manufacturers. We began our relationships with international electronics manufacturer customers in the early 2000s when these electronics manufacturer customers sought low-cost China PV module suppliers to replace their more costly suppliers from other countries. We began commercial production of embedded PV modules in 1998. As a result, these international electronics manufacturer customers contacted us. We developed and continued to maintain our relationships with these international electronics manufacturers during the Track Record Period. We sell our embedded PV modules for various applications such as solar street lamps and solar lawn lamps primarily to domestic manufacturers whose products are sold and used worldwide.

We sell a substantial percentage of these PV modules to our customers, including our manufacturer, trader and distributor customers for specific stated quantities, through non-exclusive sales contracts with terms of one year or less, which, to our knowledge, is common industry practice in the off-grid market. In addition, a significant percentage of these contracts do not contain pricing terms or specify delivery schedules. See “Risk Factors — We depend on short-term sales contracts in the off-grid market.” However, we maintain a close relationship with our customers to better understand market demands and customer needs to enable us to more effectively plan our manufacturing tasks and procurement of raw materials. All of our sales contracts are non-exclusive. We price our PV modules based on the prevailing market conditions and product specifications when we enter into sales contracts with our customers or when our customers place their purchase orders with us. We also consider the size of the contract or the purchase order, the history and strength of our relationship with a particular customer, our raw material costs and other factors. Pricing of our PV modules for off-grid applications such as solar home systems, solar garden lights and solar consumer applications, and BIPV applications, are typically determined by factors such as the product design, output and module size. To a lesser extent, they are affected by the average PV module manufacturing cost per watt. Pricing of our PV modules for PV power stations is principally affected by the overall demand in the PV industry and by the average PV module manufacturing cost per watt.

Due to the high level of product recognition we enjoy for our PV modules for off-grid applications, especially consumer applications, we maintain long-term relationships with many of our customers. We plan to continue cultivating our existing relationships to secure recurring orders of larger sizes by enhancing communications with these customers and responding to their manufacturing needs in a timely manner. We also plan to continue to proactively approach distributors and manufacturers to better understand market demands and customer needs. To further expand the reach of our PV modules for off-grid applications in overseas markets, we plan to strengthen existing relationships by continuing to cultivate customers trust and responding to their needs in a timely manner. We also plan to build new relationships with traders and local distributors in these overseas markets by broadening and enhancing our local direct sales and marketing coverage and market to potential customers in countries where we did not have direct sales to in the past, such as India and Bangladesh. In addition, we have identified a number of markets, particularly in developing regions, for the marketing and sales of pre-packaged solar solutions, which are intended to simplify installation and provide high return for customers’ investment. An example of such a solar solution is a home light system, which consists of a solar panel and a matching set of battery, charger and light-emitting diode lamps. Another example is an off-grid pumping system for agricultural irrigation, where a group of PV modules is used to power water pumps at a low cost.

The BIPV market. We provide our BIPV products and services to glass curtain wall manufacturers, project developers, contractors and owners in China. We were selected by the PRC Ministry of Housing and Construction for Urban and Rural Areas as the preferred provider of BIPV products. We also sell our PV modules to glass curtain wall manufacturers in China.

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We intend to continue to form strategic alliances with China's leading EPC companies and other project developers and contractors as well as manufacturers and become their preferred supplier of BIPV products, which had contributed to our involvement in several large-scale domestic BIPV projects in the past. In June 2009, we entered into a strategic cooperation agreement with a subsidiary of the Fifth Bureau of China State Construction Engineering, one of the largest building contractors in China, or the Fifth Bureau, for the supply of BIPV products in the central regions of China. In September 2009, we also entered into a strategic cooperation agreement with Beijing Landsky Lighting Engineering Co., Ltd., or Landsky, the designated lighting system supplier for National Stadium (also known as Bird's Nest), the main venue of Beijing 2008 Olympic Games, for the supply of BIPV products in the northern regions of China. Both of these two companies are our existing customers. We also intend to work with our vendors to develop technologies to enhance the conversion efficiency of BIPV applications. Examples of such technologies include a PV panel technology that offers combined power generation and thermal insulation functionality, a mounting technology that reduces installation cost and ensures safety, and a power management technology that enhances the power generation potential of a BIPV system.

The PV power station market. We provide PV modules for PV power stations and value-added solutions and services to project developers and owners of PV power stations in overseas markets. We have supplied PV modules and services to an EPC firm based in South Korea in its construction of a 1.0 MW on-grid power station. We plan to market directly to owners and operators of PV power stations as well as provincial and municipal governments in the PRC market. We have recently entered into two non-binding cooperation framework agreements with certain local government entities, including an agreement with China Huadian New Energy Development Co., Ltd.* (中國華電集團公司新能源發展有限公司), in connection with, among other things, the construction of PV power stations.

Our five largest customers together accounted for approximately 79.8%, 31.8% and 32.5% of our total revenues for each of the three fiscal years ended June 30, 2010, respectively. Our largest customer in each of the three fiscal years ended June 30, 2010 accounted for approximately 56.3%, 13.8% and 10.2% of our total revenues, respectively. None of our other Directors or any person who owned 5% or more of the issued share capital of our Company as at the Latest Practicable Date or any of their respective associates has any interest in any of our five largest customers during the Track Record Period.

Our relationships with our top five customers in the fiscal year June 30, 2010, including manufacturer, trader and distributor customers, averaged a length of approximately five years. Our largest customer in the two fiscal years ended June 30, 2008 and 2009 was a Thai-based solar solution provider, which has been our customer since 2007. The Thai-based solar solution provider procures PV modules from selected PV module manufacturers for its business. Sales made to this customer decreased from RMB74.9 million for the fiscal year ended June 30, 2009 to RMB58.7 million for the fiscal year ended June 30, 2010. We believe this decrease was primarily due to the customer's reduced requirement as a result of the recent political instability leading to a slowdown in the economy in Thailand. Our largest customer in the fiscal year June 30, 2010 was a Hong Kong-based exporter of PV modules, which has been our customer since early 2009. The Hong Kong-based exporter of PV modules procures PV modules from selected PV module manufacturers for export to its customers. Our other major customers in the fiscal years ended June 30, 2008, 2009 and 2010 were mainly China-based distributors and manufacturers.

Sales and marketing activities

Our sales and marketing team works closely with our research and development, manufacturing and procurement teams to coordinate our product development activities, product launches and ongoing demand and supply planning. We engage in a wide range of marketing programs, including industry conferences, trade

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fairs and public relations events. We also focus on improving our customer service. For instance, we have established representative offices in Beijing and Changsha in order to provide responsive and high quality service to domestic customers across the country. Our sales and marketing team is also in charge of developing growth strategies.

QUALITY ASSURANCE AND CERTIFICATIONS

Our quality control procedures start with our design process, where we employ failure analysis based on established engineering principles and in accordance with industry practices. Our quality control procedures also include quality assurance of raw materials, which includes careful selection of reputable suppliers globally, sourcing critical materials from leading manufacturers, annual evaluation of our major suppliers and inspection of raw materials upon their arrival at our factories. Raw materials that fail our inspection are returned to the suppliers. We have also established quality control measures that are consistent with thin film PV manufacturing industry standards at key stages throughout our manufacturing process. If we detect a problem, we will perform a failure analysis to determine the relevant cause. We conduct various performance tests on our finished products before they are inventoried and again before they are shipped. We generally warrant our products for up to one year for defects in materials and workmanship in accordance with industry standards in the off-grid and BIPV markets. On a case by case basis, we provide warranties with extended periods to a select number of customers at their request. For instance, in the two fiscal years ended June 30, 2008 and 2009 we provided a warranty to our largest customer, a Thai-based solar solution provider which procures PV modules from selected PV module manufacturers for its business, for our products for up to 10 years for compliance with the quality and technical specifications provided in the contract and against defects in materials and workmanship. We also provided a warranty to another customer, an EPC firm based in South Korea, for up to 25 years against defects in equipment and workmanship and up to 10 and 25 years against declines of more than 10% and 20% of rated power, respectively. The 10 and 25 years warranty against declines of more than 10% and 20% of rated power is consistent with what other major solar companies provide and in line with industry practice, and particularly for PV power plants. As of the Latest Practicable Date, we have not received any warranty claims.

In accordance with industry practice, we specify conversion efficiency based on the performance of our amorphous thin film PV modules after the conversion efficiency stabilizes. To collect such a measurement, we conduct light soaking degradation tests on a small percentage of our PV modules by exposing them under natural light with electric load until their conversion efficiency reaches a stabilized stage. Based on our testing results, the conversion efficiency of our amorphous thin film PV modules decreases approximately 20% to 25% from its initial value before it stabilizes. This is in line with international industry standards.

We conduct the tests substantially in accordance with the "Thin film terrestrial photovoltaic (PV) modules — Design qualification and type approval", or IEC 61646, an international standard for certifying thin film PV module performance, adopted by the International Electrotechnical Commission, an international standards organization. We engaged Underwriters Laboratories Inc., or UL, of the United States and TÜV Immissionsschutz und Energiesysteme GmbH, or TÜV of Germany to certify our PV modules.

In connection with the UL certification, we received a notice of completion of the engineering investigation from UL in June 2010. Before we are authorized to ship our products with the UL mark, an initial product inspection must be successfully performed by a UL representative. We expect no material obstacles in completing this initial product inspection. We also submitted an application for IEC 61646 certification from TÜV. Based on testing results, we meet the requirements of this certification. We have received the VDE certification, conducted by VDE testing and certification institute, against the requirements of IEC61646 (ed.2), IEC61730-1 (ed.1) and IEC71730-2 (ed.1) for one model of our thin film PV module in April 2010. We expect to receive the IEC 61646 certification for another model of our thin film PV module in December 2010.

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We have also submitted for product certifications of IEC 61646 from UL and for certifications of IEC 61646 and "Photovoltaic (PV) module safety qualification", or IEC 61730, from TÜV. We are expecting to receive these certifications. While such certifications can demonstrate our technological capabilities and instill customer confidence, we believe the certifications are not significant to our operation. The IEC 61646 certifications and UL 1703 certifications are typically required by customers in the European Union countries and North American countries as these certificates are prerequisites for governmental funding or subsidies for their on-grid solar power projects or purchases. However, a majority of our customers are based in countries outside of the European Union or North America, purchase our PV products for off-grid applications and do not rely on such certifications. The following table sets forth the major certifications we have received and major test standards our products have met or are expected to meet as at the Latest Practicable Date.

Certification test dates	Certification or test standard	Relevant products
September 5, 2002	ISO 9001:2000 quality system certification, established by the International Organization for Standardization, an organization formed by delegates from member countries to establish international quality assurance standards for products and manufacturing processes.	The design and manufacture of thin film PV cells, modules and application systems
Various dates from June 2003 to December 2008	CE certifications, issued by Electronic Technology Systems Dr. Genz GmbH and Waltek Services Co., Ltd., each an international operating test and certification center. An indication that our products have reached "European Conformity."	Certain models of our PV modules and charge controller for our PV System
January 2010	KIER certification, conducted by Korea New and Renewable Energy Center	Model TPS-80 of amorphous silicon PV module
April 2010	VDE certification, conducted by VDE testing and certification institute, against the requirements of IEC61646 (ed.2), IEC61730-1 (ed.1) and IEC71730-2 (ed.1)	Model TPS2-16 of amorphous silicon PV module

INTELLECTUAL PROPERTY

We rely primarily on a combination of patents, trademarks and trade secrets, as well as employee and third party confidentiality agreements to protect our intellectual property. As at June 30, 2010, we held 17 patents in China, including five invention patents, 11 utility model patents and one packaging design patent. We also had 24 patent applications pending in China. Historically, certain patents used in our business have been

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registered or applied for registration in the name of our chief executive officer and chairman of our board of directors, Mr. Li, in China for administrative simplicity. The development of such patents was led by Mr. Li using our resources, including our research and development personnel, raw materials, equipment and facilities. We entered into license agreements with Mr. Li in January 2006 and October 2007, which agreements were superseded by a license agreement we entered into with Mr. Li in September 2008, as further supplemented by a supplemental license agreement we entered into with Mr. Li in June 2009. As a result, as at June 30, 2010, we had exclusive rights to use 78 patents, including 13 invention patents, 47 utility model patents and 18 packaging design patents in China, and exclusive access to 14 pending patent applications in China, two pending patent applications in Japan and one pending patent application in each of the United States and Germany. Under these agreements, such patents are made available to us at zero consideration until Mr. Li has transferred all legal and beneficial ownership of these patents to us. We continually assess appropriate occasions for seeking patent protection for those aspects of our technology, designs and methodologies and processes that we believe provide significant competitive advantages.

The validity period for utility patents and packaging design patents we own is 10 years, and the validity period for invention patents we own is 20 years, starting from the date the application was filed. We have rights to the utility patents, packaging design patents and invention patents we license from Mr. Li from the licensing date until the expiry date of those patents. As with patent rights in most other jurisdictions, a patent holder in China enjoys the exclusive right to exclude others from using, licensing or otherwise exploiting the patent in China. However, patents we own or have exclusive rights to use could be challenged in China or elsewhere, which could be costly to defend and could divert our management from their normal responsibilities. See “Risk factors — Risks related to our business and our industry — Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.”

We do not believe the expiration or loss of any of the current patents we own or have the exclusive right to use would materially harm our business. We do not know if our patent applications, applications for patent license or any such applications in the future will result in patents being issued with the scope of the claims we seek, if at all, or whether any patents we receive or have the exclusive right to use may be challenged, invalidated or declared unenforceable.

With respect to, among other things, proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. Many elements of our PV manufacturing process involve proprietary know-how, technology or data that are not covered by patents or patent applications, including our proprietary technology and designs in thin film solar manufacturing equipment, technical processes, algorithms and procedures. We have taken security measures to protect these elements.

All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they develop during their employment with us. We also require our customers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our PV modules, technology or business plans.

We maintain nine trademark registrations, including the names Trony, the Chinese characters “chuangyi,” and our logo, in China. We are also in the process of applying for seven additional trademarks. We also maintain three trademark registrations, including the name Trony and our logo, in each of the United States, Japan and the European Union. As our brand name is becoming more recognized in the solar market, we are working to increase, maintain and enforce our rights in our trademark portfolio, the protection of which is important to our reputation and branding.

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In an effort to stop or forestall the export of imitation and knock-off products, we have registered our Trony trademark and one of our core patents with customs officials in the PRC. PRC customs procedures provide for the seizure of any exports they inspect that are found to infringe on trademarks on file with them.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. It is difficult to monitor unauthorized use of technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as laws in Hong Kong or the United States. In addition, our competitors may independently develop technology similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property.

As at the date of this prospectus, we have not been subject to any material intellectual property claims against us.

COMPETITION

The market for PV products is intensely competitive and rapidly evolving. Within the global PV industry, we face competition from crystalline silicon PV module manufacturers, as well as other thin film PV module manufacturers. According to Solarbuzz, in 2009, the world thin film PV market size was 1.70 GW. We also compete with conventional energy and non-solar renewable energy providers.

In areas with no grid electricity network, solar power can provide viable and economical choice of electricity compared with conventional energy sources. In grid-connected areas, cost differentials between solar energy and conventional energy sources have narrowed due to greater economies of scale for manufacturing PV modules, lower equipment and raw material costs and improved conversion and production efficiencies. In addition, once installed, PV systems typically require lower maintenance and little or no fuel, resulting in substantial savings in operating expenses over the expected 20- to 25-year life of the system. We plan to continue to drive down our costs and improve conversion efficiencies of our PV modules. Compared with crystalline silicon PV technology, thin film technology enables manufacturers to produce PV modules with approximately 1% to 2% of the silicon materials used to produce crystalline silicon PV modules.

Although researchers have been developing thin film technology for over 20 years, they were only recently able to integrate the technology into a PV module manufacturing line. Unlike the crystalline silicon manufacturing process, thin film production is a fully-integrated and continuous process, which has the effect of increasing manufacturing efficiency. However, in contrast to crystalline silicon PV modules, no thin film PV modules have been in service for their entire estimated useful life. Therefore, there is limited data available to prove how thin film PV modules, including our PV modules, will perform over their estimated 20- to 25-year useful life.

In addition, the average conversion efficiency of thin film PV modules in high commercial volume (over 20 MW per year) is significantly lower than the current average conversion efficiency of readily available crystalline silicon PV modules, which was 14.6% in 2009, according to Solarbuzz. By contrast, the average conversion efficiency of our amorphous silicon based thin film modules was approximately 6.0% for the fiscal year ended June 30, 2009, and the conversion efficiency of the CdTe based thin film PV modules of First Solar, Inc., a U.S. company listed on the Nasdaq Global Market, for its fiscal year ended December 31, 2009 was 11.1%. Due to lower conversion efficiency, thin film PV modules may require more space to install for the same amount of power generation output and have higher total installation cost. However, compared to crystalline silicon PV modules, amorphous silicon thin film systems such as our products can have better performance in various environments, including high temperature and low light and can generate higher energy yield in these environments. In addition, compared to crystalline silicon PV modules, thin film PV modules are better suited for off-grid applications, as they normally have simpler system designs, which may lower the total system costs.

Our competitors include conventional crystalline PV cell and module manufacturers such as Suntech Power Holdings Co., Ltd., Trina Solar Limited and Yingli Green Energy Holding Company Limited. Crystalline silicon

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technology is the mainstream manufacturing technology for PV products. According to Solarbuzz, over 80% of the PV modules manufactured in 2009 in the world were crystalline silicon PV modules. In 2009, crystalline silicon PV modules had an average conversion efficiency of 14.6%, and had an average selling price of US\$2.52 per watt. Crystalline silicon PV module selling prices have been generally decreasing since 2008. In 2008, the average selling price of crystalline silicon PV modules was US\$4.05 per watt as compared with US\$2.52 per watt in 2009. Crystalline silicon PV modules generally have higher conversion efficiencies and higher average selling prices as compared to thin film PV modules. According to Solarbuzz, in 2008 and 2009, thin film PV modules had an average selling price of US\$2.45 per watt and US\$1.89 per watt, respectively. In the fiscal year ended June 30, 2010, the average conversion efficiency of our thin film single junction and double junction PV modules was approximately 6.0% and 6.5%, respectively, and our average module selling price was approximately US\$1.76 per watt.

Below is a table showing our performance as a thin film PV manufacturer as compared to certain listed conventional crystalline PV module manufacturer competitors in 2009, information of which we have derived based on these manufacturers' public filings.

	Average manufacturing cost per watt	Average selling price per watt	Conversion efficiency
	(US\$)	(US\$)	(%)
Suntech Power Holdings Co., Ltd.	1.86 ⁽¹⁾	2.40	17.4 (mono)/ 15.7 (multi) ⁽²⁾
Trina Solar Limited.....	1.52 ⁽³⁾	2.10	18.8(mono)/ 17.5 (multi) ⁽⁴⁾
Yingli Green Energy Holding Company Limited	1.52 ⁽⁵⁾	2.00	16.2 ⁽⁶⁾
Our Group.....	1.08	1.83 ⁽¹⁾	6.0 (single junction)/ 6.5 (double junction) ⁽⁷⁾

(1) Assuming that average manufacturing cost per watt is calculated by dividing cost of revenues in respect of PV modules of US\$1,258.8 million by module shipment volume of 675.1 MW, both as disclosed in Suntech Power Holdings Co., Ltd.'s Form 20-F for its fiscal year ended December 31, 2009, filed with the U.S. Securities and Exchange Commission on May 11, 2010, or Suntech's 2009 Form 20-F. Suntech Power Holdings Co., Ltd. may have a different method of calculating average manufacturing cost per watt.

(2) Average conversion efficiency rate as at December 31, 2009 was 17.4% for Suntech Power Holdings Co., Ltd.'s monocrystalline silicon PV cells and 15.7% for its multicrystalline silicon PV cells, as disclosed in Suntech's 2009 Form 20-F.

(3) Assuming that average manufacturing cost per watt is calculated by dividing cost of revenues of US\$608.0 million by module shipment volume of 399.0 MW, both as disclosed in Trina Solar Limited's Form 20-F for its fiscal year ended December 31, 2009, filed with the U.S. Securities and Exchange Commission on March 17, 2010, or Trina's 2009 Form 20-F. Trina Solar Limited may have a different method of calculating average manufacturing cost per watt.

(4) Maximum conversion efficiency rate as at December 31, 2009 was 18.8% for Trina Solar Limited's monocrystalline silicon PV cells and 17.5% for its multicrystalline silicon PV cells, as disclosed in Trina's 2009 Form 20-F.

(5) Assuming that average manufacturing cost per watt is calculated by dividing cost of PV modules sales of US\$799.6 million by PV modules sold of 525.3 MW, both as disclosed in Yingli Green Energy Holding Company Limited's Form 20-F for its fiscal year ended December 31, 2009, filed with the U.S. Securities and Exchange Commission on June 25, 2010, or Yingli's 2009 Form 20-F. Yingli Green Energy Holding Company Limited may have a different method of calculating average manufacturing cost per watt.

(6) Annual average conversion efficiency rate of PV cells, as disclosed in Yingli's 2009 Form 20-F.

(7) Average conversion efficiency rate as at December 31, 2009 was 6.0% for our thin film PV modules using a single junction structure and 6.5% for our thin film PV modules using a double junction structure.

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Many of our existing and potential competitors are substantially larger in size with greater financial, technical, manufacturing and other resources. Many of our competitors have greater brand name recognition, more established distribution networks and larger customer bases. In addition, many of our competitors have well-established relationships with our current and potential customers and have extensive knowledge of the markets in which our products are used. As a result, they may be able to devote more resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. In addition, as more Chinese and international PV module manufacturers continue to invest in China and take advantage of lower production and labor costs in China, we may face increasing pricing pressure and decreasing demand for our products as well as increasing competition for qualified personnel. Please refer to “Risk Factors — Risks related to our business — We face intense competition from manufacturers of crystalline silicon PV modules, thin film PV modules, and non-solar renewable energy and conventional energy providers”.

We also face competition from other thin film players such as non-listed companies or product divisions of listed conglomerates. We may also compete with new entrants to the PV product market, including those that may offer more advanced technological solutions or may have greater financial resources. Entry barriers to the thin film market include brand recognition, scale, which is important in achieving low manufacturing cost, and manufacturing know-how, which is important in increasing conversion efficiencies of PV products. Furthermore, the solar power industry faces competition from conventional energy and non-solar renewable energy providers. Due to relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs. See “Risk factors — Risks related to our business and our industry — We face intense competition from manufacturers of crystalline silicon PV modules, thin film PV modules, and non-solar renewable energy and conventional energy providers.”

ENVIRONMENTAL MATTERS

We have obtained all of the environmental permits and approvals necessary to conduct our business, including those for our production facilities. Our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes. However, we have devoted efforts to reduce such wastes to acceptable levels under applicable regulations. We have installed various types of anti-pollution equipment in our facilities to reduce, treat, and where feasible, recycle the wastes generated in our manufacturing process. We are currently in compliance with all applicable environmental laws and regulations with regard to the treatment or disposal of the wastes generated during our manufacturing process. Our operations are subject to regulation and periodic monitoring by local environmental protection authorities. For the fiscal years ended June 30, 2008, 2009 and 2010, our annual cost of compliance with environmental protection rules and regulations was approximately RMB505,000, RMB605,000 and RMB1.0 million, respectively.

We have been advised by our PRC legal advisors that we have no obligations under any law or regulation in the PRC to implement recycling measures on our thin film modules. We have not used any recycled material to manufacture our thin film modules. We are in compliance with all the applicable environmental protection laws and regulations during the Track Record Period and up to the date of the Prospectus. Certain components of our thin film PV modules may be recyclable.

In order to ensure that we comply with the relevant PRC environmental laws and regulations, we have appointed our vice president of production, Mr. Tak Man Cheung to oversee environmental protection related matters within our Group. We will ensure that we comply with applicable PRC environmental laws and regulations in the future by (i) empowering Mr. Cheung to oversee and maintain our compliance with environmental protection policies, (ii) providing both regular, annual training and special, as-needed training upon the promulgation of new environmental laws and regulations with respect to the latest PRC environmental laws and regulations and encouraging our team staff to attend environmental protection training sessions organized by the local environmental protection authorities, (iii) conducting on-site

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inspections regularly, (iv) providing relevant training to our staff, including but not limited to providing training to our Directors regarding compliance with PRC environmental laws and regulations; (v) immediately reporting to our Directors any incident or non-compliance with the relevant PRC environmental laws and regulations and (vi) immediately reporting to and coordinating with competent authorities in the case that any incident or non-compliance arises.

EMPLOYEES

We had 519, 581 and 683 employees as at June 30, 2008, 2009 and 2010, respectively. The following table sets forth the number of our employees in each of our areas of operations and as a percentage of our total workforce as at June 30, 2010:

	As at June 30, 2010	
	Employees	Percentage
Manufacturing, Procurement and Logistics.....	544	79.6%
Research and Development	77	11.3%
Sales and Marketing	22	3.2%
Administration and Management.....	25	3.7%
Finance	15	2.2%
Total.....	683	100.0%

Our success depends to a significant extent upon our ability to attract, retain and motivate qualified personnel, and our personnel are selected through a rigorous process. We recruit graduates from colleges and universities. We also recruit employees through various other channels, including postings on job recruitment websites. From time to time, we employ senior technical and managerial personnel through executive search firms.

As at June 30, 2010, 36.2% of our employees held college or higher degrees. All of our manufacturing line employees have post-high school technical degrees or high school diplomas. A number of our employees have overseas education and industry experience. We provide continuous in-house and on-site training to our employees.

We are required under PRC law to make contributions to our employee benefit plans including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans. Our contributions are made based on specified percentages of the salaries, bonuses, housing funds and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities where we operate our businesses. Our total contribution for such employee benefits required by applicable regulations amounted to RMB1.0 million, RMB2.4 million and RMB2.7 million in the fiscal years ended June 30, 2008, 2009 and 2010, respectively.

Our employees are not covered by any collective bargaining agreement. During the Track Record Period, we have not experienced any major disputes with our employees and we believe that we maintain good working relationships with our employees.

FACILITIES

Our corporate headquarters are located in Great China International Exchange Square in Shenzhen, where we lease an aggregate of 1,164 square meters of office space. Our main manufacturing and our research and development facilities are located at the Trony Industrial Park in the Baolong Industrial Zone of the Longgang District in Shenzhen, where we own the right to use a parcel of land of approximately 42,000 square meters,

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of which approximately 10,000 square meters have been utilized. Our employee dormitory and logistics center are also located on this parcel of land. In the Longgang facility, we have installed an aggregate of 140 MW of manufacturing lines and plan to install additional manufacturing lines as well as expand the capacity of existing manufacturing lines. In Futian district in Shenzhen, we lease 1,261 square meters of manufacturing facility, where our 5 MW manufacturing line for the manufacturing of consumer products is located. We also lease 606 square meters of building space as an employee dormitory. The leases will expire on December 31, 2010. The landlord has not been able to provide us with relevant building ownership certificate, and third parties, including relevant government authorities, may interfere with our use and occupation of these leased properties during the term of the lease or prevent us from renewing the leases as they expire. However, if there is no dispute over the defective title, for cost reasons and to avoid operation disruption, we have no plan to relocate the employee dormitory upon expiry of the lease. The lease properties with defective title are not crucial to our operation, as we have another large employee dormitory in Longgang, where we can relocate our employees while incurring minimal operation disruption. In particular, we expanded our fully-automated manufacturing line in our Longgang facility to 100 MW, with commercial production commencing in March 2010. The cost of such expansion from 70 MW to 100 MW in the amount of approximately RMB104.0 million has been paid in full. We commenced a project to install a new 60 MW fully-automated manufacturing line in a new facility built next to our Longgang facility. We have utilized our US\$30 million loan from a shareholder drawn down in October 2009 to finance this project and plan to use our operating cash flow to finance the additional funding requirement. We expect that the project will be completed in the fourth calendar quarter of 2010, which will bring our annual manufacturing capacity to 205 MW. We also lease 68 square meters of office space in Changsha, Hunan province, 46 square meters of office space in Beijing, and 60 square meters of office space in the Hong Kong Science Park in Shatin, New Territories. We believe that our existing and planned facilities are adequate for our requirements for the foreseeable future.

INSURANCE

We maintain property insurance policies with reputable insurance companies covering our equipment and facilities. These insurance policies cover losses due to fire, earthquake, flood and a wide range of other natural disasters. Insurance coverage for our fixed assets other than land amounted to over RMB843 million as at June 30, 2010. We do not maintain product quality insurance or key-man life insurance for our executive officers. We consider our insurance coverage to be adequate. However, significant damage to any of our manufacturing facilities and buildings, whether as a result of fire or other causes, could have a material adverse effect on our results of operations. We paid an aggregate of approximately RMB856,000 in insurance premiums in the fiscal year ended June 30, 2010.

LEGAL, ARBITRAL AND ADMINISTRATIVE PROCEEDINGS

We are currently not a party to any material legal, arbitral or administrative proceedings, and we are not aware of any threatened material legal, arbitral or administrative proceedings against us. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalization Issue, the Controlling Shareholders will control the exercise of voting rights of 40.63% of the Shares eligible to vote in general meeting of our Company (assuming the Over-allotment Option is not exercised). Save and except for such interest in our Company, the Controlling Shareholders have no interest in any other companies, entities or businesses as at the Latest Practicable Date which may, directly or indirectly, compete with our Group's business.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have entered into a non-competition undertaking (the "**Non-competition Deed**") in favour of our Company (for itself and for the benefit of its subsidiaries), pursuant to which the Covenantors have jointly and severally, irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of its subsidiaries) that the Covenantors will not, and will procure that their respective associates (other than any members of the Group) will not, during the restricted period, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "**Restricted Business**"). Such non-competition undertaking does not apply to hold shares of a company whose shares are listed on a recognised stock exchange and whose business includes any Restricted Business provided that:

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

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

The "restricted period" stated in the Non-competition Deed refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; and (ii) the Covenantor and/or his associates are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, the Directors are of the view that our Group is capable of carrying on its business independently of our Controlling Shareholder and their respective associates after the Global Offering:

Management Independence

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Li, a Controlling Shareholder, is one of our executive Directors and a chairman of the Board.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Global Offering.

Operational Independence

We have established our own set of organizational structure made up of individual departments, each with specific areas of responsibilities, having independent access to sources of supplies or raw materials for production as well as customers. We have rights to all the intellectual properties which we utilise in our operations. We have also established a set of internal controls to facilitate the effective operation of our business. For details of our internal controls, please refer to the section headed "Business — Internal Control" in this prospectus. Therefore our Directors consider that our operations do not depend on the operation of the Controlling Shareholders.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

Our Company and Lakes Invest entered into a shareholder loan agreement on October 2, 2009. Pursuant to the shareholder loan agreement, we borrowed US\$30.0 million from Lakes Invest on October 14, 2009.

Lakes Invest funded the shareholder loan using all the proceeds it received from the ICBC loan which was drawn down in full on October 14, 2009 pursuant to a loan facility agreement dated October 2, 2009 between ICBC International Finance Ltd. and Lakes Invest. We did not borrow directly from ICBC International Finance Ltd. because ICBC International Finance Ltd. requested this back-to-back loan structure as they required security for the loan. As security for the loan, Lakes Invest charged 15,904,078 of our shares, representing 15% of our issued authorized share capital on October 12, 2009, the date of the share charge, to ICBC International Finance Ltd. Each of the ICBC loan and the shareholder loan bears an annual interest rate of 3.5%, payable quarterly. The ICBC loan had a term of six months, which may be extended to one year if the Global Offering had not occurred within the initial term, and could be further extended to 30 days after the completion of the Global Offering if the Global Offering was completed within the 30 day period prior to the first anniversary of the loan. Accordingly, the ICBC loan had to be repaid in full within 30 days after the Global Offering. The term of the shareholder loan was the same as the term of the ICBC loan. Under the shareholder loan agreement, we were obligated to repay in full the outstanding amount owed to ICBC International Finance Ltd. by Lakes Invest on behalf of Lakes Invest within a 30-day period after the completion of the Global Offering using a portion of the net proceeds we would receive from the Global Offering. This repayment would discharge our obligations under the shareholder loan agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In order to satisfy a condition to the draw down of the ICBC loan, Lakes Invest issued the Ordinary Shares Purchase Warrant to ICBC International Overseas Investment Ltd. on October 12, 2009, entitling ICBC International Overseas Investment Ltd. to purchase up to US\$13,000,000 worth of shares in our Company held by Lakes Invest. The said Ordinary Shares Purchase Warrant was cancelled on May 26, 2010, pursuant to the restructuring of the ICBC loan as set forth in the next paragraph.

On May 26, 2010, US\$15.0 million of the US\$30.0 million ICBC loan was cancelled in exchange for a transfer of 4,411,765 of our ordinary shares from Sky Sense to ICBC Strategic Investment Ltd., an affiliate of ICBC International Finance Ltd. The ICBC loan agreement was amended to provide for a maturity date of March 31, 2012, and references to Series A investors were replaced by references to Series B investors in that agreement. The shareholder loan agreement between our Company and Lakes Invest was also amended on May 26, 2010 to provide for a maturity date of March 31, 2012, although the amount of our shareholder loan remained at US\$30.0 million. We had successfully arranged for credit facilities of up to RMB540 million from China Construction Bank, in which RMB423 million remained unutilized as at the Latest Practicable Date, to, if necessary, replace our shareholder loan before the Listing. We have given an irrevocable instruction to repay our shareholder loan of US\$30 million from Lakes Invest in full with part of the net proceeds of this offering. Please refer to the section headed "Future Plans and Use of Proceeds" for more information.

Save except for the said shareholder loan, our Directors confirm that there are no outstanding loans from the Controlling Shareholders as at the Latest Practicable Date and our Group do not intend to obtain any further borrowing from the Controlling Shareholders. Further, as at the Latest Practicable Date, we are not relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have we been given any guarantee for the benefit of any of our Controlling Shareholders during the Track Record Period and up to the Latest Practicable Date. Therefore, there is no financial dependence on the Controlling Shareholders.

Before the completion of the Global Offering, we intend to adopt an audit committee charter, which will require that the committee review all related party transactions on an ongoing basis and all such transactions be approved by the committee. Set forth below are all our related party transactions since the beginning of our preceding three fiscal years.

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

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

Following the Listing, we will continue to have certain transactions with certain entities which will be regarded as connected persons of our Company on an ongoing basis in our normal course of business. Such transactions will be regarded as continuing connected transactions of our Company under the Listing Rules after the Listing. A summary of these continuing connected transactions is set out below:

Type of Transaction	Term	Applicable Listing Rule	Waiver Sought
1. License of patents by Mr. Li	From September 26, 2008 until Mr. Li has transferred to Trony Science all legal and beneficial interests in the patents	Rule 14A.33(3)	None
2. Intellectual Property Consulting Contract	Three years from the Listing Date	Rule 14A.33(3)	None
3. A Loan (the " Weili Loan ") from 晉江威立織造實業有限公司 (Jinjiang City Weili Weaving Manufacturing Industry Co., Ltd.*) (" Weili ")	From April 10, 2008 to April 10, 2012	Rule 14A.65(4)	None

CONNECTED PERSONS

The relevant Connected Persons, with whom certain members of our Group have entered into continuing connected transactions, are as follows:

- (a) *Mr. Li*: our chief executive officer and chairman of our board of directors and executive Director is a connected person under Rule 14A.11 of the Listing Rules.
- (b) *Shenzhen Yiyong*: Shenzhen Yiyong Patent & Trademark Agency ("**Shenzhen Yiyong**") is a partnership established in Shenzhen and is controlled by Ms. Yiyong Zhang. Ms. Yiyong Zhang is Mr. Li's mother and is therefore a connected person under Rule 14A.11(4)(b) of the Listing Rules. Accordingly, Shenzhen Yiyong is an associate of Ms. Yiyong Zhang and is therefore a connected person under Rule 14A.11 of the Listing Rules.
- (c) *Weili*: Weili is a company established in the PRC and wholly owned by Ms. Liyun Huang. Ms. Liyun Huang is the mother of Ms. Yiling Huang, who owns 50% of Build Up, a substantial shareholder (as defined under the Listing Rules) of the Company. Since Weili is wholly owned by Ms. Liyun Huang, it is therefore a connected person under Rule 14A.11(4) of the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The license of patents by Mr. Li and the Intellectual Property Consulting Contract will constitute continuing connected transactions for our Group exempt from the reporting, annual review, announcement and independent shareholders' approval requirements stipulated under the Listing Rules pursuant to Rule 14A.33(3) of the Listing Rules. Each of these transactions is undertaken on an arms-length basis and on normal commercial terms or terms more favourable to our Group and the percentage ratios (other than the profit ratio) of each of the following transactions on an annual basis is less than 0.1% or if more than 0.1% is less than 5% and the annual consideration is less than HK\$1.0 million.

CONNECTED TRANSACTIONS

The Weili Loan will constitute financial assistance from a connected person for the benefit of our Group. As the Weili Loan is on normal commercial terms or better to our Company and no security over the assets of our Company is granted in respect of the Weili Loan, it will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements stipulated under the Listing Rules pursuant to Rule 14A.65(4) of the Listing Rules.

1. License of patents by Mr. Li

Historically, certain patents used in our business have been registered or applied for registration in the name of Mr. Li for administrative simplicity. The development of such patents were led by Mr. Li using our resources, including our research and development personnel, raw materials, equipment and facilities. Mr. Li and Trony Science entered into an intellectual property license agreement dated September 26, 2008 and a supplemental intellectual property license agreement dated 30 June 2009 ("**License Agreements**") pursuant to which Mr. Li agreed to grant Trony Science an exclusive, unconditional, irrevocable, royalty-free and transferrable license of the right to use all intellectual property ("**Licensed IP**") used in connection with the business of Trony Science as now conducted and as presently proposed to be conducted, but owned by Mr. Li, in the design, development, management, manufacturing, assembly, installation, commissioning, operation, maintenance and repair of products of Trony Science as now designed, developed, manufactured, assembled and as presently proposed to be designed, developed, manufactured, assembled anywhere in the world, from the date of the License Agreement until Mr. Li has transferred to Trony Science all legal and beneficial interests in the Licensed IP.

As at the Latest Practicable Date, the transfers of the Licensed IP were in progress but are not expected to be completed on or before the completion of the Global Offering and as a transitional arrangement. Please refer to the paragraph headed "Intellectual Property Rights of our Group" in the section headed "Statutory and General Information" in Appendix VI to this prospectus for details of these patents.

Our Directors, including the independent non-executive Directors, consider that the License Agreements are carried out in our ordinary and usual course of business, on normal commercial terms that are fair and reasonable and in the interests of our shareholders as a whole.

2. Intellectual Property Consulting Contract with Shenzhen Yiyong

Introduction

The success of our business depends in part on our ability to assert and protect our rights in our intellectual properties, which would require a specialized set of skills and expertise. Shenzhen Yiyong is a registered patent agent in the PRC operated by Ms. Yiyong Zhang, who has more than 20 years of experience in dealing with intellectual property matters. Our Company considers that Shenzhen Yiyong possesses the requisite skills and expertise in handling our intellectual property matters. Therefore, we have engaged Shenzhen Yiyong to provide intellectual property advisory services to us as well as to represent us in matters related to intellectual properties in the PRC pursuant to the terms of the Intellectual Property Consulting Contract.

Terms of the Intellectual Property Consulting Contract

Shenzhen Yiyong and Trony Science entered into an intellectual property consulting contract on September 15, 2010 whereby (i) an intellectual property consulting contract dated December 23, 2005 entered into between the same parties was superseded; (ii) Shenzhen Yiyong agreed to provide general intellectual property advisory services to Trony Science during the term of the agreement; (iii) Shenzhen Yiyong agreed to represent Trony Science in handling and managing all application, registration and management of patent, trademark, software, technology appraisal, trade and technology secrets and asset appraisal from time to time on normal

CONNECTED TRANSACTIONS

commercial terms which are no less favourable than those available from Independent Third Parties; (iv) Shenzhen Yiyong agreed to provide us with certain services, including providing report on countermeasure with respect to general patent consulting and intellectual property, particularly, patent tracking service and major monitoring, drafting legal opinion, conducting negotiations on intellectual property, patent promotions, and exhibitions and results appraisals, and achieving a one-stop full service; and (v) Shenzhen Yiyong agreed to provide intermediary services to us with respect to the drafting, review and execution of general technology development contracts, conducting training and giving lectures on intellectual property for our scientists and technicians and training patent engineers for us. The contract is for a term of three years commencing on the Listing Date, renewable for a further three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate this contract at anytime before expiration subject to compliance with Listing Rules. The fees at which Shenzhen Yiyong charges us will be based on terms that are comparable to those available from Independent Third Parties and after arm's length negotiation on normal commercial terms.

Historical Transaction Amounts

During the fiscal years ended June 30, 2008, 2009 and 2010, we paid RMB277,000, RMB429,000 and RMB735,000 trademark registration fees and agent fees to Shenzhen Yiyong, respectively. These fees related to patent and trademark applications made on our behalf and on the behalf of Mr. Li, as Mr. Li had made available to us without any charge the exclusive rights to use trademarks and patents owned by him.

Maximum Annual Transaction Amounts

Our Directors estimate that the proposed annual fees for the fiscal years ending June 30, 2011, 2012 and 2013 under the intellectual property consulting contract with Shenzhen Yiyong will not exceed RMB1.0 million, RMB1.5 million and RMB1.5 million, respectively.

We estimate that the rate of growth of annual fees payable to Shenzhen Yiyong based on the estimated growth of the development of the patents and other intellectual property which will require more consulting service from Shenzhen Yiyong.

Our Directors, including the independent non-executive Directors, consider the intellectual property consulting contract is carried out in our ordinary and usual course of business, on normal commercial terms that are fair and reasonable and in the interests of our shareholders as a whole.

3. Loan from Weili

On April 10, 2008, Trony Science entered into a loan agreement with Weili, pursuant to which Trony Science borrowed the Weili Loan from Weili with in a principal amount of RMB305 million. The Weili Loan is unsecured, interest-free and was originally repayable on April 9, 2010. The Weili Loan has been applied primarily to the acquisition of plant and machinery. Pursuant to a supplemental agreement entered into by Trony Science and Weili on June 30, 2009, the due date of the loan has been extended to April 9, 2012 while other terms remained unchanged.

Upon the Listing, the Weili Loan will be a financial assistance from a connected person for the benefit of our Group under the Listing Rules. As the Weili Loan is on normal commercial terms or better to our Company and no security over the assets of our Company is granted in respect of the Weili Loan, it will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements stipulated under the Listing Rules pursuant to Rule 14A.65(4) of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our board of directors is responsible and has general powers for the management and conduct of our business. The following table sets forth information regarding members of the board of directors of our Company.

Name	Age	Position/Title
Mr. Yi Li	41	Chairman, chief executive officer and executive Director
Mr. Yixiang Chen	45	Executive Director and executive vice president
Mr. Hong Yu	56	Non-executive Director
Mr. David Ka Hock Toh	58	Independent non-executive Director
Dr. Chia-Wei Woo.....	72	Independent non-executive Director
Mr. Shujian Che	67	Independent non-executive Director

Executive Directors

Mr. Yi Li (李毅), aged 41, joined our Group in September 1993 and was appointed as an executive Director of our Company on November 17, 2006. He is the co-founder, the Chairman, the chief executive officer and an executive Director of our Company, and is responsible for the overall strategy and operation of our Group. He has over 15 years of experience in the solar industry. Mr. Li is the chairman of China's national BIPV technical standard committee, and a member of the Photovoltaic Professional Committee of the China Solar Energy Society and the Vice-president of the Shenzhen Patent Association. He was also the executive director of Guangdong Solar Energy Association from July 2003 to December 2005. From January 1994 to January 1995, Mr. Li was the deputy president of Shenzhen Hi-tech Industry Association, and served as the deputy general manager of Shenzhen Yukang Solar Industry Co., Ltd. From August 1991 to August 1993, Mr. Li worked at Shenzhen Materials and Goods Industry & Trade (Group) Co., Ltd. Mr. Li received a bachelor's degree in precision instrument from Shenzhen University in 1991, and a master's degree in business administration from Huazhong University of Science and Technology in 1999. In 2004, Mr. Li received the Golden Medal in the Concours Lepine International Inventors Exhibition of Paris in 2004 from the Association of French Inventors and Manufacturers based in Paris, France. In 2006, Mr. Li received a China Patent Gold Award which was jointly issued by the World Intellectual Property Organization and the State Intellectual Property Office of the PRC for his invention of internal-connecting amorphous silicon PV modules and their fabrication method. In December 2009, Mr. Li received a China Patent Excellence Award from the State Intellectual Property Office. In April 2010, Mr. Li was recognized as a national-level talent by the Shenzhen municipal government, an award only given to a limited number of qualified individuals in Shenzhen.

Mr. Yixiang Chen (陳逸翔), aged 45, joined our Group in August 2006 and was appointed as an executive director of our Company on November 17, 2006. He is an executive vice president of our Company, and is responsible for overall operations and sales and marketing strategies. He has over 10 years of experience in management positions as technical inspector and general manager, focusing on security systems installation, marketing and research and development. Since February 2006, Mr. Chen has been a senior consultant at Sunlot Group Company Limited, a manufacturer of sanitary wares. From February 1996 to March 2005, Mr. Chen was a general manager in charge of overall operations research and development and sales and marketing at Zhongxun Electronics (Quanzhou) Limited, a manufacturer of professional wireless communication equipment. Mr. Chen was certified as a first grade engineer in China by Honeywell International Inc. in 1996. He was also a part-time lecturer at the Commerce College of Huaqiao University in 2006.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Director

Mr. Hong Yu (余宏), aged 56, was appointed as a non-executive Director on September 13, 2010. Mr. Yu has been a director and deputy CEO at ICBC International Holdings Limited, one of our strategic investors, since January 2010. Mr. Yu has served various positions in Industrial Commercial Bank of China Ltd., or ICBC, and its affiliates since 1979, and has accumulated extensive experience in banking and financing. From April 2003 to January 2010, Mr. Yu was a director at ICEA Financial Holdings Ltd. Mr. Yu was also a deputy CEO at ICEA Financial Holdings Ltd. from April 2003 to January 2008 and from July 2009 to January 2010. From January 2008 to July 2009, Mr. Yu was an executive director and CEO at Seng Heng Bank Limited, Macau. From May 2004 to October 2005, Mr. Yu was the CEO of Belgian Bank, which was then wholly-owned by ICBC (Asia), an affiliate of ICBC. Mr. Yu received a college diploma in finance in 1984 and a master's degree in business administration in 2000, both from Shanghai University of Finance and Economics, known as Shanghai College of Finance and Economics prior to 1985.

Independent non-executive Directors

Mr. David Ka Hock Toh (卓家福), aged 58, was appointed as an independent non-executive Director of our Company on September 13, 2010. Mr. Toh is also an independent director of Want Want China Holdings Limited, a company listed on the main board of the Stock Exchange that manufactures and sells snack foods and beverages. Mr. Toh is an independent director of Franklin Offshore Holdings Pte. Ltd., a provider of offshore oil and gas support services. From July 2007 to July 2009, Mr. Toh was chairman of the advisory board of CNP Tax & Advisory Pte. Ltd., a tax advisory firm. From July 1999 to July 2007, Mr. Toh was the leader for providing tax advice on mergers and acquisitions transactions in Asia and head of the China desk for providing tax services for PricewaterhouseCoopers, Singapore. From 1990 to 1999, he was the tax principal at Coopers & Lybrand, Singapore, an international auditing and accounting services firm, and was the head of corporate tax before Coopers & Lybrand merged with Pricewaterhouse, Singapore to form PricewaterhouseCoopers, Singapore. From 1975 to 1990, he worked at various accounting firms in Hong Kong and Sydney. Mr. Toh received his bachelor's degree in commerce from the University of New South Wales in Australia in 1975 and is a member of the Institute of Chartered Accountants in Australia.

Prof. Chia-Wei Woo (吳家璋), aged 72, was appointed as an independent non-executive Director of our Company on September 13, 2010. Prof. Woo is president emeritus and university professor emeritus of Hong Kong University of Science and Technology, at which he served since 1988 as founding president. He currently serves as an independent non-executive director of Lenovo Group, Shanghai Industrial Holdings, an overseas investment company established by the Shanghai municipal government and listed on the Hong Kong Stock Exchange, and First Shanghai Investments. Prof. Woo was president of San Francisco State University as the first Chinese-American to head a university in the United States, from 1983 to 1988. From 1979 to 1983, Prof. Woo was provost and professor of physics at the University of California at San Diego. From 1968 to 1979, Prof. Woo taught physics at Northwestern University. Prof. Woo received his Ph.D. degree in physics at Washington University in 1966 and carried out postdoctoral research at the University of California at San Diego from 1966 to 1968. Prof. Woo published extensively in various fields of physics and received many honors and awards for professional achievement and civic contributions, including a number of fellowships and honorary doctoral degrees, the Eleanor Roosevelt Humanitarian Award by the United Nations Association in San Francisco, Gold Bauhinia Star by the Government of Hong Kong, Commander of the Most Excellent Order of the British Empire by the Queen of the United Kingdom and Chevalier de la Légion d'Honneur by the President of France, and was a representative of the 9th and 10th Chinese People's Political Consultative Conference Committee, respectively.

Mr. Shujian Che (車書劍), aged 67, a former representative of the Chinese People's Political Consultative Conference Committee, was appointed as an independent non-executive director of our Company on September 13, 2010. Mr. Che is a qualified senior engineer of economic management. He graduated from the School of Economics of Jilin University in China in 1967, and has extensive experience in economic

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development and corporate management. Mr. Che was the dean of the designing laboratory, the deputy director and subsequently the director of the Northeast Academy of the China Civil Engineering Institute from 1970 to 1991. He was the director of the Administrative Affairs Office of the Ministry of Construction and Development of the State Council of China from 1991 to 1998. Mr. Che subsequently acted as a specially appointed investigator of the State Council of China from 1998 to 2000. He was an independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) (Hong Kong Stock Exchange Stock Code: 00966) in 2005 and China State Construction Engrg. Corp. Ltd (中國建築股份有限公司) (Shanghai Stock Exchange Stock Code: 601668) in 2008, respectively. Mr. Che was the chairman of China Travel International Investment Hong Kong Limited and China Travel Service (Holdings) Hong Kong Limited, the holding company of China Travel International Investment Hong Kong Limited from 2000 to 2006.

Our independent non-executive Directors provide advice to us on compliance, corporate governance, development and business strategies.

Save disclosed above, there are no other matters concerning all our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Howard Chu (朱賀華), aged 46, is our chief financial officer. He joined us in July 2009 and has over 17 years of experience in corporate finance and mergers and acquisitions transactions. Prior to joining our Group, he was the assistant to the chairman of United Energy Group Limited from October 2008 to June 2009. From May 2006 to April 2008, he was the chief investment officer of Shanghai Century Acquisition Corporation. From February 2001 to February 2006, he was a director of HSBC Markets (Asia) Limited. From November 1999 to January 2001, he co-founded myrice.com and served as the Co-CEO of the company. From 1992 to 1999, he was a director in the corporate finance department at ABN AMRO Asia Corporate Finance Limited. Mr. Chu received a bachelor's degree in science in electrical engineering from the University of Rochester, New York in 1986 and a master's degree in business administration from Columbia University in 1990.

Mr. Shengming Hu (胡盛明), aged 46, is our chief technology officer and is mainly responsible for research and development plans and activities in the Group. He was appointed as our chief technology officer in May 2007. Mr. Hu is currently the commissioner and vice secretary general of China's national BIPV technical standard committee. He served as our assistant chief engineer in 2006 and the manager of our quality control department from 1999 to 2005. Prior to joining our Company in 1999, he was the manager of quality control department at Shenzhen Nanya Technology Co., Ltd. from 1997 to 1999. Mr. Hu received a master's degree in condensed matter physics from a joint program by Peking University and Shantou University in 1996. In April 2010, Mr. Hu was recognized as a local-level talent by the Shenzhen municipal government, an award only given to a limited number of qualified individuals in Shenzhen.

Dr. Huashan Wang (王華山), aged 49, is our senior vice president of marketing. He joined us in February 2009 and has over 13 years of experience in marketing activities. Prior to joining our Group, Dr. Wang was the global marketing technical manager of GE Plastics (now known as SABIC Innovative Plastics) from 2004 to 2008. From 2001 to 2004, he was a Six Sigma Master Black Belt of GE Polymershapes, responsible for initiating, executing and managing project improvement. From 1999 to 2001, he served as a Pacific business leader and an operation manager for the Pacific region at GE Toshiba Silicones Co., Ltd. He served as the general manager from 1997 to 1999 and as a marketing manager from 1996 to 1997 at GE (Shanghai) Drive Systems. From 1994 to 1996, he was the China country manager in control technique of Emerson Electric Co. Dr. Wang received a bachelor's degree in industrial automation and control from Xi'an Jiaotong University in 1982 and his PhD in control theory from Imperial College in London in 1988.

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Dr. Genbao Xu (徐根保), aged 50, joined our Group in July 2010 as a vice president of technology and is responsible for the advanced technology development of our Group. Dr. Xu has over 20 years of experience in the solar and semiconductor industry. From August 2008 to July 2010, Dr. Xu was a director of technology at the Solar Technology Center of Applied Materials (Xi'an), Ltd. From February 2006 to August 2008, Dr. Xu was the manager of the thin film department at Intel's California Technology & Manufacturing. In addition, Dr. Xu has held various research engineer, scientist and management personnel positions at a number of international corporations, including Hewlett-Packard, Tokyo Electron Limited, and Semiconductor Manufacturing International Corporation. Dr. Xu received a bachelor's degree in Materials Science & Engineering from Southern Central University, China in 1982, a master's degree in Materials Science & Engineering from Shanghai Institute of Micro-System, Academia Sinica in 1985, and a PhD degree in Materials Science & Engineering from Northwestern University in 1993.

Mr. Guoliang Wu (吳國樑), aged 31, is our vice president of sales. He joined us in March 2006. Prior to joining our Group, he was a senior sales manager at ZTE Corporation from January 2004 to November 2005. From October 2002 to November 2003, he worked as an engineer at Vodafone UK. Mr. Wu received a bachelor's degree in electronic engineering from the University of Central Lancashire in England in 2000 and a master's degree in Communications, Computer and Human Centred Systems from University of Birmingham in England in 2003.

Mr. Tak Man Cheung (張德民), aged 59, is our vice president of production. He joined us in December 2008 and has over 30 years of experience in operation and production management. Prior to joining our Group, he served as the PRC senior operation manager of Traxon Technologies Ltd. From 1998 to 2001, he served as the general manager of COTCO Luminant Device (Huizhou) Co., Ltd. From 2001 to 2008, he served as the general manager of Huizhou Desay Optoelectronic Technology Co., Ltd. Mr. Cheung received a bachelor's degree in electrical engineering from the National Cheng Kung University of Taiwan in 1972.

Mr. Xiaojun Kang (康曉軍), aged 32, is our vice president of administration. He joined us in January 2007. Prior to joining our Group, he served as the manager of the customer service department for western European areas at ZTE Corporation from May 2002 to January 2007. From October 2000 to February 2002, he served as the technical support engineer of Shenzhen Huawei Technologies Co., Ltd. From September 1999 to October 2000, he worked at the 5th Postal and Telecom Research Institution. Mr. Kang received a bachelor's degree in electronic engineering and automation from Southeast University in 1999.

COMPANY SECRETARY

Mr. Fat Hing Quan (關發興), aged 46, was appointed the company secretary of our Company on September 13, 2010. Mr. Quan is a professional accountant. He is responsible for the company secretarial functions of our Company. He is ordinarily resident in Hong Kong and has the requisite knowledge and experience to discharge the functions of secretary of our Company as required under Rule 8.17 of the Listing Rules. Mr. Quan has over 20 years of experience in auditing and accounting. Mr. Quan has been the principal at Walter Quan & Co. since May 1994. Prior to establishing Walter Quan & Co., Mr. Quan worked as an audit staff at Kwan Wong Tan & Fong from July 1989 to August 1993 and at H.L.Leung & Co. from February 1987 to March 1989. Mr. Quan graduated from Hang Seng School of Commerce with a diploma in Business Studies in July 1986. He has been a member of the Hong Kong Institute of Certified Public Accountants since 1992 and a member of the Association of Chartered Certified Accountants since 1992.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the principal business operations and manufacturing facilities of our Group are located in the PRC, the senior management members of our Group are and will therefore continue to be based in the PRC. At present, Mr. Howard Chu, our chief financial officer,

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and Mr. Fat Hing Quan, our company secretary, are ordinarily resident in Hong Kong but none of the executive Directors are Hong Kong residents or based in Hong Kong. Our Company has applied to the Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12. For details of the waiver, please see the paragraph headed "Management Presence" under the section headed "Waivers from compliance with the Listing Rules" in this prospectus.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

In February 2010, we entered into an option agreement, as amended in September 2010, with Mr. Howard Chu, our Chief Financial Officer, in which we granted Mr. Chu options to purchase 0.35% of the outstanding ordinary shares upon completion of the Global Offering, taking into account the Shares to be issued pursuant to the Over-allotment Option. We entered into a separate restricted share award agreement with Mr. Chu in which we granted Mr. Chu a restricted share award consisting of a number of shares equal to 0.36% of the outstanding ordinary shares upon the listing. One fourth of each of the options and the restricted shares will vest upon listing and each of the three subsequent anniversaries thereafter. No share-based expenses were charged to our financial statements during the Track Record Period.

OUR GROUP'S RELATIONSHIP WITH STAFF

We recognise the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. We continue to provide training to our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that we have a good working relationship with our employees.

BOARD COMMITTEES

Audit Committee

We established an audit committee pursuant to a resolution of our Directors passed on September 13, 2010 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; oversight of internal control procedures of our Company. At present, the audit committee of our Company consists of three members who are Mr. David Ka Hock Toh, Dr. Chia-Wei Woo and Mr. Shujian Che. Mr. David Ka Hock Toh is the chairman of the audit committee.

Nomination Committee

We established a nomination committee on September 13, 2010. The nomination committee consists of three members, comprising Mr. David Ka Hock Toh, Dr. Chia-Wei Woo and Mr. Li. The chairman of the nomination committee is Mr. Li. The primary functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board.

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Remuneration Committee

We established a remuneration committee on September 13, 2010 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee to make recommendation to the Board with respect to our remuneration policies and structure relating to all Directors and senior management of our Group; review performance based remuneration; ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. David Ka Hock Toh, Dr. Chia-Wei Woo and Mr. Li. Mr. Li is the chairman of the remuneration committee.

COMPLIANCE ADVISOR

Our Company will appoint CMB International Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized share capital:	US\$
4,982,350,000 Shares	498,235
17,650,000 Series B Preferred Shares ⁽²⁾	1,765
	<u>500,000</u>

Assuming the Over-allotment Option is not exercised at all, our Company's issued share capital immediately following the Global Offering and the Capitalization Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue⁽¹⁾:	US\$	Approximate percentage of issued share capital (%)
117,650,000 Shares in issue as at the date of this prospectus ⁽³⁾	11,765	7.70
1,063,842,111 Shares to be issued under the Capitalization Issue	106,384	69.67
345,000,000 Shares to be issued under the Global Offering	34,500	22.59
554,678 Shares to be issued as share based award under the Pre-IPO Equity Incentive Plan ⁽⁴⁾	555	0.04
<u>1,527,046,789</u> Shares in total	<u>152,704</u>	<u>100</u>

Assuming the Over-allotment Option is exercised in full, our Company's issued share capital immediately following the Global Offering and the Capitalization Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue⁽¹⁾:	US\$	Approximate percentage of issued share capital (%)
117,650,000 Shares in issue as at the date of this prospectus	11,765	7.42
1,063,842,111 Shares to be issued under the Capitalization Issue	106,384	67.13
402,750,000 Shares to be issued under the Global Offering and the Over-allotment Option	40,275	25.41
554,678 Shares to be issued as share based award under the Pre-IPO Equity Incentive Plan ⁽⁴⁾	555	0.04
<u>1,584,796,789</u> Shares in total	<u>158,479</u>	<u>100</u>

Notes:

- (1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.
- (2) Conditional on the fulfilment of certain conditions as mentioned in the section headed "Changes in share capital of our Company" in Appendix VI to this prospectus, the 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares respectively beneficially owned by ICBCI Fund Management, Shikumen and Tailwind as at the date of this prospectus will be converted, re-designated and re-classified as 14,705,882, 1,472,059 and 1,472,059 Shares prior to the Listing. The shares resulted from such conversion shall rank pari passu in all respects with the shares then in issue so that immediately following such conversion, there will only be one

SHARE CAPITAL

class of shares in the issued and unissued share capital of our Company and our Company will have an authorized share capital of US\$500,000 divided into 5,000,000,000 shares of US\$0.0001 each. The authorized and issued share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue will consist of ordinary shares with a nominal value of US\$0.0001 each.

- (3) Assuming the conversion of the 17,650,000 Series B Preferred Shares into Shares has taken place.
- (4) Subject to and upon the Offer Price being agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, 554,678 Shares will be issued and allotted to Mr. Howard Chu, the chief financial officer of our Company, pursuant to the Pre-IPO Equity Incentive Plan and a restricted share award agreement between our Company and Mr. Chu dated February 4, 2010 and amended on September 16, 2010. These Shares, together with any additional Shares to be issued pursuant to the Capitalization Issue to Mr. Chu arising from Mr. Chu's interest in these 5,546,789 Shares, will be subject to a vesting schedule set out in the restricted share award agreement. Please refer to the paragraph headed "H. Options and Restricted Shares granted to Senior Management" in Appendix VI to this prospectus for further details.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

THE PRE-IPO EQUITY INCENTIVE PLAN AND THE SHARE OPTION SCHEME

We have adopted the Pre-IPO Equity Incentive Plan and conditionally adopted the Share Option Scheme. Under the Pre-IPO Equity Incentive Plan, certain options will be granted prior to the Listing Date to subscribe for Shares. The principal terms of the Pre-IPO Equity Incentive Plan and the Share Option Scheme are summarized in the sections headed "Pre-IPO Equity Incentive Plan" and "Share Option Scheme" respectively in Appendix VI of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, see the paragraph headed "A. Further information about our Company — 4. Written resolutions of our Shareholders and holders of Series B Preferred Shares passed on September 13, 2010" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company — 5. Repurchase of our Shares” in Appendix VI to this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by law or Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this repurchase mandate, see the paragraph headed “Written resolutions of our Shareholders and holders of Series B Preferred Shares passed on September 13, 2010” in Appendix VI to this prospectus.

SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity/Nature of interest	Number of Shares held after Global Offering	Approximate percentage of shareholding in the total issued share capital of the Company after the Global Offering ⁽⁶⁾
Mr. Li ⁽¹⁾	Beneficiary of a trust	620,497,910	40.63%
Spring Shine International Limited ⁽²⁾	Interest in a controlled corporation	620,497,910	40.63%
Credit Suisse Trust Limited ⁽³⁾	Trustee of a trust	620,497,910	40.63%
Seletar Limited ⁽³⁾	Trustee of a trust	620,497,910	40.63%
Serangoon Limited ⁽³⁾	Trustee of a trust	620,497,910	40.63%
Lakes Invest Limited	Beneficial owner	541,700,000	35.47%
Sky Sense Investments Limited	Beneficial owner	78,797,910	5.16%
Huang Yiling ⁽⁴⁾	Interest in controlled corporation	204,200,000	13.37%
Kam Sze Lau ⁽⁴⁾	Interest in controlled corporation	204,200,000	13.37%
Build Up International Investments Limited ⁽⁴⁾	Beneficial owner	204,200,000	13.37%
ICBC International Holdings Limited ⁽⁵⁾	Interest in controlled corporation	191,176,470	12.50%
ICBCI Fund Management ⁽⁵⁾	Beneficial owner	147,058,820	9.63%

Notes:

- (1) Each of Sky Sense and Lakes Invest is ultimately owned by the Li Family Trust. The entire issued share capital of each of Lakes Invest and Sky Sense is held by Spring Shine, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee holding such interests in Lakes Invest and Sky Sense on trust for the beneficiaries of the Li Family Trust. Mr. Li is therefore deemed to be interested in all the Shares held by each of Sky Sense and Lakes Invest as a beneficiary of the Li Family Trust.
- (2) Lakes Invest and Sky Sense Investments Limited are wholly owned by Spring Shine International Limited. Therefore Spring Shine International Limited is deemed to be interested in all the Shares held by each of Lakes Invest Limited and Sky Sense Investments Limited.
- (3) Spring Shine International Limited is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust.
- (4) Build Up is owned as to 50% by Yiling Huang and 50% by Kam Sze Lau.

SUBSTANTIAL SHAREHOLDERS

- (5) ICBCI Fund Management and ICBC International Strategic Investment Limited are wholly-owned subsidiaries of ICBC International Holdings Limited. Therefore ICBC International Holdings Limited is deemed to be interested in all Shares held by ICBCI Fund Management and all Shares held by ICBC International Strategic Investment Limited.
- (6) Assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Equity Incentive Plan prior to the Listing Date and assuming the conversion of all of our outstanding Series B Preferred Shares into our ordinary shares on the basis of one Series B Preferred Share for one ordinary Share.

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

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our consolidated financial statements as at and for each of the fiscal years ended June 30, 2008, 2009 and 2010 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with IFRS. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are one of the world's leading producers of thin film solar modules. We were ranked number four globally as measured by thin film module production volume in 2009, according to a report commissioned by us and prepared by Photon Consulting. According to this report, we were China's only thin film PV module producer ranked in the top ten globally by module production volume in 2009. Our module production volume in 2009 was approximately 70 MW. According to a 2009 report commissioned by us and prepared by Frost & Sullivan, we were the top off-grid PV product producer among all solar companies in China, which include thin film, multi-crystalline and monocrystalline module producers, with 14.8% of the market share in terms of total shipments for 2009. Our total shipments, which include all of the products which we have manufactured for export as well as for domestic sales within China, were approximately 69.2 MW in 2009. As at June 30, 2010, our annual manufacturing capacity was 145 MW. We design, develop, manufacture and sell our PV modules using amorphous silicon technology and our proprietary manufacturing process.

Our PV modules can be applied to a wide range of applications. We offer more than 200 different varieties of PV modules in order to meet different customer needs. Our PV modules can be used in off-grid applications, including solar home systems, solar lighting products and solar consumer applications. According to Frost & Sullivan, we are the leading producer of PV modules for off-grid applications in China. Our PV modules can also be used in BIPV applications and PV power stations. We plan to continue to maintain and improve our leading position in the off-grid market and develop and market BIPV products, which generally have higher margins as compared to our other products. Our diverse and expanding customer base includes distributors and traders, manufacturers and system integrators and contractors and project owners in China, South Korea, Thailand, Hong Kong and other countries.

We commenced operations in 1993, became a manufacturer of thin film solar embedded modules in 1995 and began commercial production in 1998. We expanded our annual manufacturing capacity to 5 MW and began manufacturing standard PV modules for solar home systems and other solar off-grid applications in 2006, and gradually increased our annual manufacturing capacity to 45 MW by October 2008. In July 2009, we completed construction of our 70 MW fully-automated manufacturing, which commenced commercial production in August 2009, bringing our annual manufacturing capacity to 115 MW. By March 31, 2010, our annual manufacturing capacity was 145 MW as a result of the further expansion of our 70 MW manufacturing line. We are building a fully automated 60 MW manufacturing plant next to our current plant in Longgang, Shenzhen, where we expect to commence commercial production in the fourth calendar quarter of 2010.

We believe that our self-designed equipment and proprietary manufacturing process have built-in flexibilities to allow us to expand manufacturing capacity rapidly and cost-effectively through modifications to, and optimizing the manufacturing process of, existing manufacturing lines. This advantage, when combined with our increasing scale and low-cost China-based manufacturing, allowed us to achieve an average manufacturing cost of approximately US\$1.01 per watt for the fiscal year ended June 30, 2010. Our average manufacturing cost per watt for the three months ended June 30, 2010 was approximately US\$0.98.

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We operate and manage our business as a single segment, which represents the design, development, and manufacture and sales of PV products. We do not account for the results of our operations on a geographic or other basis, and we do not allocate expenses among our various products and services.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows include the results, changes in equity and cash flows of the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment where this is a shorter period, or up to the date of disposal. The consolidated statements of financial position of our Group as at each of June 30, 2008, 2009 and 2010 have been prepared to present the assets and liabilities to the Group as at the respective dates.

Basis of Consolidation

Our financial statements incorporate the financial statements of our Company and entities controlled by our Company (its subsidiaries). Control is achieved where our Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of our Group.

All intra-group transactions and balances are eliminated on consolidation.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- industry demand;
- government subsidies and economic incentives;
- our manufacturing capacity expansion;
- pricing of PV products;
- our product mix; and
- our manufacturing cost.

Industry demand

Our business expansion and revenue growth depend on industry demand for solar energy products. The PV industry has grown significantly from the late 1990s to 2009. According to Solarbuzz, the world PV market grew at a CAGR of 49.5%, from 1.46 GW in 2005 to 7.30 GW in 2009. Beginning in the second half of 2008, the global financial crisis has significantly reduced the demand for products requiring significant initial capital expenditures, including the demand for solar energy products and, in particular, on-grid PV products. However, the demand for solar energy products is expected to continue. Under Solarbuzz's "Green World" forecast scenario, end-customer PV market demand is projected to increase from 7.30 GW in 2009 to 24.74 GW in 2014. According to Frost & Sullivan, the global off-grid PV market is projected to increase from 1.02 GW in 2009 to 3.22 GW in 2013. As such, we believe that solar energy continues to have significant future growth potential and that demand for our products will grow significantly over the long run.

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According to Solarbuzz and based on our industry knowledge, we expect that such strong market growth will mainly be driven by enhanced environmental awareness, economic growth, rising electricity demand, increasing rural electrification, continuing government incentives, national goals for energy independence and the compatibility of solar power production to the daily electricity demand cycle. More importantly, solar energy is becoming increasingly competitive when compared with conventional electricity due to narrowing cost differentials as a result of greater economies of scale for manufacturing PV modules, lower equipment and raw material costs and improved conversion and production efficiencies. In addition, off-grid solar applications often represent the only viable energy solution where access to an electricity transmission grid or alternative energy sources is not available or economically feasible.

Future market growth will also be affected by the growth of the global economy, including developing economies, the availability of financing for PV projects and the ability of PV product manufacturers to further expand production capacity and reduce manufacturing costs.

Government subsidies and economic incentives

As our PV modules are mainly used in off-grid applications, our sales are not predominantly driven by government subsidies. However, we believe that the overall demand for solar modules in the near term will be significantly affected by the availability of government subsidies and economic incentives as the PV product markets, particularly the market for on-grid PV systems, are not commercially viable without government subsidies and economic incentives. Today, the cost of solar power substantially exceeds the cost of electricity generated from conventional fossil fuels. Governments in China and in many countries, provide various subsidies and economic incentives to encourage the use of solar energy.

China has become the global manufacturing hub for off-grid solar applications. China has been our largest market in the fiscal year ended June 30, 2010 and, for the near future, we plan to continue to focus our main marketing and sales effort there. Authorities from various levels of the PRC government have released detailed statements on incentive schemes for the PV industry in recent years. New policies are expected to expand China's nascent domestic solar market and change its character, by significantly increasing domestic installations, including BIPV installations and other applications.

Nonetheless, the lack of implementation details for recent incentive schemes released by PRC government authorities may cause demand for PV products, including our products, not to grow as rapidly as we expect, if at all. In addition, political changes in a particular country could result in significant reductions or eliminations of subsidies or economic incentives, and the effects of the recent global financial crisis may affect the fiscal ability of governments to offer certain types of incentives, such as tax credits. A significant reduction in the scope or discontinuation of government incentive programs, especially those in China and overseas markets, could cause demand for our products and our revenues to decline, and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our manufacturing capacity expansion

We have rapidly expanded our manufacturing capacity to accommodate the growing demand for our products. This increasing capacity allows us to post higher revenues as we produce and sell more PV products, and increases our economies of scale.

We commenced operations in 1993, became a manufacturer of thin film solar embedded modules in 1995 and began commercial production in 1998. According to an article published in 2005 by Industry and Technology Intelligence Services, a national project sponsored by the Department of Industrial Technology of Ministry of Economic Affairs of Taiwan, we became the second-largest thin film solar embedded modules manufacturer in the world in 2004. In 2006, we expanded our annual manufacturing capacity to 5 MW and began manufacturing standard PV modules for solar home systems and other solar off-grid applications, and

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gradually increased our annual manufacturing capacity to 45 MW by October 2008. In July 2009 we completed the construction of our 70 MW fully-automated manufacturing line, which commenced commercial production in August 2009, bringing our annual manufacturing capacity to 115 MW. We further expanded this manufacturing line by 30 MW in 2010 to increase our total annual manufacturing capacity to 145 MW as at June 30, 2010. We currently produce PV modules of up to 1.0 square meter in size. This new manufacturing line can be adjusted with limited additional capital investment to produce PV modules of 1.4 and 1.8 square meters in size.

We believe that our self-designed equipment and proprietary manufacturing process have built-in flexibilities to allow us to expand manufacturing capacity rapidly and cost-effectively through modifications to, and optimizing the manufacturing process of, existing manufacturing lines. By the quarter ended March 31, 2010, our annual manufacturing capacity had reached 145 MW as a result of the further expansion of our existing 70 MW manufacturing line.

Our capacity expansion has enabled us to increase both our product shipment and total revenues over the past three fiscal years. In the three fiscal years ended June 30, 2008, 2009, and 2010, we sold 18.2 MW, 39.5 MW and 112.4 MW of PV products, respectively, and our total revenues amounted to RMB272.8 million, RMB541.5 million and RMB1,351.2 million, respectively.

Pricing of PV products

We price our PV modules based on the prevailing market conditions when we enter into sales contracts with our customers or when our customers place their purchase orders with us. We also consider the size of the contract or the purchase order, the history and strength of our relationship with a particular customer, our raw material costs and other factors. Pricing of our PV modules for off-grid applications such as solar home systems, solar garden lights and solar consumer applications, and BIPV applications, are typically determined by factors such as the product design, output and module size. To a lesser extent, they are affected by the average PV module manufacturing cost per watt. Pricing of our PV modules for PV power stations is principally affected by the overall demand in the PV industry and by the average PV module manufacturing cost per watt.

Growth of demand for PV products in general has slowed down as a result of the global financial crisis, but the supply of PV products has increased significantly as many manufacturers of PV products worldwide, including us, have significantly expanded their manufacturing capacity in recent years. Beginning in the quarter ended December 31, 2008, this oversupply has resulted in reductions in the prevailing market prices of PV products. In addition, the oversupply of polysilicon has led to a decline in polysilicon price, which has significantly reduced the raw material costs for crystalline silicon PV module manufacturers and contributed to greater pricing pressure for crystalline silicon PV modules. The reduction in the prevailing market prices of PV products has had a negative impact on our profit margin.

As a result of the financial crisis, manufacturers of PV products reacted to the slowdown in demand by reducing capacity utilization, resulting in worldwide PV module production volume that was substantially lower than manufacturing capacity in 2009. According to Solarbuzz, world manufacturing capacity as at calendar year-end 2007, 2008 and 2009 was 6.55 GW, 13.12 GW and 20.94 GW, respectively while world PV module production volume was 3.44 GW, 6.85 GW and 9.34 GW, respectively. The general under-utilization of production capacity in the PV industry is due to the rapid capacity expansion during 2007 to the first half of 2008 as a result of favorable industry outlook and high demand growth expectations, which were ultimately not met by actual end-market demand as a result of the financial crisis.

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During the Track Record Period, we experienced significant growth in revenue. For the fiscal years ended June 30, 2008, 2009 and 2010, our revenues were RMB272.8 million, RMB541.5 million, and RMB 1,351.2 million, respectively. Our growth was primarily due to the off-grid market experiencing significant growth. Compared to on-grid applications, off-grid applications tend to have lower operating and maintenance costs, longer operating lifetimes and higher factory gate prices. Off-grid applications generally represent a suitable option for electricity supply in dispersed communities or communities located far away from electricity grids. Given the lack of viable energy alternatives in these communities, revenues from off-grid applications are less susceptible to the effects of the global economic downturn. We were able to manufacture our thin film PV products cost-effectively, and as a result, we were able to price our PV products competitively. This led to increased demand for our PV products. We have rapidly expanded our manufacturing capacity to accommodate the growing demand for our products. This increased capacity has allowed us to post higher revenues as we produced and sold more PV products, and increased our economies of scale.

We expect the market prices of PV products to continue to decline over time due to an increased supply of PV products, reduced manufacturing costs from new technologies and increased economies of scale, and continued decreases in the prices of polysilicon wafers for crystalline silicon based manufacturers.

Our product mix

We derive the substantial majority of our revenues from sales of PV modules for off-grid applications, including solar home systems, solar lighting products and solar consumer applications. We also derive revenue from sales of PV modules for BIPV applications and PV power stations.

The pricing of our PV modules for off-grid applications such as solar home systems, solar garden lights and solar consumer applications, and BIPV applications has been and, we expect, will continue to be relatively stable compared to the pricing of our PV modules for on-grid PV power stations, which is largely affected by market competition. Also, we have established long-term relationships with distributors and manufacturers of off-grid applications such as solar home systems, solar garden lights and other off-grid solar consumer applications in this fragmented market with a large number of market players. Gross margins for our PV modules for off-grid applications are generally higher compared to our PV modules for PV power stations. In addition, the prices of off-grid applications, particularly those installed in non-grid connected locations, have been competitive compared with alternative options such as diesel power generators when taking into account lower operating and maintenance costs, increased reliability and longer operating lifetimes. Given the lack of viable energy alternatives in these communities, revenues from such applications and average selling prices of such applications are less susceptible to the effects of economic decline.

The average selling prices of our PV modules for customized BIPV applications are and will likely to continue to be substantially higher than those of our other products, partially offset by the higher manufacturing costs for these PV modules due to more complicated designs and additional wastage in the manufacturing process. As a result, we believe that our PV modules for customized BIPV applications will yield a higher gross margin.

Our average module selling price in the fiscal years ended June 30, 2008, 2009 and 2010 was approximately US\$2.20, US\$2.01 and US\$1.76 per watt, respectively.

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Our manufacturing costs

Our manufacturing costs are lower than that of crystalline silicon PV module manufacturers. We believe that our ability to provide low-cost solutions stems primarily from the following factors:

- Our amorphous silicon-based thin film PV modules use approximately 1% to 2% of the silicon materials used to produce crystalline silicon PV modules;
- Unlike the crystalline silicon manufacturing process, our thin film production is a fully integrated and continuous process with higher manufacturing efficiency;
- Our self-designed equipment and proprietary manufacturing process, especially our experience in designing and assembling commercial-scale plasma-enhanced chemical vapor deposition, or PECVD, and physical vapor deposition, or PVD, equipment for deposition, enable us to expand manufacturing capacity rapidly and cost-effectively. The total contracted cost of our 70 MW fully-automated manufacturing line installed in July 2009, and the additional 30 MW expansion of the line which became fully operational in March 2010, was approximately RMB680 million. Our design capability also allows us to ramp up production quickly in response to increases in market demand and changes in technology; and
- As we conduct substantially all of our operations in China, we are able to capitalize on the low cost of labor and materials, manufacturing facilities and utilities. We can realize such cost savings in manufacturing, research and development and other technical resources, sales and marketing, and administration.

In addition, we have implemented a number of continuous improvement programs, including:

- continuously improving the conversion efficiency of our PV modules; and
- increasing our manufacturing capacity to take advantage of greater economies of scale.

For the fiscal year ended June 30, 2010, the average manufacturing cost for our PV modules was approximately US\$1.01 per watt. Our average manufacturing cost per watt for the three months ended June 30, 2010 was approximately US\$0.98.

The recent decrease in price of polysilicon, the major raw material for crystalline silicon PV modules, has significantly reduced the raw material costs for crystalline silicon PV module manufacturers and allowed them to reduce their selling prices of PV modules. Nevertheless, we expect that our thin film PV modules will remain more cost-effective to manufacture than crystalline silicon PV modules for the foreseeable future. A substantial portion of the manufacturing cost of our thin film PV modules relates to costs of other materials and our manufacturing process. As we continue to improve our manufacturing process, increase the conversion efficiency of our PV modules and expand our capacity to benefit from greater economies of scale, the effect of reduction in polysilicon price on our competitiveness in terms of manufacturing costs is partially mitigated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue recognition

We recognize revenue for PV module sales when the following conditions have been satisfied, i.e. risks and rewards of ownership have been transferred to the customer, the sales price can be measured reliably, and the probability of the economic benefits associated with the transaction is reasonably assured. We recognize revenue from service contracts upon completion of all services, assuming all other revenue recognition criteria have been met. We sell our PV modules to distributors and traders, manufacturers and system integrators and contractors and project owners. Our written agreements contain customary product warranties and do not include any post shipment obligations, any right of return or credit provisions.

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A majority of the sales contracts provide that the customers take delivery of and inspect the products for acceptance at our manufacturing premises. We fulfill our obligations when the customers take delivery of the products, except for one contract, in which product acceptance is established only when the products are put into use by the customer. In this contract, revenue is only recognized once acceptance from the customer is received. The customers arrange for the shipping of the goods and bear all the costs of shipping and the risks associated with loss or damage of the goods from the point of delivery.

We are able to determine that the criteria for revenue recognition have been met by examining objective data, and the only estimates that we generally have to make regarding revenue recognition pertain to the collectability of the resulting receivable. We have extended credit with an average credit period ranging from 60 days to 120 days to customers and assessed a number of factors to determine whether collection was reasonably assured including the customers' credit worthiness. We have not experienced significant issues in our collections.

Property, plant and equipment

Our management determines the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and function as well as anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, we might shorten the useful lives assigned to these assets, which would result in the recognition of increased depreciation and amortization expense in future periods. There has been no change to the estimated useful lives during the periods presented.

We evaluate property, plant and equipment whenever there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. We did not recognize any impairment loss during each of the three fiscal years ended June 30, 2008, 2009 and 2010.

Warranty costs

We generally warrant our products for up to one year for defects in materials and workmanship in accordance with industry standards in the off-grid and BIPV markets. Due to the short duration of the one-year warranties for defects in materials and workmanship, our assumptions regarding the durability, stability and reliability of our products and the absence of warranty claims received to date, we expect future costs related to the one-year warranty to be insignificant. As a result, we did not make provisions for our standard one-year warranty for defects in materials and workmanship for all years presented. On a case by case basis, we provide warranties with extended periods to a select number of customers at their request. For instance, we provided a warranty to one customer for our products for up to ten years for compliance with the quality and technical specifications provided in the contract and against defects in materials and workmanship. We also provided a warranty to another customer for up to 25 years against defects in equipment and workmanship and up to 10 and 25 years against declines of more than 10% and 20% of rated power, respectively. We maintain warranty reserves to cover potential liabilities that could arise under these warranties. We made provisions for warranty costs for these warranties with extended periods at an accrual rate of 1% of sales. Due to limited warranty claims to date, we estimate warranty costs based on assessment of our competitors' accrual history, taking into consideration the intended applications and specifications of these competitors' products as

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compared to our product and the periods of the warranties offered by these competitors. We employ internal quality control procedures at various stages throughout our design, raw material procurement and manufacturing processes to identify and solve quality issues and to maintain and improve the quality of our products. For details on our internal quality control procedures, see “Business — Quality assurance and certifications.” Based on our industry experience and as a result of these internal quality control procedures, we believe that certain aspects of the quality of our products are comparable to those of our competitors with respect to equipment defects, workmanship and other quality and technical specifications for which we may provide warranties. Such comparability analysis forms part of the basis for our belief that the accrual history of our competitors provides a reasonable reference for our estimated warranty costs. Actual warranty costs are accumulated and charged against the accrued warranty liability. To the extent that accrued warranty costs differ from the estimates, we will prospectively revise the accrual rate for such costs. Accrued warranty costs related to our warranties of RMB1.5 million, RMB2.6 million and RMB3.3 million were provided at June 30, 2008, 2009 and 2010, respectively. Our estimates for determining the accruals for warranty costs may be affected by substandard materials that could be provided by our suppliers and new product developments.

Inventories

Our inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Cost comprises direct materials, direct labor and related manufacturing overhead incurred in bringing the inventories to their present location and condition. Our management carries out an inventory review and an aging analysis on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or trading. The evaluation takes into consideration a number of factors including historical and forecasted consumption of our raw materials, our sales contract of finished goods on hand, marketability of our inventories, anticipated change in market selling price, risk of obsolescence of our inventories due to changes in technology or developments to our product offerings, changes in governmental regulations over time and other factors.

We recognized no impairment of inventory for each of the three fiscal years ended June 30, 2008, 2009 and 2010.

Income tax and deferred tax assets

We estimate income tax expense for each jurisdiction in which we operate and for each period presented, which includes estimating current tax exposure as well as assessing realizable deferred tax assets and deferred tax liabilities.

As at June 30, 2008, 2009 and 2010, our deferred tax assets were RMB1.4 million, RMB2.6 million and RMB4.6 million, respectively, resulting primarily from temporary differences between accounting and tax basis on warranty provision, property, plant and equipment and government grants. We recognize deferred tax for temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences can be utilized. In cases where actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which they arise. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. Significant management judgment based upon the possible sources of taxable income, and the evidence available for each possible source of taxable income on a jurisdiction by jurisdiction basis, is required in determining income tax expense and deferred tax assets and liabilities. The weight given to the potential effect of positive and negative evidence is proportionate to the

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strengths of the evidence that can be objectively verified. For the fiscal years ended June 30, 2008, 2009 and 2010, the Company concluded that it was more likely than not that all of the deferred tax assets would be realized, and a valuation allowance was not required based on its evaluation and weighting of the positive and negative evidence.

Estimated impairment of trade and other receivables

In determining whether there is objective evidence of impairment loss, we take into consideration the estimated future cash inflows from our outstanding trade and other receivables as determined by our experience with our customers. Although we do not have a formalized written policy on credit control and monitoring systems, outstanding trade and other receivables balances are assessed individually and objective evidence of impairment could include significant financial difficulty of the customers, age of the balance, number of days of sales outstanding, a measure of the average number of days that we take to collect revenues after a sale has been made, the customer's past payment history and current credit-worthiness and current economic trends. We did not recognize any bad debt expenses during each of three fiscal years ended June 30, 2008, 2009 and 2010.

Fair value of convertible redeemable preferred shares

For the convertible redeemable preferred shares, no quoted prices in an active market exist. The fair value of the convertible redeemable preferred shares is established by using valuation techniques. These techniques include discounted cash flow analysis and option pricing models. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Our estimates and assumptions are reviewed periodically and are adjusted if necessary.

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RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our total revenues. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Consolidated statements of comprehensive income

(in thousands of RMB)	Year ended June 30,		
	2008	2009	2010
Revenue.....	272,817	541,462	1,351,230
Cost of sales.....	(150,333)	(311,457)	(778,230)
Gross profit	122,484	230,005	573,000
Other income	3,142	4,139	3,768
Selling and distribution expenses.....	(2,901)	(3,891)	(5,321)
Administration expenses.....	(15,030)	(21,025)	(36,872)
Offering expenses ⁽¹⁾	—	—	(34,737)
Other gains and losses	1,792	(19)	353
Research and development expenses	(3,084)	(5,535)	(11,297)
Change in fair value of convertible redeemable preferred shares	—	(213,335)	109,773
Finance costs	—	(9,177)	(19,449)
Profit (loss) before tax.....	106,403	(18,838)	579,218
Income tax expense.....	(17,475)	(37,201)	(79,792)
Profit (loss) and total comprehensive income (loss) for the year ⁽²⁾	88,928	(56,039)	499,426
Earnings (loss) per share:			
— Basic	RMB0.09	RMB(0.06)	RMB0.48
— Diluted	N/A	RMB(0.06)	RMB0.36

(1) Offering expense consists of expenses in relation to our preparations for our initial public offering. Offering expense also includes expenses in connection with our initial plan to conduct an initial public offering in the United States. We initially intended to conduct our initial public offering in the United States and filed a registration statement on Form F-1 with the United States Securities and Exchange Commission on October 30, 2009. However, in light of general market conditions, we decided against conducting our initial public offering in the United States and have filed to withdraw that registration statement.

(2) Without taking into account the change in fair value of convertible redeemable preferred shares, which amounted to nil, a loss of RMB213,335,000 and a gain of RMB109,773,000 for the fiscal years ended June 30, 2008, 2009 and 2010, respectively, our profit for the fiscal years ended June 30, 2008, 2009 and 2010 would have been RMB88,928,000, RMB157,296,000 and RMB389,653,000, respectively.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenues

We derive revenues from sales of PV modules for off-grid applications, including solar home systems, solar lighting products and solar consumer applications. We also derive revenue from sales of PV modules for BIPV applications and PV power stations.

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The following table sets out a breakdown of our revenues for our PV modules by application category, with each expressed as a percentage of our total revenues, for the periods indicated:

(in thousands of RMB)	Fiscal year ended June 30,					
	2008		2009		2010	
	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues
PV modules for off-grid applications	254,066	93.1	482,068	89.0	1,241,775	91.9
- standard modules	218,590	80.1	359,033	66.3	1,006,414	74.5
- embedded modules	35,476	13.0	123,035	22.7	235,361	17.4
PV modules for BIPV applications....	18,751	6.9	45,019	8.3	109,455	8.1
PV modules for PV power stations..	—	—	14,375	2.7	—	—
Total revenues	<u>272,817</u>	<u>100.0</u>	<u>541,462</u>	<u>100.0</u>	<u>1,351,230</u>	<u>100.0</u>

We did not generate revenue from sales of PV modules for PV power stations for the fiscal years ended June 30, 2008 and 2010 because our priority was not in that area as our technologies at the current stage and in turn our current products are more suitable for off-grid and BIPV applications. Accordingly, we are more competitive in the off-grid application market currently.

We currently sell a substantial portion of our PV products to a limited number of customers, including distributors and traders, manufacturers and system integrators and contractors and project owners. In the three fiscal years ended June 30, 2008, 2009 and 2010, our largest customer accounted for 56.3%, 13.8% and 10.2% of our total revenues, respectively. Our largest customer in the two fiscal years ended June 30, 2008 and 2009 was a Thai-based solar solution provider which procures PV modules from selected PV module manufacturers for its business. Our largest customer in the fiscal year ended June 30, 2010 was a Hong Kong-based exporter of PV modules which procures PV modules from selected PV module manufacturers for export to its customers. Our other major customers in the fiscal years ended June 30, 2008, 2009 and 2010 were mainly China-based distributors and manufacturers.

The following table sets out a breakdown of our revenues by customer type for the periods indicated:

(in thousands of RMB)	Fiscal year ended June 30,					
	2008		2009		2010	
	RMB	Number of customers	RMB	Number of customers	RMB	Number of customers
Distributors/traders	180,723	4	163,684	8	411,466	8
Manufacturers/system integrators ...	59,164	78	306,304	59	800,046	83
Contractors/project owners	32,930	4	71,474	8	139,718	7
Others (samples)	—	2	—	—	—	—
Total revenue	<u>272,817</u>	<u>88</u>	<u>541,462</u>	<u>75</u>	<u>1,351,230</u>	<u>98</u>

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The table below sets forth a breakdown of our sales of PV modules by geographical region during the Track Record Period:

(in thousands of RMB)	Year ended June 30,		
	2008	2009	2010
PRC (country of domicile)	96,961	403,294	1,140,136
Hong Kong.....	22,311	48,812	151,779
Thailand.....	153,545	74,927	59,262
Korea.....	—	14,375	—
Others	—	54	53
Total revenue	272,817	541,462	1,351,230

The loss of any of our major customers, especially our largest customer, could have an adverse effect on our business. As we expand our manufacturing capacity, we anticipate developing additional customer relationships in other markets and regions, which will reduce our customer and geographic concentration and dependence. Conversely, the expansion of our business into producing PV modules for large-scale PV power stations which could utilize a large percentage of our manufacturing capacity and thereby limit our capacity for new projects, may result in an increase in our customer concentration.

Our sales have not been affected by seasonality and we do not expect seasonality to have a material impact on our sales in the future.

Cost of sales and operating expenses

The following table sets forth our cost of sales and operating expenses as percentages of our total revenues for the periods indicated.

	Fiscal year ended June 30,		
	2008	2009	2010
Cost of sales.....	55.1%	57.5%	57.6%
Operating expenses			
Selling and distribution expenses.....	1.1%	0.7%	0.4%
Administrative expenses.....	5.5%	3.9%	2.7%
Offering expenses.....	—	—	2.6%
Research and development expenses	1.1%	1.0%	0.8%
Total operating expenses	7.7%	5.6%	6.5%

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Cost of sales

Our cost of sales primarily consists of:

- the cost of raw materials used in manufacturing, such as transparent conductive oxide, or TCO, coated glass and silane, which constitute the most critical raw materials for our products, as well as ethylene vinyl acetate, tempered glass, lead wire and solar connectors.
- manufacturing overhead, including salaries and benefits for personnel directly involved in manufacturing activities, depreciation of manufacturing equipment and facilities, water and electricity, consumables, rent and other expenses associated with the manufacturing of our products. Due to our capacity expansion, manufacturing overhead expenses have increased significantly in absolute terms. We expect the manufacturing overhead to continue to increase in absolute terms in the future as we continue to expand our manufacturing capacity and build new facilities; and
- accrued warranty costs. Our products are typically sold with warranties for up to one year for defects in materials and workmanship in accordance with industry standards in the off-grid and BIPV markets. On a case by case basis, we provide warranties with extended periods to a select number of customers at their request. As at June 30, 2008, 2009, 2010, our accrued warranty costs amounted to RMB1.5 million, RMB2.6 million and RMB3.3 million, respectively. We have not experienced significant warranty claims in the three fiscal years ended June 30, 2010. Due to the short duration of the one-year warranty for defects in materials and workmanship, our assumptions regarding the durability, stability and reliability of our products and the absence of warranty claims received to date, we expect future costs related to the one-year warranty to be insignificant and we did not make any related provisions for warranty costs. We make provisions for warranty costs for the extended warranties that we provide to a select number of customers at an accrual rate of 1% of the sales. In the aggregate, we do not expect provisions for warranty costs to be significant in the future.

Our cost of sales as a percentage of our total revenues increased to 57.6% in the fiscal year ended June 30, 2010 from 57.5% in the fiscal year ended June 30, 2009 and 55.1% in the fiscal year ended June 30, 2008. The increase in cost of sales as a percentage of our total revenues from the fiscal year ended June 30, 2008 to the fiscal year ended June 30, 2009 was primarily attributable to increases in the cost of our raw materials, partially offset by the decrease of our manufacturing overhead as a percentage of our revenues. Our cost of sales as a percentage of total revenues remained relatively stable in the fiscal year ended June 30, 2010 and the fiscal year ended June 30, 2009.

Operating expenses

Our operating expenses consist of selling and distribution expenses, administration expenses, research and development expenses and offering expense.

Selling and distribution expenses. Selling and distribution expenses primarily consist of salaries for personnel directly involved in the selling and distribution activities, travel and transportation expenses, entertainment expenses, promotion expenses and other expenses attributable to our sales and distribution activities.

Administration expenses. Administration expenses consist primarily of salaries and benefits for our administrative, human resources and finance personnel, and also include fees and expenses of audit, consulting and other professional services, and traveling and office related expenses.

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Research and development expenses. Research and development expenses primarily consist of salaries and benefits for our research and development personnel, raw materials used in our research and development activities, travel and other expenses. We expense our research and development costs as incurred. We believe that research and development is critical for our strategic objectives of enhancing our technologies, reducing manufacturing costs and meeting the changing requirements of our customers.

Offering expense. Offering expense consists of expenses in relation to our preparations for our initial public offering, including legal and accounting expenses and other professional fees. Offering expense also includes expenses in connection with our initial plan to conduct an initial public offering in the United States. Our plan to conduct an initial public offering in the United States was subsequently aborted.

Our operating expenses as a percentage of our total revenues decreased from 7.7% in the fiscal year ended June 30, 2008 and 5.6% in the fiscal year ended June 30, 2009 but increased to 6.5% in the fiscal year ended June 30, 2010. The decrease for the fiscal years ended June 30, 2008 and 2009 was mainly attributed to cost savings from increased economies of scale in our operations. We conduct a majority of our development, design and manufacturing operations in China, where the costs of skilled labor, engineering and technical resources, as well as land, facilities and utilities, tend to be lower than those in more developed countries. We have been able to increase operating efficiencies and expand our manufacturing capacity in a cost-effective manner. The increase for the fiscal year ended June 30, 2010 is due to our offering expense.

Other income

Other income includes government grants, interest income and other income. Government grants include cash subsidies as well as advance subsidies we received from the PRC government. Such subsidies are generally provided in relation to the research and development of solar energy products. Government grants recognized in the consolidated statements of comprehensive income amounted to RMB3.1 million, RMB3.7 million and RMB2.5 million for the fiscal years ended June 30, 2008, 2009 and 2010, respectively.

Other gains and losses

Other gains and losses comprise gains and losses due to exchange conversion and on disposal of property, plant and equipment. We recorded other gains of RMB1,792,000 and RMB353,000 for the fiscal years ended June 30, 2008 and 2010, respectively, and recorded other losses of RMB19,000 for the fiscal year ended June 30, 2009.

Taxation

Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax in the Cayman Islands. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands.

Our Hong Kong subsidiary, Trony HK, is subject to Hong Kong profits tax, at a rate of 16.5% for each of the fiscal years ended June 30, 2008, 2009 and 2010. There is no withholding tax on the dividends distributed from our Hong Kong subsidiary.

We are subject to taxation in China by virtue of the business our PRC subsidiary conducts there.

PRC enterprise income tax

Before the EIT Law and its implementation rules became effective on January 1, 2008, entities operating in the PRC were typically subject to the Enterprise Income Tax rate of 33% (30% state tax and 3% local tax). However, pursuant to certain tax incentive policies, a preferential tax rate of 15% was available to foreign invested enterprises located in the Shenzhen Special Economic Zone, including Trony Science.

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Under the EIT Law, effective on January 1, 2008, domestically-owned enterprises and foreign invested enterprises are typically subject to a uniform tax rate of 25%. However, companies that previously enjoyed preferential tax treatments were afforded a transition period by the implementation regulations of the EIT Law. Trony Science enjoyed such a preferential tax treatment and thus would be eligible for a gradual increase of tax rate to 25% in five years beginning January 1, 2008. Specifically, the applicable rate under this transitional arrangement would be 18%, 20%, 22%, 24% and 25% for the years of 2008, 2009, 2010, 2011 and 2012, respectively. Since Trony Science is an enterprise operating in the Shenzhen Special Economic Zone, it is eligible for the aforementioned transitional arrangement.

For those enterprises entitled to tax holidays, such tax holidays shall continue until their expiration in accordance with previous tax laws, regulations and relevant regulatory documents, but where a tax holiday has not yet started, it shall be deemed to commence from 2008, the first effective year of the new tax law.

Trony Science had been fully entitled to the tax holiday aforementioned. Despite the transitional arrangement with the gradual increase of tax rate, Trony Science should be able to opt for another more favorable preferential tax treatment by its new high technology enterprise status below.

Under the new tax law, companies engaged in certain encouraged sectors including those classified as “new high technology enterprises” by the relevant PRC authorities are entitled to a preferential tax rate of 15%. Trony Science was certified as a “new high technology enterprise” on December 18, 2008. In April 2009, upon its completion of required registration with the tax authority in-charge, Trony Science became entitled to the preferential tax rate of 15% rate from April 2009 to December 2011.

If Trony Science ceases to qualify for its current preferential EIT rates, we will consider options that may be available at the time that would enable the entity to qualify for other preferential tax treatment. To the extent we are unable to offset the expiration or the inability to obtain preferential tax treatment with new tax exemptions, tax incentives or other tax benefits, our effective tax rate will increase. The amount of income tax payable by Trony Science or any other subsidiaries we establish in the PRC in the future will depend on various factors, including, among other things, the results of operations and taxable income of, and the statutory tax rate applicable to, such PRC subsidiaries.

The PRC central or provincial government could eliminate or reduce the preferential tax treatment in the future, which, as a result, would lead to an increase in our effective tax rate. Upon the eventual lapse of the preferential EIT rates of these subsidiaries, our effective tax rate will increase in the future.

Taxable presence exposure in the PRC

Under the EIT Law, enterprises established under the laws of non-PRC jurisdictions, but whose “effective management” is located in the PRC, should be treated as resident enterprises for PRC tax purposes. Under the implementation rules of the EIT Law, “effective management” is defined as material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

Substantially all of our operational management is currently based in the PRC, and remains in the PRC. If the “effective management” of our Cayman Islands company and our Hong Kong company were deemed to be located in the PRC, both companies would be treated as resident enterprises for PRC tax purposes. Therefore, all profits from both companies, and other companies with “effective management” in the PRC, would be subject to the 25% unified tax rate promulgated by the EIT Law. This imposition would have an impact on our effective tax rate.

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However, if both our Cayman Islands company and Hong Kong company were treated as resident enterprises for PRC tax purposes, dividends distributed from our PRC subsidiary to our Hong Kong company and ultimately to our Cayman Islands company could be exempt from withholding tax in China.

Withholding tax on dividend payments in the PRC

Pursuant to the Arrangement between the PRC and the Hong Kong Special Administrative Region on Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement, which became effective on January 1, 2007, any dividends from our PRC subsidiary paid to us through Trony HK, our Hong Kong subsidiary, may be subject to a preferential withholding tax rate of 5%. On August 24, 2009, the State Administration of Taxation released the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation), or the Measures, which took effect on October 1, 2009. Under the Measures, Trony HK needs to obtain approval from the Shenzhen Branch of the State Administration of Taxation in order to enjoy the preferential withholding tax rate of 5% in accordance with the Double Taxation Arrangement. To date, the Shenzhen Branch of the State Administration of Taxation has not published relevant implementing regulations for the Measures. As a result, there is no assurance that Trony HK will continue to enjoy the preferential withholding tax rate.

YEAR TO YEAR COMPARISONS OF RESULTS OF OPERATIONS

Fiscal year ended June 30, 2010 compared to fiscal year ended June 30, 2009

Total revenues. Our total revenues increased by 149.5% from RMB541.5 million in the fiscal year ended June 30, 2009 to RMB1,351.2 million in the fiscal year ended June 30, 2010. The increase was primarily due to a significant increase in sales volume of our products, which was due to our ability to increase production volume to satisfy market demand with our newly expanded manufacturing capacity. We sold PV modules to our existing customers and new customers. We sold an aggregate of 112.4 MW of PV modules in the fiscal year ended June 30, 2010 compared to 39.5 MW in the fiscal year ended June 30, 2009. Our total revenues were largely derived from sales to customers in China, who in turn sell our products directly or as part of their final products to their customers worldwide, including manufacturers and end users. Sales to our customers in China accounted for 84.4% of our total revenues in the fiscal year ended June 30, 2010, compared to 74.5% in the fiscal year ended June 30, 2009. Apart from sales to customers in China, we also derived revenues from sales directly to customers in Hong Kong, Thailand and other countries in the fiscal year ended June 30, 2010. The number of customers contributing 10% or more of our total revenues remained at one in the fiscal year ended June 30, 2009 and the fiscal year ended June 30, 2010. In the fiscal year ended June 30, 2009, one customer accounted for 13.8% of our total revenues, and in the fiscal year ended June 30, 2010, another customer accounted for 10.2% of our total revenues. We intend to continue to diversify our customer base in order to achieve balanced and sustainable sales growth.

Cost of sales. Our cost of sales increased by 149.9% from RMB311.5 million in the fiscal year ended June 30, 2009 to RMB778.2 million in the fiscal year ended June 30, 2010. The increase in our cost of sales was primarily due to the significant increase in the volume of PV modules sold in the fiscal year ended June 30, 2010 and an increase in our depreciation costs from RMB26.5 million to RMB64.3 million, as we began to depreciate costs of plant and machinery in connection with our 100 MW manufacturing line, which commenced commercial production in August 2009. Our cost of sales as a percentage of total revenues remained relatively stable at 57.6% in the fiscal year ended June 30, 2010 and 57.5% in the fiscal year ended June 30, 2009.

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Gross profit. As a result of the foregoing, our gross profit increased by 149.1% from RMB230.0 million in the fiscal year ended June 30, 2009 to RMB573.0 million in the fiscal year ended June 30, 2010, and our gross margin decreased from 42.5% in the fiscal year ended June 30, 2009 to 42.4% in the fiscal year ended June 30, 2010.

Other income. Our other income decreased by 9.0% from RMB4.1 million for the fiscal year ended June 30, 2009 to RMB3.8 million for the fiscal year ended June 30, 2010. This decrease was primarily due to a decrease of government grants, partially offset by an increase in interest income. The decrease in government grants was primarily due to a lower amount granted by the PRC government for the fiscal year ended June 30, 2010. Government grants are recognized when received and when all the conditions have been met as specified in the grant. The amounts of figures for government grants we recognize are project-based and change from period to period. The increase in interest income was due to an increase in our average bank balance during the period.

Selling and distribution expenses. Our selling and distribution expenses increased by 36.8% from RMB3.9 million in the fiscal year ended June 30, 2009 to RMB5.3 million in the fiscal year ended June 30, 2010. The increase was mainly attributable to increased traveling expenses from RMB1.4 million to RMB2.1 million. Selling and distribution expenses as a percentage of our total revenues decreased from 0.7% in the fiscal year ended June 30, 2009 to 0.4% in the fiscal year ended June 30, 2010, as a result of economies of scale in our sales and marketing activities and our ability to increase our sales level with limited promotional efforts, which was further strengthened by strong market demand.

Administration expenses. Our administration expenses increased by 75.4% from RMB21.0 million in the fiscal year ended June 30, 2009 to RMB36.9 million in the fiscal year ended June 30, 2010. This increase was primarily due to an increase in staff costs from RMB9.1 million to RMB15.6 million as a result of increased headcount, the occurrence of roadshow expense in the amount of RMB2.5 million, an increase in entertainment expenses from RMB0.9 million to RMB1.7 million, an increase in consultancy expense from RMB0.9 million to RMB1.9 million, an increase in travel and office related expenses from RMB2.9 million to RMB5.0 million and an increase in rental expenses from RMB0.5 million to RMB1.6 million. This increase was partially offset by the non-occurrence of a guarantee commission fee in the amount of RMB0.7 million and a decrease in our audit fee from RMB3.8 million to RMB2.0 million. Our administration expenses as a percentage of our total revenues decreased from 3.9% in the fiscal year ended June 30, 2009 to 2.7% in the fiscal year ended June 30, 2010.

Offering expense. Our offering expense was RMB34.7 million in the fiscal year ended June 30, 2010. Our offering expense comprises expenses in connection with the preparation for our initial public offering. We had no such expense in the fiscal year ended June 30, 2009.

Other gains and losses. We recorded other gains in the amount of RMB0.4 million for the fiscal year ended June 30, 2010 compared to other losses in the amount of RMB19,000 for the fiscal year ended June 30, 2009. Our other gains for the fiscal year ended June 30, 2010 were primarily due to an exchange rate gain of RMB0.8 million, partially offset by a loss on disposal of property, plant and equipment of RMB0.4 million.

Research and development expenses. Our research and development expenses increased by 104.1% from RMB5.5 million in the fiscal year ended June 30, 2009 to RMB11.3 million in the fiscal year ended June 30, 2010. This increase was primarily due to an increase in the staff costs from RMB3.9 million to RMB6.3 million and an increase in the research and materials used in the testing process from RMB0.5 million to RMB3.0 million. Research and development expenses as a percentage of our total revenues decreased from 1.0% in the fiscal year ended June 30, 2009 to 0.8% in the fiscal year ended June 30, 2010.

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Change in fair value of convertible redeemable preferred shares. The Series A Preferred Shares were valued at fair value by the Directors with reference to a valuation report carried out by an independent qualified professional valuer, American Appraisal China Limited on June 30, 2009 at approximately US\$66.2 million (approximately RMB452.2 million). The loss from change in fair value of the Series A Preferred Shares in the fiscal year ended June 30, 2009 of RMB213.3 million was due to the increase in fair value of the Series A Preferred Shares from June 1, 2008 to June 30, 2009. This increase in fair value of Series A Preferred Shares was primarily due to (1) an increase in profitability of the Company's business in the fiscal year ended June 30, 2009 and (2) an increase in the probability of our conducting an US initial public offering which directly increased the conversion features value of Series A Preferred Shares.

As a result of full redemption of the Series A Preferred Shares on April 28, 2010, no value was accounted for the conversion features of the Series A Preferred Shares and the fair value of Series A Preferred Shares approximated the redemption value which significantly decreased the overall value of the Series A Preferred Shares compared with June 30, 2009. As a result, a gain from changes in fair value of the Series A Preferred Shares of RMB109.8 million was recorded in the fiscal year ended June 30, 2010.

Please refer to note 27 of the accountants' report set out in Appendix I to this prospectus for more information about the valuation of the Series A Preferred Shares.

Finance cost. Our finance cost increased from RMB9.2 million in the fiscal year ended June 30, 2009 to RMB19.4 million in the fiscal year ended June 30, 2010 primarily due to an addition of effective interest expenses on loan from a shareholder, which were borrowed to fund the construction of our 100 MW fully-automated manufacturing line, partially offset by the elimination of expenses in connection with the issuance of convertible redeemable preferred shares incurred in the fiscal year ended June 30, 2009.

Income tax expenses. Our income tax expenses increased by 114.5% from RMB37.2 million in the fiscal year ended June 30, 2009 to RMB79.8 million in the fiscal year ended June 30, 2010, primarily as a result of a significant increase in our taxable income. Our effective income tax rate decreased from 197.5% in the fiscal year ended June 30, 2009 to 13.8% in the fiscal year ended June 30, 2010 primarily because the change in fair value of convertible redeemable preferred shares of approximately RMB109.8 million is non-taxable and because Trony Science, our operating subsidiary in China, was entitled to a 15% preferential rate since April 2009 as a "new high technology enterprise." Trony Science will continue to be entitled to such a preferential rate until December 2011 under current governmental approvals.

Profit and total comprehensive income. As a result of the cumulative effect of the above factors, profit and total comprehensive income was RMB499.4 million for the fiscal year ended June 30, 2010, compared to a loss and total comprehensive loss of RMB56.0 million for the fiscal year ended June 30, 2009. Without taking into account the change in fair value of convertible redeemable preferred shares, which amounted to a gain of RMB109.8 million and a loss of RMB213.3 million for the fiscal years ended June 30, 2010 and 2009, respectively, our profit for the fiscal year ended June 30, 2010 would have increased by 147.7% from RMB157.3 million in the fiscal year ended June 30, 2009 to RMB389.7 million in the fiscal year ended June 30, 2010 and our net margin would have been 29.1% in the fiscal year ended June 30, 2009 and 28.8% in the fiscal year ended June 30, 2010.

Fiscal year ended June 30, 2009 compared to fiscal year ended June 30, 2008

Total revenues. Our total revenues increased by 98.5% from RMB272.8 million in the fiscal year ended June 30, 2008 to RMB541.5 million in the fiscal year ended June 30, 2009. The increase was primarily due to a significant increase in our manufacturing capacity and a corresponding increase in sales volume of our products, which were driven by an increased demand for our PV modules by our customers. We sold an

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aggregate of 39.5 MW of PV modules in the fiscal year ended June 30, 2009 compared to 18.2 MW in the fiscal year ended June 30, 2008. The significant increase in our capacity and the volume of our products sold was driven primarily by a significant increase in market demand for our products from our existing customers, as well the expansion of our customer base in the fiscal year ended June 30, 2009.

Our total revenues were largely derived from sales to customers in China, who in turn sell our products directly or as part of their final products to their customers worldwide, including manufacturers and end users. Sales directly to our customers in China accounted for 74.5% of our total revenues in the fiscal year ended June 30, 2009, compared to 35.5% in the fiscal year ended June 30, 2008. Apart from sales to customers in China, our total revenues for the fiscal year ended June 30, 2009 were also derived from sales directly to customers in South Korea and Thailand.

Sales to our largest customer decreased to 13.8% of our total revenues in the fiscal year ended June 30, 2009 from 56.3% in the fiscal year ended June 30, 2008.

Cost of sales. Our cost of sales increased by 107.2% from RMB150.3 million in the fiscal year ended June 30, 2008 to RMB311.5 million in the fiscal year ended June 30, 2009. The increase in our cost of sales was primarily due to the significant increase in the volume of PV modules we sold in the fiscal year ended June 30, 2009. Our cost of sales as a percentage of total revenues increased to 57.5% in the fiscal year ended June 30, 2009 from 55.1% in the fiscal year ended June 30, 2008. The increase was primarily attributable to increase in cost of raw material used as a percentage of our total revenues from 37.3% to 41.9%, partially offset by a decrease of our manufacturing overhead incurred as a percentage of our total revenues from 17.1% to 16.7% resulting from economies of scale.

Gross profit. As a result of the foregoing, our gross profit increased by 87.8% from RMB122.5 million in the fiscal year ended June 30, 2008 to RMB230.0 million in the fiscal year ended June 30, 2009, and our gross margin decreased from 44.9% in the fiscal year ended June 30, 2008 to 42.5% in the fiscal year ended June 30, 2009.

Other income. Our other income increased from RMB3.1 million for the fiscal year ended June 30, 2008 to RMB4.1 million for the fiscal year ended June 30, 2009, primarily due to an increase in government grants.

Selling and distribution expenses. Our selling and distribution expenses increased by 34.1% from RMB2.9 million in the fiscal year ended June 30, 2008 to RMB3.9 million in the fiscal year ended June 30, 2009. The increase was mainly attributable to increased traveling expenses from RMB0.6 million to RMB1.4 million and staff costs from RMB1.2 million to RMB1.6 million in the fiscal year ended June 30, 2009. Selling and distribution expenses as a percentage of our total revenues decreased from 1.1% in the fiscal year ended June 30, 2008 to 0.7% in the fiscal year ended June 30, 2009.

Administration expenses. Our administration expenses increased by 39.9% from RMB15.0 million in the fiscal year ended June 30, 2008 to RMB21.0 million in the fiscal year ended June 30, 2009. This increase was primarily due to increases in staff costs from RMB4.0 million to RMB9.1 million resulting from increased headcount, travel and entertainment expenses from RMB1.4 million to RMB2.5 million, and office related expenses from RMB0.9 million to RMB1.4 million. Administration expenses as a percentage of our total revenues decreased from 5.5% in the fiscal year ended June 30, 2008 to 3.9% in the fiscal year ended June 30, 2009.

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Other gains. We recorded other losses of RMB19,000 for the fiscal year ended June 30, 2009, representing our foreign exchange loss for such year, as compared to other gains of RMB1.8 million for the fiscal year ended June 30, 2008 representing our foreign exchange gain for such year.

Research and development expenses. Our research and development expenses increased by 79.5% from RMB3.1 million in the fiscal year ended June 30, 2008 to RMB5.5 million in the fiscal year ended June 30, 2009. The increase in our research and development expenses was primarily due to an increase in staff costs from RMB2.3 million to RMB3.9 million and an increase in traveling expenses related to research and development activities from RMB0.2 million to RMB0.4 million. Research and development expenses as a percentage of our total revenues decreased from 1.1% in the fiscal year ended June 30, 2008 to 1.0% in the fiscal year ended June 30, 2009.

Change in fair value of convertible redeemable preferred shares. The Series A Preferred Shares were at fair value with reference to a valuation report carried out by an independent qualified professional valuer, American Appraisal China Limited, on June 30, 2009 at approximately US\$66.2 million (approximately RMB452.2 million). The change in fair value of approximately RMB213.3 million recognised for the fiscal year ended June 30, 2009 was mainly due to change in market risk factors. Please refer to note 27 of the accountants report set out in Appendix I to this prospectus for more information about the valuation of the Series A Preferred Shares.

Finance cost. Our finance cost was RMB9.2 million for the fiscal year ended June 30, 2009 primarily due to our expenses in connection with the issuance of convertible redeemable preferred shares of RMB7.2 million and an increase by 365.9% in our imputed interest expense on our non-current interest-free loan from a related party from RMB4.5 million in the fiscal year ended June 30, 2008 to RMB20.9 million in the fiscal year ended June 30, 2009. These expenses were partially offset by an increase in the amounts capitalized from RMB7.5 million in the fiscal year ended June 30, 2008 to RMB22.7 million in the fiscal year ended June 30, 2009. We did not incur any finance cost for the fiscal year ended June 30, 2008.

Income tax expenses. Our income tax expenses increased by 112.9% from RMB17.5 million in the fiscal year ended June 30, 2008 to RMB37.2 million in the fiscal year ended June 30, 2009 primarily as a result of the significant increase in our taxable income. Our effective income tax rate increased from 16.4% in the fiscal year ended June 30, 2008 to 197.5% in the fiscal year ended June 30, 2009. This increase in effective income tax rate was due to a non-tax deductible loss of RMB213.3 million which resulted from the change in fair value of convertible redeemable preferred shares in the fiscal year ended June 30, 2009.

Loss and total comprehensive loss for the year. As a result of the cumulative effect of the above factors, we recorded a loss of RMB56.0 million for the fiscal year ended June 30, 2009, compared to a profit of RMB88.9 million for the fiscal year ended June 30, 2008. Without taking into account the change in fair value of convertible redeemable preferred shares, our profit for the fiscal year ended June 30, 2009 would have increased by 76.9% from RMB88.9 million in the fiscal year ended June 30, 2008 to RMB157.3 million in the fiscal year ended June 30, 2009, and our net margin would have been 32.6% in the fiscal year ended June 30, 2008 and 29.1% in the fiscal year ended June 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our operations primarily through proceeds from cash flows from operations, proceeds from the issuance of Series A and Series B Preferred Shares, as well as short-term and long-term bank borrowings and related-party loans. Our cash and cash equivalents primarily consist of cash on hand, demand deposits and liquid investments with original maturities of three months or less that are placed with banks and other financial institutions.

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The following table sets forth a summary of our cash flows for the years indicated:

(in thousands of RMB)	Fiscal year ended June 30,		
	2008	2009	2010
Net cash provided by operating activities	198,769	132,581	454,656
Net cash used in investing activities	(540,468)	(356,531)	(633,314)
Net cash generated by financing activities	341,786	239,719	250,534
Net increase in cash	87	15,769	71,876
Cash and cash equivalents at the beginning of the year	4,979	4,364	20,962
Effect of exchange rate change.....	(702)	829	(1,400)
Cash and cash equivalents at the end of the year	4,364	20,962	91,438

Cash flow from operating activities

Net cash provided by operating activities for the fiscal year ended June 30, 2010 was RMB454.7 million, which was primarily attributable to (i) our profit before tax of RMB579.2 million driven primarily by a significant increase in sales of our products and (ii) an increase in trade and other payables, warranty and government grant of RMB87.0 million, partially offset by a significant increase in accounts receivable of RMB112.9 million as a result of the significant increase in sales of our products.

Net cash provided by operating activities for the fiscal year ended June 30, 2009 was RMB132.6 million, which was primarily attributable to our operating cashflow before movements in working capital of RMB230.6 million primarily due to a significant increase in sales of our products, partially offset by (i) significantly larger increases in accounts receivable of RMB42.3 million, (ii) an increase in inventories of RMB14.9 million and (iii) an increase in amount due from a related party of RMB3.5 million.

Net cash provided by operating activities for the fiscal year ended June 30, 2008 was RMB198.8 million, which was primarily attributable to the following factors: (i) profit before tax of RMB106.4 million driven by a significant increase in sales of our products, (ii) an increase in trade and other payables of RMB100.0 million, and (iii) a decrease in amounts due from related parties payable of RMB7.3 million, partially offset by (a) an increase in accounts receivable of RMB17.2 million and (b) an increase in inventories of RMB3.9 million.

Cash flow from investing activities

Net cash used in investing activities for the fiscal year ended June 30, 2010 was RMB633.3 million, which was attributable primarily to our payment for purchase of property, plant and equipment of RMB634.8 million.

Net cash used in investing activities for the fiscal year ended June 30, 2009 was RMB356.5 million, which was attributable to the following factors: (i) our payment for acquisition of property, plant and equipment of RMB321.9 million, and (ii) an increase in restricted cash of RMB35.0 million.

Net cash used in investing activities for the fiscal year ended June 30, 2008 was RMB540.5 million, which was attributable to our payment for acquisition of property, plant and equipment of RMB561.7 million for the expansion of our manufacturing lines, partially offset by repayments of advances to independent third parties of RMB21.2 million.

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Cash flow from financing activities

Net cash generated from financing activities for the fiscal year ended June 30, 2010 was RMB250.5 million, which was primarily attributable to (i) a loan from a shareholder in the amount of RMB205.1 million, (ii) remaining proceeds from issuance of convertible redeemable preferred shares for the fiscal year ended June 30, 2009 in the amount of RMB68.3 million and (iii) additional bank borrowing in the amount of RMB35.2 million, partially offset by (i) repayments of bank borrowings of RMB42.2 million and (ii) repayment of advances from related parties, directors and shareholders of a total of RMB10.8 million.

Net cash generated from financing activities for the fiscal year ended June 30, 2009 was RMB239.7 million, which was primarily attributable to the following factors: (i) proceeds from issuance of our Series A Preferred Shares of RMB237.6 million, (ii) an increase in new bank borrowings of RMB108.7 million and (iii) an increase in advance from shareholders of RMB16.1 million, partially offset by (a) repayment of bank borrowings of RMB76.3 million, (b) repayments of advances from shareholders of RMB21.9 million, and (c) repayments of advances from directors of RMB18.5 million.

Net cash generated from financing activities for the fiscal year ended June 30, 2008 was RMB341.8 million, which was primarily attributable to the following factors: (i) a loan from a related party of RMB305.0 million, (ii) new bank borrowings of RMB40.0 million and (iii) an increase in advance from directors of RMB15.2 million, partially offset by (a) repayment of advances from directors of RMB13.0 million and (b) repayments of advances from related parties of RMB12.2 million.

CAPITAL EXPENDITURES

We made capital expenditures of RMB561.7 million, RMB321.9 million and RMB634.8 million in the three fiscal years ended June 30, 2008, 2009 and 2010, respectively. In the past, our capital expenditures were used primarily to acquire land use rights for the building of manufacturing facilities, construct our manufacturing facilities and expand our manufacturing lines. We estimate that our capital expenditures in the fiscal year ending June 30, 2011 will be approximately RMB519 million, which will be used primarily to expand our manufacturing lines. We plan to fund our fiscal year ending June 30, 2011 capital expenditures substantially with cash from operations and proceeds from this initial public offering.

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WORKING CAPITAL AND INDEBTEDNESS

Details of our current assets and liabilities at the end of each reporting periods are as follows:

(in thousands of RMB)	As at June 30,			As at July 31,
	2008	2009	2010	2010
Current Assets				
Inventories	13,058	27,951	28,236	26,205
Trade receivables.....	28,178	70,511	183,432	186,751
Other receivables and prepayments.....	3,494	1,705	14,570	9,888
Prepaid lease payments	142	143	143	143
Amounts due from directors	60	34	34	34
Amounts due from related parties	666	4,133	132	178
Restricted bank deposits.....	—	35,019	1,288	2,423
Bank balances and cash	4,364	20,962	91,438	154,643
Total current assets	49,962	160,458	319,273	380,265
Current Liabilities				
Trade and other payables	112,713	41,061	132,262	136,026
Tax payable.....	14,544	12,749	28,649	12,223
Amount due to a director	54,590	41,397	40,074	40,122
Amount due to related parties	8,207	5,784	—	—
Amounts due to shareholders	8,076	2,246	—	—
Bank borrowings — due within one year.....	7,250	42,200	13,388	26,486
Convertible redeemable preferred shares	—	452,166	—	—
Total current liabilities	205,380	597,603	214,373	214,857
Net current (liabilities) assets	(155,418)	(437,145)	104,900	165,408

We recorded net current assets as at July 31, 2010 of RMB165.4 million.

We recorded a net current assets in the amount of RMB104.9 million as at June 30, 2010, compared to a net current liabilities in the amount of RMB437.1 million as at June 30, 2009. This is primarily due to the full redemption of our Series A Preferred Shares in April 2010, as well as an increase in our trade receivables, bank balances and cash and other receivables and prepayments. The increase in our trade and other payables was primarily due to the increase in our purchases from suppliers of raw materials to support our production capacity expansion from 45 MW to 145 MW and accrued legal costs.

Our net current liabilities increased by RMB281.7 million from RMB155.4 million as at June 30, 2008 to RMB437.1 million as at June 30, 2009, primarily due to an increase of RMB452.2 million in the current portion of the convertible redeemable preferred shares as a result of the issue of the Series A Preferred Shares in the fiscal year ended June 30, 2009, partially offset by a decrease of RMB71.7 million in trade and other payables and an increase of RMB42.3 million in our trade receivables. The decrease in our trade and other payables was primarily due to our settlement of payables on acquisition of property, plant and equipment in relation to our production capacity expansion while the increase in our trade receivables was primarily due to an increase in our sales during the period.

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Our net current liabilities positions partly resulted from the significant investments we made in expanding our production capacity. We have historically supported our working capital requirements by short term bank loans, loan from a shareholder and/or loans from related parties and proceeds from the issue of the Series A Preferred Shares, which were accounted for as current liabilities. On April 28, 2010, we issued Series B Preferred Shares amounting to approximately RMB410 million and fully redeemed the Series A Preferred Shares. On May 26, 2010, we extended the repayment of our loan from a shareholder (i.e. our US\$30.0 million loan from Lakes Invest) of approximately RMB204 million to March 31, 2012.

Our Directors believe that after taking into account the above measures and the internally generated funds available to us, we have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this prospectus.

Our future cash requirements will depend on many factors, including our operating income, costs to build additional manufacturing capacity, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash to repay existing debt obligations or to re-finance our existing debts or due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our shareholders. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

Our short-term bank borrowings outstanding bore an annual average interest rate at 3.97% in the fiscal year ended June 30, 2010 and are secured by restricted cash provided by Trony HK. These borrowings have terms of one year, and expire at various times within one year. As at June 30, 2010, our short-term bank borrowings amounted to RMB3.2 million, and we had available unutilized bank loan facilities of RMB30.8 million. The current portion of our long-term bank borrowings, which we classify as short-term bank borrowing, was RMB10.2 million as at June 30, 2010.

As at June 30, 2010, our long-term bank borrowings amounted to RMB62.3 million, including an amount of RMB10.2 million classified as current liabilities. This loan bore an annual average interest rate of 5.76% in the fiscal year ended June 30, 2010. This loan is secured by a pledge of our property and is repayable in installments over a five year period. As at June 30, 2010, the outstanding amount of a loan from a related party was RMB277.0 million. This loan was from Build Up for our acquisition of plant and machinery. This loan is unsecured, interest-free and, pursuant to a supplemental agreement entered into in June 2009, repayable in full in April 2012.

On October 14, 2009, we borrowed US\$30.0 million from Lakes Invest, a major shareholder of ours beneficially owned by our chairman and chief executive officer, under a shareholder loan agreement we entered into on October 2, 2009. The loan bears an annual interest rate of 3.5%, payable quarterly. The loan had an initial term of six months, which would automatically be extended to one year if this offering had not occurred within the initial term, and may be further extended to 30 days after this offering if this offering was completed within the 30 day period prior to the first anniversary of the loan. Lakes Invest borrowed the amount from ICBC International Finance Ltd. to fund this shareholder loan. Under the shareholder loan agreement, we were obligated to repay in full the outstanding amount owed to ICBC International Finance Ltd. by Lakes Invest on behalf of Lakes Invest within a 30-day period after the completion of this offering using a portion of the net proceeds we would have received from the offering. This repayment will discharge our obligations under the shareholder loan agreement. Our loan from a shareholder represents the fair value of the loan we borrowed

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from Lakes Invest pursuant to the shareholder loan agreement. As at June 30, 2010, our loan from a shareholder was RMB196.9 million. On May 26, 2010, we extended the repayment date of this loan to March 31, 2012. We intend to repay our shareholder loan of US\$30 million from Lakes Invest in full with part of the net proceeds of this offering. Please refer to the paragraph headed "Independence from our Controlling Shareholders — Financial Independence" in the section headed "Relationship with Controlling Shareholders" for more information about this loan.

In September 2008, we issued Series A Preferred Shares with redemption features. As at June 30, 2009, our Series A Preferred Shares amounted to RMB452.2 million and were accounted for as current liabilities. On April 28, 2010, we issued Series B Preferred Shares and used the entire proceeds from the sale of Series B Preferred Shares to redeem all of our Series A Preferred Shares. For details on the principal terms of the Series B Preferred Shares, please refer to the paragraph headed "Principal Terms of Investment by the Series B Shareholders" in the section headed "History and Corporate Structure".

As at the Latest Practicable Date, we had unutilized banking facilities of RMB423.0 million.

Our short-term bank borrowings and the current portion of our long-term bank borrowings amounted to RMB16.3 million and RMB10.2 million, respectively, as at July 31, 2010.

As at July 31, 2010, our long-term bank borrowings amounted to RMB77.4 million, including an amount of RMB10.2 million repayable within one year classified as current liabilities.

As at the Latest Practicable Date, we have not defaulted in the repayment of any of our borrowings, or experienced any difficulty in raising funds with its principal banks or in rolling over short-term loans borrowed from banks.

As at the close of business on July 31, 2010, we had aggregate outstanding borrowings of approximately RMB609.6 million comprising (i) secured bank borrowings of approximately RMB93.7 million, (ii) unsecured loan from a related party of approximately RMB278.3 million, (iii) secured loan from a shareholder of approximately RMB197.5 million and (iv) unsecured amount due to a director of approximately RMB40.1 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on July 31, 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in the Group's indebtedness, commitments and contingent liabilities since July 31, 2010.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventory analysis

During the Track Record Period, inventories were one of the principal components of our current assets. Our management reviews the inventory level periodically to secure a sufficient level of raw materials for our production and to avoid overstocking.

The value of our inventories accounted for approximately 26.1%, 17.4% and 8.8% of our total current assets as at June 30, 2008, 2009 and 2010, respectively. Such percentage decreased from 2008 to 2009 because our current assets had increased as our scale of operations grew. It further decreased from 17.4% as at June 30, 2009 to 8.8% as at June 30, 2010 because our inventories remained relatively constant, but there was an increase in our trade receivables and other receivables and prepayments resulting in an increase in our current assets.

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The following table is a summary of our balance of inventories at the end of each reporting periods during the Track Record Period:

(in thousands of RMB)	As at June 30,		
	2008	2009	2010
Raw materials	5,980	12,327	12,211
Finished goods	7,078	15,624	16,025
Total	13,058	27,951	28,236

Our inventory increased by RMB0.2 million from RMB28.0 million as at June 30, 2009 to RMB28.2 million as at June 30, 2010, primarily due to our enlargement of operating scale from a production capacity of 45 MW as at June 30, 2009 to 145 MW as at June 30, 2010. In addition, there was a decrease in the average purchase price of raw materials during the fiscal year ended June 30, 2010.

Our inventory increased by RMB14.9 million from RMB13.1 million as at June 30, 2008 to RMB28.0 million as at June 30, 2009, primarily due to our expanded scale of operations for the fiscal year ended June 30, 2009.

Up to July 31, 2010, the subsequent utilisation of our inventories as at June 30, 2010, was RMB25.7 million, or 90.9% of the balance as at June 30, 2010.

The following table sets forth our inventory turnover days for the Track Record Period:

	As at June 30,		
	2008	2009	2010
Inventory turnover days (Note)	27.1	24.1	13.2

Note: Inventory turnover days is equal to average inventory divided by cost of sales and multiplied by 366 days.

Our inventory turnover days remain relatively stable as at June 30, 2009 at 24.1 days as compared to 27.1 days as at June 30, 2008. Our inventory turnover days decreased from 24.1 days as at June 30, 2009 to 13.2 days as at June 30, 2010 because market demand had been strong.

Trade receivables analysis

Our trade receivables represent receivables from our customers for sale of our products and our service contracts. We allow an average credit period of 60 days to 120 days to our customers.

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The following table sets out the aged analysis of our trade receivables at the end of each reporting period:

(in thousands of RMB)	As at June 30,		
	2008	2009	2010
Age			
0 to 60 days.....	27,965	66,025	183,426
61 to 90 days	213	632	—
91 to 120 days	—	342	—
121 - 180 days	—	1,492	6
Over 180 days.....	—	2,020	—

Trade receivables turnover days

The following table sets forth our trade receivables turnover days for the Track Record Period:

	As at June 30,		
	2008	2009	2010
Trade receivables turnover days (Note).....	26.3	33.4	34.4

Note: Trade receivables turnover days is equal to average trade receivables divided by revenue for the relevant year and multiplied by 366 days.

Our trade receivables turnover days increased from 26.3 days as at June 30, 2008 to 33.4 days as at June 30, 2009 because certain customers delayed payments to us due to circumstances connected to the global financial crisis. Our trade receivables turnover days slightly increased to 34.4 days as at June 30, 2010 because we allowed longer credit periods ranging from 60 to 90 days to select customers with whom we had long-established business relationships.

We assess each potential customer's credit quality and the customer's defined credit limits before accepting the customer as a new customer. In determining the recoverability of the trade receivables, we reassess any change in the credit quality of the trade receivables since the credit was granted and up to June 30, 2010. After reassessment, our Directors believe that no further allowance is required.

Up to July 31, 2010, the subsequent settlement of our receivables as at June 30, 2010 was RMB142.2 million of the balance as at June 30, 2010.

Other receivables and prepayments

Our other receivables and prepayment include receivables from third parties, prepayments to suppliers, prepaid offering expenses, deposits and prepaid expenses and other receivables. Our other receivables and prepayments decreased from RMB3.5 million as at June 30, 2008 to RMB1.7 million as at June 30, 2009 primarily due to a decrease in prepayments to suppliers during the fiscal year ended June 30, 2009, which is due to our increased size and ability to negotiate with suppliers with whom we had long-established relationships resulting in a favorable change to us in credit terms such that our prepayments to them were reduced. Our other receivables and prepayments increased from RMB1.7 million as at June 30, 2009 to RMB14.6 million as at June 30, 2010 primarily due to an increase in prepaid offering expenses of RMB6.5 million in relation to the Global Offering and an increase in prepayments to suppliers of RMB4.3 million primarily due to the increase in our purchases from suppliers to support our production capacity expansion from 115 MW to 145 MW.

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Amounts due from directors

The outstanding amounts due from directors amounted to RMB60,000, RMB34,000 and RMB34,000 as at June 30, 2008, 2009 and 2010, respectively. Outstanding amounts due from directors as at June 30, 2008, 2009 and 2010 represented advances made to three Directors, which were non-trade related, unsecured and interest-free. The amounts are expected to be recovered within 12 months from the end of each reporting period. As at July 31, 2010, the outstanding amount due from directors amounted to RMB34,000.

Amounts due from related parties

The outstanding amounts due from related parties amounted to RMB0.7 million, RMB4.1 million and RMB0.1 million as at June 30, 2008, 2009 and 2010, respectively. The outstanding amount due from related parties as at June 30, 2008, 2009 and 2010 represented advances made to related parties, which are non-trade related and non-interest bearing, and trade related amounts due from Shine Faith Asia Limited and Shenzhen Yiyong Patent & Trademark Agency, or Shenzhen Yiyong. Shine Faith Asia Limited is a trading company and a company in which Yiyong Zhang, Mr. Li's mother, is the sole beneficial owner. For the fiscal years ended June 30, 2008, 2009 and 2010, amounts due from Shine Faith Asia Limited were RMB0.7 million, RMB4.1 million and nil million, respectively. During the fiscal years ended June 30, 2008, 2009 and 2010, we purchased equipment and raw materials from Shine Faith Asia Limited in the amount of RMB2.1 million, RMB1.5 million and RMB0.4 million, respectively, and we paid trademark registration fees to Shenzhen Yiyong, a company which Yiyong Zhang has a beneficial interest, in the amount of RMB0.3 million, RMB0.4 million and RMB0.7 million, respectively.

Trade and other payables analysis

Our accounts payables consist of trade and bills payables and other payables. Our other payables include payables on acquisition of property, plant and equipment, salaries and staff welfare payables, amounts due to staff, receipt in advance from customers, government grants, VAT payables, accrued expenses and others.

Trade and bills payables analysis

In general, our suppliers granted us credit periods ranging from 90 to 180 days during the Track Record Period.

The following table sets out the aged analysis of our trade and bills payables at the end of each reporting period:

(in thousands of RMB)	As at June 30,		
	2008	2009	2010
Age			
0 to 90 days.....	21,470	29,666	67,912
91 to 180 days.....	1,248	99	628
181 days to 360 days.....	998	—	—

Since June 30, 2008, we observed overall improved trends in the aging of our trade payables as our business increased in size and we were able to contract with suppliers who required earlier settlement of our trade payables but sold supplies to us at a more favorable price.

FINANCIAL INFORMATION

The following table sets forth our trade and bills payables turnover days for the Track Record Period:

	As at June 30,		
	2008	2009	2010
Trade payables turnover days (Note)	46.7	42.0	31.0

Note: Trade payables turnover days is equal to average trade and bills payables divided by total purchase of raw materials for the relevant year and multiplied by 366 days.

In general our trade and bills payables turnover days have been decreasing throughout the Track Record Period because our suppliers demanded earlier settlement for our trade payables due to our seeking to contract with suppliers who give us lower prices in exchange for our earlier settlement of trade payables.

Up to July 31, 2010, the subsequent settlement of our payables as at June 30, 2010 was RMB60.5 million of the balance as at June 30, 2010.

Other payables

The following table sets forth a breakdown of our other payables and accrued charges:

(in thousands of RMB)	As at June 30,		
	2008	2009	2010
Payables on acquisition of property, plant and equipment	67,772	2,590	930
Salaries and staff welfare payables	1,242	1,485	3,576
Amounts due to staff	1,026	—	189
Receipt in advance from customers	583	—	3,855
Government grants	3,000	—	3,100
VAT payables	8,275	1,082	11,843
Accrued expenses	6,565	5,437	37,436
Other tax payables	—	463	1,754
Others	534	239	1,039

The fluctuations in our other payables during the Track Record Period were mainly attributable to the changes in our property, plant and equipment payables. Our property, plant and equipment payables decreased from RMB67.8 million as at June 30, 2008 to RMB2.6 million as at June 30, 2009 due to our settlement for the cost of our production capacity expansion from 15MW to 45MW. Our accrued expenses increased from RMB5.4 million as at June 30, 2009 to RMB37.4 million as at June 30, 2010 primarily due to expenses incurred in relation to the Global Offering.

Amounts due to related parties

The outstanding amount due to related parties amounted to RMB8.2 million, RMB5.8 million and nil as at June 30, 2008, 2009 and 2010, respectively. Outstanding amount due to related parties as at June 30, 2008, 2009 and 2010 represented advances made by related parties to our Group, which were non-trade related, unsecured, interest-free and repayable on demand, and expected to be fully settled before the Listing. As at July 31, 2010, we do not have any amount due to related parties.

FINANCIAL INFORMATION

Amount due to a director

The outstanding amount due to a director amounted to RMB54.6 million, RMB41.4 million and RMB40.1 million as at June 30, 2008, 2009 and 2010, respectively. Outstanding amount due to a director as at June 30, 2008, 2009 and 2010 represented an amount due to Mr. Li, which was non-trade related, unsecured, interest-free and expected to be fully settled before the Listing. As at July 31, 2010, the amounts due to any director were RMB40.1 million.

Amounts due to shareholders

The outstanding amount due to shareholders amounted to RMB8.1 million, RMB2.2 million and nil as at June 30, 2008, 2009 and 2010, respectively. Outstanding amount due to shareholders as at June 30, 2008, 2009 and 2010 represented amounts due to Mr. Lau Kam Sze and Ms. Liu Lai Ting, which were unsecured, non-trade related, interest-free, repayable on demand, and have been fully repaid.

Loan from a shareholder

Please refer to the paragraph headed "Working Capital and Indebtedness" in this section and to the paragraph headed "Independence from our Controlling Shareholders — Financial Independence" in the section headed "Relationship with Controlling Shareholders" for more information about our loan from a shareholder.

COMMITMENTS

Our future contractual obligations relate to acquisition of property, plant and equipment and lease contracts for factory land and buildings.

We had the following commitments of lease obligations and capital expenditure which were not provided for in our consolidated financial statements:

(in thousands of RMB)	As at June 30,		
	2008	2009	2010
Lease obligations:			
within one year	801	1,521	2,128
in the second to fifth years inclusive	59	970	5,205
Capital expenditures in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	179,155	49,315	69,659

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

As at July 31, 2010, we did not have significant contingent liabilities.

FINANCIAL INFORMATION

MAJOR FINANCIAL RATIOS

The following table sets forth the major financial ratios as at the respective dates:

	As at June 30,		
	2008	2009	2010
Return on equity ratio ⁽¹⁾	65.7%	(53.6%)	48.4%
Gearing ratio ⁽²⁾	69.4%	88.3%	34.3%
Current ratio ⁽³⁾	0.24	0.27	1.49

Notes:

- (1) Profit and total comprehensive income for the period divided by total shareholders' equity at the end of the period times 100%.
- (2) Short term and long term interest bearing debt at the end of the period divided by the sum of total debt at the end of the period and total shareholders' equity at the end of the period times 100%.
- (3) Current assets at the end of the period divided by current liability at the end of the period.

Return on equity ratio

As at June 30, 2008, 2009 and 2010, our return on equity ratio was approximately 65.7%, (53.6%) and 48.4%, respectively. As at June 30, 2009, the return on equity ratio decreased to (53.6%) from 65.7% as at June 30, 2008 because we recorded a loss and total comprehensive loss for the year. As at June 30, 2010, the return on equity ratio increased to 48.4%, mainly due to an increase in the profit and total comprehensive income we recorded for the year.

Gearing ratio

As at June 30, 2008 and 2009 and 2010, our gearing ratio was approximately 69.4%, 88.3% and 34.3%, respectively. Historically, our financing needs were primarily supported by related party loans and by the private placement of our Series A Preferred Shares which was classified as current liabilities and fully redeemed in April 2010. Our gearing ratio improved after April 2010 when we issued Series B shares which are convertible into equity. We expect our gearing ratio will further improve after this offering. The Series A Preferred Shares of RMB452.2 million accounted for 57.4% of our total debt. The gearing ratio as at June 30, 2008 was 69.4% primarily due to a loan from related party. As at June 30, 2009, the gearing ratio increased to 88.3%, primarily due to the private placement of our Series A Preferred Shares. As at June 30, 2010, the gearing ratio decreased to 34.3%, mainly due to a significant increase in equity as a result of an increase in revenue and the redemption of convertible redeemable preferred shares.

Current ratio

As at June 30, 2008, 2009 and 2010, our current ratio was approximately 0.24, 0.27 and 1.49, respectively. The current ratio increased from 0.24 as at June 30, 2008 to 0.27 as at June 30, 2009 primarily due to increases in our trade receivables, restricted bank deposits, bank balances and cash and inventories, offset by the issuance of our Series A Preferred Shares. As at June 30, 2010, the current ratio significantly increased to 1.49, mainly due to the redemption of our Series A Preferred Shares and increases in our inventories, trade receivables, bank balances and cash and other receivables and prepayments.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

A substantial portion of our sales is currently denominated in Renminbi, with the remainder in U.S. dollars, while a substantial portion of our costs and expenses is denominated in Renminbi, with the remainder in U.S. dollars. A substantial portion of our short-term and long-term borrowings is denominated in Renminbi. Under relevant PRC regulations, our PRC subsidiary is required to convert the foreign currencies it receives into Renminbi within specified time periods and prior to disbursement.

Fluctuations in currency exchange rates could have a significant effect on our financial stability due to a mismatch among various foreign currency-denominated assets and liabilities. Fluctuations in exchange rates, particularly among the U.S. dollar and Renminbi, affect our net profit margins and would result in foreign currency exchange gains and losses on our foreign currency denominated assets and liabilities. Our exposure to foreign exchange risk primarily relates to foreign currency exchange gains or losses resulting from timing differences between the signing of sales contracts or raw material supply contracts and the receipt of payment and the settlement or disbursement relating to these contracts. We may experience additional foreign exchange losses in the future to the extent we hold the proceeds of this offering in Hong Kong dollars.

We use the Renminbi as the reporting currency for our consolidated financial statements. Our Company's functional currency is the Renminbi and the functional currency of our subsidiaries is the Renminbi or Hong Kong Dollar. All of our subsidiaries' transactions in currencies other than the Renminbi and Hong Kong dollar during the year are recorded at the exchange rates prevailing on the relevant dates of such transactions. Monetary assets and liabilities of our subsidiaries existing at the balance sheet date denominated in currencies other than the Renminbi are re-measured at the exchange rates prevailing on such date. Exchange differences are recorded in our consolidated statements of operations. Fluctuations in exchange rates may also affect our consolidated financial statements and operations. For example, to the extent that we need to convert Hong Kong dollars received in this offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the amount of Renminbi that we receive from the conversion. Conversely, if we decide to convert Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amounts available to us.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

For the years ended June 30, 2008 and 2010, a positive number below indicates an increase in profit before tax where RMB strengthens 5% against the relevant foreign currencies. For the year ended June 30, 2009, a positive number below indicates a decrease in loss before tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit (loss) before tax for the year.

(in thousands of RMB)	Year ended June 30,		
	2008	2009	2010
USD impact	(44)	18,820	7,988
Hong Kong dollars impact.....	2,185	1,237	1,060

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We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure in foreign exchange risk.

Interest rate risk

Our exposure to interest rate risk primarily relates to interest expenses incurred by our short-term and long-term bank borrowings, as well as interest income generated by excess cash invested in demand deposits and liquid investments with original maturities of three months or less. Such interest-earning instruments carry a degree of interest rate risk. Our future interest expense may increase due to changes in market interest rates. We have not used, and do not expect to use in the future, any derivative financial instruments to hedge our interest risk exposure.

RELATED PARTY TRANSACTIONS

We borrowed US\$30.0 million from our major shareholder, Lakes Invest, on October 14, 2009 under a shareholder loan agreement dated October 2, 2009. Lakes Invest funded the shareholder loan using all the proceeds it received from ICBC International Finance Ltd. under the ICBC loan, which was drawn down in full on October 14, 2009. Each of the ICBC loan and the shareholder loan bears an annual interest rate of 3.5%, payable quarterly. The ICBC loan had a term of six months, which may be extended to one year if this offering had not occurred within the initial term, and may be further extended to 30 days after the completion of this offering if this offering was completed within the 30 day period prior to the first anniversary of the loan. The loan had to be repaid in full within 30 days after an initial public offering. The term of the shareholder loan was the same as the term of the ICBC loan. Under the shareholder loan agreement, we were obligated to repay in full the outstanding amount owed to ICBC International Finance Ltd. by Lakes Invest on behalf of Lakes Invest within a 30-day period after the completion of this offering using a portion of the net proceeds we would have received from the offering. This repayment would discharge our obligations under the shareholder loan.

In connection with the funding of the ICBC loan, Lakes Invest pledged 15% of our ordinary shares Lakes Invest owns, and we pledged 13.25% of the issued share capital of Trony HK, our HK subsidiary, to ICBC International Finance Ltd.. Our pledge of the shares of Trony HK to ICBC International Finance Ltd. was subordinated to the pledge over the same shares of Trony HK we granted to the Series A Shareholders. In addition, Lakes Invest granted ICBC Overseas, an affiliate of ICBC International Finance Ltd., a warrant to purchase certain of our ordinary shares Lakes Invest beneficially owns at a discount to our initial public offering price. On May 26, 2010, pursuant to the restructuring of the ICBC loan as set forth in the next paragraph, 7.5% of the 15% of our ordinary shares pledged by Lakes Invest, and 6.625% of the 13.25% of Trony HK's shares pledged by us were released. The warrant that Lakes Invest had granted to ICBC Overseas was also cancelled on May 26, 2010.

On May 26, 2010, US\$15.0 million of the US\$30.0 million ICBC loan was cancelled in exchange for a transfer of 4,411,765 of our ordinary shares from Sky Sense to ICBC Strategic Investment Ltd., an affiliate of ICBC International Finance Ltd. The ICBC loan agreement was amended to provide for a maturity date of March 31, 2012, and references to Series A investors were replaced by references to Series B investors in that agreement. The shareholder loan agreement between our Company and Lakes Invest was also amended on May 26, 2010 to provide for a maturity date of March 31, 2012, although the amount of our shareholder loan remained at US\$30.0 million. We intend to repay our shareholder loan of US\$30 million from Lakes Invest in full with part of the net proceeds of this offering. Please refer to the paragraph headed "Independence from our Controlling Shareholders — Financial Independence" in the section headed "Relationship with Controlling Shareholders" for more information about this loan.

FINANCIAL INFORMATION

With respect to the related parties transactions set out in note 38 to the accountants' report included in Appendix I to this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favorable to our Group than terms available from Independent Third Parties which are fair and reasonable and in the interest of our Shareholders as a whole.

PROFIT FORECAST FOR THE SIX MONTHS ENDING DECEMBER 31, 2010

On the bases and assumptions set out in "Profit Forecast" in Appendix III to this prospectus and, in the absence of unforeseen circumstances, certain profit forecast data of the Group for the six months ending December 31, 2010 is set out below:

For the six months ending December 31, 2010

Unaudited forecast consolidated profit attributable to owners of the Company ⁽¹⁾	Not less than RMB258.7 million (equivalent to approximately HK\$299.1 million)
Unaudited pro forma forecast basic earnings per Share ⁽²⁾	Not less than RMB0.17 (equivalent to approximately HK\$0.20)
Unaudited pro forma forecast diluted earnings per Share ⁽³⁾	Not less than RMB0.17 (equivalent to approximately HK\$0.20)

Notes:

- (1) The unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 is extracted from the section headed "Financial Information — Profit Forecast for the six months ending December 31, 2010" in this prospectus. The bases and assumptions on which the above profit forecast for the six months ending December 31, 2010 have been prepared are summarised in the section headed "Profit Forecast" in Appendix III to the prospectus.
- (2) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 and a total of 1,521,500,000 Shares in issue, assuming the following events had been completed on July 1, 2010:
 - i. the conversion of the Series B Preferred Shares into Shares;
 - ii. the Global Offering;
 - iii. the Capitalisation Issue (without taking into account of Capitalisation Issue in respect of Shares issued under the Pre-IPO Equity Incentive Plan).It further assumed that there are 1,386,697 shares to be issued and vested on the first pricing date of the Global Offering under the Pre-IPO Equity Incentive Plan but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and exercise of options or unvested remaining restricted shares under the Pre-IPO Equity Incentive Plan.
- (3) The calculation of the unaudited pro forma forecast diluted earnings per Share is based on the unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 and a total of 1,521,500,000 Shares in issue, assuming the following events had been completed on July 1, 2010:
 - i. the conversion of the Series B Preferred Shares into Shares;
 - ii. the Global Offering;
 - iii. the Capitalization Issue (without taking into account of Capitalization Issue in respect of Shares issued under the Pre-IPO Equity Incentive Plan).It further assumed that there are 1,386,697 shares to be issued and vested on the first pricing date of the Global Offering under the Pre-IPO Equity Incentive Plan and there is an effect of 3,511,624 diluted potential shares arising from the outstanding options and restricted shares granted under the Pre-IPO Equity Incentive Plan but taking no account of any Share which may be issued upon the exercise of the Over-allotment Option. The calculation of diluted potential shares has considered the exercise price, unrecognised share-based compensation and assuming that the average market price during the period equals to the mid-point of the indicative Offer Price range shown in this prospectus.
- (4) For the purpose of this unaudited pro forma forecast earning per Share, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8649 to HK\$1 as of September 16, 2010. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

We have undertaken to the Stock Exchange that our interim report for the six months ending December 31, 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

FINANCIAL INFORMATION

DIVIDEND POLICY

Since our incorporation, we have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion on whether to pay dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, shareholders' interests and other factors that our board of directors may deem relevant.

We are a holding company incorporated in the Cayman Islands. Our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiary in China. In particular, our PRC subsidiary may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiary in the PRC, our PRC subsidiary is required to set aside a certain amount of its accumulated after-tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us.

Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or a lower treaty rate of 5% for Hong Kong registered holding company) is applicable to interest and dividends payable to investors that are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. If we are deemed to be a PRC "resident enterprise", dividends distributed from our PRC subsidiary to our Hong Kong company and ultimately to our Cayman Islands company, could be exempt from PRC dividend withholding tax, and dividends from the Cayman Islands company to the ultimate shareholders would be subject to PRC withholding tax at 10% or a lower treaty rate.

Under the EIT Law and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiary from January 1, 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respects of temporary differences attributable to accumulated profits of the PRC subsidiary reported in accordance with local accounting principles amounting to RMB58.7 million, RMB279.6 million and RMB602.9 million at June 30, 2008, 2009 and 2010, respectively, as we are able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

DISTRIBUTABLE RESERVES AND ACCUMULATED PROFITS

As at June 30, 2010, we had no reserves available for distribution to the Shareholders of our company, however, the accumulated profits of our Group amounted to approximately RMB534.6 million. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

FINANCIAL INFORMATION

PROPERTY INTEREST AND PROPERTY VALUATION

American Appraisal China Limited, an independent property valuer, has valued our property interest as at July 31, 2010 and is of the opinion that there is no commercial value to our property interests. For the property interests held and occupied by the Group, we have attributed no commercial value to the property as the land use rights where the properties were erected on cannot be freely transferable in the market pursuant to Real Estate Title Certificate Shen Fang Di Zi Nos. 6000313464 and 6000215912 issued by the Land Resources and Real Estate Administration Bureau of Shenzhen City - Longgang Branch, unless with the approval from relevant authorities. For the property interests rented by the Group, they are also considered having no commercial value either because their non-assignability in the market or because there are prohibitions against subletting and/or assignment contained in the respective leases and/or tenancy agreement or the lack of substantial profit rent. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus.

So far as the Directors are aware, the value of our properties has not been impaired by such restriction.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of us since June 30, 2010 and there is no event since June 30, 2010 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Company and its subsidiaries (collectively the "Group"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2010 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group as of June 30, 2010 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets value per Share	
	(Note 1) RMB'000	(Note 2) RMB'000	RMB'000	(Note 3) RMB	(Note 6) HK\$
Based on an Offer Price of HK\$3.10 per Offer share	1,032,352	881,542	1,913,894	1.26	1.45
Based on an Offer Price of HK\$4.50 per Offer share	1,032,352	1,286,756	2,319,108	1.52	1.76

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2010 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2010 of RMB1,032.4 million.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on an indicative Offer Prices of HK\$3.10 (equivalent to RMB2.68) and HK\$4.50 (equivalent to RMB3.89) per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options or restricted shares granted under the Pre-IPO Equity Incentive Plan. For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.8649 to HK\$1 as of September 16, 2010. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 1,521,500,000 Shares were in issue assuming the following events had been completed on June 30, 2010:
- i. the conversion of the Series B Preferred Shares into Shares;
 - ii. the Global Offering;
 - iii. the Capitalisation Issue (without taking into account of Capitalisation Issue in respect of Shares issued under the Pre-IPO Equity Incentive Plan).
- It takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options or restricted shares granted under the Pre-IPO Equity Incentive Plan.
- (4) As of July 31, 2010, the Group's property interests were revalued by American Appraisal China Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. Since the Land use rights granted by the Land Resources and Real Estate Administration Bureau of Shenzhen City pursuant to the grant contract Shen Di He Zi (2005) No. 5019 and (2006) No. 5007 dated August 10, 2005 and April 10, 2006, respectively, cannot be freely transferable unless with the approval from relevant authorities. American Appraisal China Limited has concluded that there is no commercial value to the properties erected thereon. So far as the Directors are aware, the value of the properties erected thereon has not been impaired by such restriction. For the purpose of this unaudited pro forma statement of adjusted net tangible assets of the Group, those properties are stated at the net book value of approximately RMB58.5 million as at June 30, 2010.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2010.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB 0.8649 to HK\$1 as of September 16, 2010. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our business that may have a material adverse effect on our financial position and results of operations in the 12 month period prior to the Latest Practicable Date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$1,244.5 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$3.80 per Share, being the mid-point of the proposed Offer Price range of HK\$3.10 to HK\$4.50 per Share. We intend to use such net proceeds as follows:

- Approximately HK\$468 million or 37.6% to expand our manufacturing capacity by installing a second 60MW line that is expected to be completed in June 2011;
- Approximately HK\$468 million or 37.6% to expand our manufacturing capacity by installing a third 60 MW line that is expected to be completed in December 2011; and
- Approximately HK\$234 million or 18.8% to fully repay our shareholder loan from Lakes Invest, of which the outstanding amount as at June 30, 2010 was US\$30 million.

The remaining net proceeds of HK\$74.5 million or 6.0% will be used towards our working capital and other general corporate purposes.

The new manufacturing lines are capable of manufacturing all categories of PV modules that we currently produce. The estimated capital expenditure for the second and third 60 MW lines that are expected to be completed in June 2011 and December 2011, respectively is US\$60.0 million each.

The interest rate of our shareholder loan is 3.5% per annum. The shareholder loan matures on March 31, 2012. The use of the shareholder loan was to finance our first 60 MW manufacturing line that we expect to commence production in the fourth calendar quarter of 2010.

The foregoing use of our net proceeds from the Global Offering represents our current intentions based upon our present plans and business condition. The amounts and timing of any expenditure will vary depending on the amount of cash generated by our operations, competitive developments and the rate of growth, if any, of our business. Accordingly, our management will have significant discretion in the allocation of the net proceeds we will receive from the Global Offering. Depending on future events and other changes in the business climate, we may determine at a later time to use the net proceeds for different purposes. Pending their use, we intend to place our net proceeds in short-term bank deposits.

In utilizing the proceeds from the Global Offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our consolidated PRC entities only through loans or capital contributions and to other entities only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our consolidated PRC entities or make additional capital contributions to our consolidated PRC entities to fund their capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See “Risk factors — Risks related to doing business in China — PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC operating subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$234.3 million, respectively. If the Offer Price is set at the high-end of the proposed offer price range, we intend to apply such additional net proceeds for further manufacturing capacity expansion and general working capital purposes but in any event the amount assigned for general working capital would not be more than 10% of the net proceeds. If the Offer Price is set at the low-end of the proposed offer price range, the amount of net proceeds assigned for our manufacturing capacity expansion purposes will be reduced accordingly on a pro rata basis and we intend to finance the shortfall by cash flow from operating activities and financing activities.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$1,457.3 million, assuming an Offer Price of HK\$3.80 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$273.5 million, respectively. We intend to apply the additional net proceeds to our further manufacturing capacity expansion and general working capital purposes but in any event the amount assigned for general working capital would not be more than 10% of the net proceeds.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

We estimate the net proceeds of the Global Offering to be received by the Selling Shareholders will be approximately HK\$147.4 million (assuming the same mid-point of the proposed Offer Price), after deducting the underwriting fees and expenses payable by the Selling Shareholders in the Global Offering, assuming no Over-allotment Option is exercised. We will not receive any of the net proceeds of the Global Offering from the sale of the Shares by the Selling Shareholders.

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UNDERWRITERS

Hong Kong Underwriters:

J.P. Morgan Asia Pacific
ICBCI Securities
CLSA
Mizuho Securities Asia Limited
First Shanghai Securities Limited
CMB International Capital Limited
Guotai Junan Securities (Hong Kong) Limited
China Merchants Securities (HK) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on, and subject to, the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), the Capitalization Issue, the Pre-IPO Equity Incentive Plan and the Share Option Scheme and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and we agreeing the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The Joint Bookrunners (on behalf of themselves and the Hong Kong Underwriters) may in their absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice to the Company at any time at or prior to 8:00 a.m. on the date on which dealings in the Shares first commence on the Stock Exchange if:

- (a) there develops, occurs, exists or comes into force:
 - (i) any event or series of events resulting in or representing a calamity or crisis or a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets and inter-bank markets) or currency exchange rate or controls in or affecting Hong Kong, the PRC, the United States, Japan, Singapore, Canada, the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group, (collectively the "Relevant Jurisdictions");

UNDERWRITING

- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), epidemic, pandemic, outbreak of infectious disease (including without limitation SARS, H5N1 or H1N1 or swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation or economic sanctions) in or affecting any of the Relevant Jurisdictions; or
- (iv) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition or declaration of (A) any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the Tokyo Stock Exchange or the London Stock Exchange or (B) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or
- (vi) any tax law or other change or development involving a change or prospective change in taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or foreign investment regulations having an adverse effect, or prospective adverse effect, on the Hong Kong Public Offer and/or the Global Offering, the Company or the Shares (or the transfer of any Shares) or an investment in the Shares; or
- (vii) the commencement by any governmental authority or other regulatory or political body or organization of any public action or investigation against a Director or an announcement by any governmental authority or regulatory or political body or organization that it intends to take any such action; or
- (viii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (ix) save as disclosed in the Prospectus, a contravention by any member of the Group of the Listing Rules or any applicable laws or regulations in the PRC or Hong Kong in any material respect; or
- (x) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xi) any change or development or event involving a prospective change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

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- (xii) save as disclosed in the prospectus, a demand by any tax authority for payment for any tax liability for any member of the Group; or
- (xiii) that (A) any Director or chief financial officer of the Company named in the Prospectus seeks to resign or retire, or is removed from office, (B) any certificate given by the Company or the any Selling Shareholder or any of its respective officers to any of the Joint Global Coordinators or Joint Bookrunners under or in connection with this agreement or the Global Offering is false or misleading in any material respect or (C) any Director or any member of senior management as named in the Prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or (D) a regulatory, governmental or administrative authority (including any stock exchange) or a political body or organization in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiv) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xv) any litigation or claim being threatened or instigated against any member of the Group or the Warrantors; or
- (xvi) a demand by any creditor for repayment or payment of any indebtednesses of the Group or in respect of which any member of the Group is liable prior to its stated maturity,

and which, in any such case and in the sole opinion of the Joint Bookrunners (on behalf of themselves and the Hong Kong Underwriters):

- (A) is or will or may be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Group as a whole; or
 - (B) has or will or may have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged; or
 - (C) makes, will or may make it impracticable, inadvisable or inexpedient to proceed with any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offer and/or the Global Offering or the delivery of Shares on date of the Closing; or
- (b) any of the following shall have come to the notice of any of the Joint Global Coordinators, the Joint Bookrunners or the Hong Kong Underwriters after the date of the Prospectus, and the Application Forms, or the Agreement:
- (i) that any statement contained in any of the Web Proof Information Pack, or WPIP, the formal notice required to be published under Chapter 12 of the Listing Rules or Formal Notice, the Prospectus, and the Application Forms, or the Hong Kong Public Offer Documents, international offering circular, International Offer Documents, or other relevant documents was or has become untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in the prospectus is not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

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- (ii) any matter which would, if the Formal Notice, the Hong Kong Public Offer Documents or International Offer Documents or other relevant documents and/or any notices or announcements issued or used by or on behalf of the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or
- (iii) it becomes necessary for the Company to issue a supplemental prospectus; or
- (iv) that any of the representations and warranties given by the Company and the Controlling Shareholders, or the Warranties is (or would if repeated at that time be) untrue or breached; or
- (v) any matter, event, act or omission which gives or is likely to give rise to any liability on the part of the Company or the Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the Warranties and/or the indemnities given by the Company, the Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or
- (vi) any breach of any of the obligations of any party (other than the Joint Global Coordinators, Joint Bookrunners or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement or any other relevant documents; or
- (vii) that any profit forecast or estimate which appears in any of the Hong Kong Public Offer Documents, the International Offer Documents or other documents relating to the Global Offering is or becomes incapable of being met or, in the opinion of the Joint Bookrunners, unlikely to be met; or
- (viii) the commencement by any judicial, regulatory, governmental or political body or organization of any action, claim or proceedings against a director of the Company or an announcement by any judicial, regulatory, governmental or political body or organization that it intends to take any such action; or
- (ix) a prohibition on the Company for whatever reason from allotting or selling the Offer Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (x) the Company withdraws the prospectus and/or the Application Forms; or
- (xi) approval by the listing committee for the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld.

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Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing) without the prior consent of the Stock Exchange, except:

- (a) in the circumstances prescribed by Rule 10.08 of the Listing Rules; or
- (b) pursuant to the Global Offering and the Over-allotment Option; or
- (c) any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

By Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that he or she shall not and shall procure that the relevant register holder shall not, without the prior written consent of the Stock Exchange:

- (a) at any time during the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of us in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) at any time during the six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our controlling shareholder.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and us that, it will, within the period commencing on the Latest Practicable Date and ending on the date which is 12 months after the Listing Date, immediately inform us of:

- (a) any pledges or charges of any of the Shares or securities of our Company beneficially owned by it in favour of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

UNDERWRITING

- (b) any indication received by it, either verbal or written, from any pledgee or chargee of any of the Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of a press notice which is published in the newspapers as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings to the Underwriters

By us

We have undertaken with each of the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that, and the Controlling Parties undertake to procure that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Pre-IPO Equity Incentive Plan and any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, we will not, unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the six months from the date on which dealings in the shares first commence on the Stock Exchange (the "First Dealing Date") and whether conditionally or unconditionally:

- (a) allot, issue, offer, sell, contract to sell, hedge, grant any option or right to subscribe for or purchase or create any interests or encumbrance in respect of, transfer or otherwise dispose of, directly or indirectly, any Shares or any securities exchangeable or convertible into Shares or which carry rights to subscribe for or purchase Shares; or
- (b) deposit Shares with a depository in connection with the issue of depository receipts; or
- (c) enter into a transaction (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any Shares or has an effect on the market in the Shares similar to that of a sale; or
- (d) offer or agree or announce any intention to do any of the foregoing.

By the Controlling Shareholders

Each of the Controlling Shareholders has, jointly and severally, undertaken with the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters and the Company that at any time during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the expiry of the period of the six months from the First Dealing Date:

- (a) all interests of any of the Controlling Parties in Shares or other securities of the Company are fully and accurately disclosed in the Prospectus, and such interests are and will be unchanged on and as of the First Dealing Date;
- (b) it has no present intention of disposing of any Shares which may be beneficially owned or controlled by it on completion of the Global Offering, or any interest therein; and
- (c) except pursuant to the Stock Borrowing Agreement in the case of Sky Sense only, without the prior written consent of the Joint Bookrunners (on behalf of themselves and the Hong Kong Underwriters), it shall not (and it shall procure that none of its subsidiaries shall) whether conditionally or unconditionally:
 - (i) dispose of (A) any Shares or any direct or indirect interest therein (including, without limitation, by granting or creating any option, mortgage, pledge, charge or other security interest or encumbrance) or (B) any securities convertible into or exercisable or exchangeable for any Shares; or

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- (ii) enter into any swap or other derivative transaction or other arrangement that transfers, in whole or in part, any economic consequence of ownership of any Shares or any securities convertible into or exercisable or exchangeable for any Shares; or
 - (iii) dispose of any direct or indirect interest in any company or entity holding any Shares or any securities convertible into or exercisable or exchangeable for any Shares; or
 - (iv) offer or agree to do any of the foregoing or announce any intention to do so; and
- (d) in the event of such a disposal of any Shares or any interest therein within the further period of six months following the expiry of the six month period referred to in (c) above, it will not cease to be a controlling shareholder of the Company within the meaning of the Listing Rules and will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market.

Additionally, during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), the Controlling Shareholders will not enter into any of the foregoing transactions in (a), (b) or (c) above or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders will cease to be our controlling shareholder.

Commission and expenses

The Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price of all the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offer, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, if any, the International Underwriters will be paid an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters, but not the Hong Kong Underwriters.

We and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Underwriters' interests in our Company

Save for ICBCI's interest in the Series B Preferred Shares and their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe to or to nominate persons to subscribe to securities in our Company or any of our subsidiaries.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offer of 38,500,000 Shares (subject to re-allocation and adjustment as mentioned below) in Hong Kong as described below under “— The Hong Kong Public Offer”; and
- the International Placing of 346,500,000 Shares (subject to re-allocation, adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong), in offshore transaction in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

The Sponsor is J.P. Morgan Asia Pacific; the Joint Global Coordinators of the Global Offering are J.P. Morgan Asia Pacific, ICBCI and CLSA; the Joint Bookrunners of the Global Offering are J.P. Morgan Asia Pacific in respect of the Hong Kong Public Offering, J.P. Morgan in respect of the International Placing, ICBCI and CLSA; and the Joint Lead Managers of the Global Offering are J.P. Morgan Asia Pacific in respect of the Hong Kong Public Offering, J.P. Morgan in respect of the International Placing, ICBCI Securities and CLSA.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing respectively may be subject to reallocation as described in “— Pricing and Allocation”.

Reference in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around September 30, 2010.

The Offer Price will be not more than HK\$4.50 per Offer Share and is expected to be not less than HK\$3.10 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters and with our consent) considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer on September 29, 2010, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offer and/or the indicative offer price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Applicants under the Hong Kong Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range.

The Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators, effected in accordance with the "book-building" process and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of us and our shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The net proceeds from the issue of new Shares are estimated to be approximately HK\$1,244.5 million. The estimated net proceeds from the issue of new Shares are calculated assuming an Offer Price of HK\$3.80 per Share (being the midpoint of the stated offer price range of HK\$3.10 to HK\$4.50 per Share) and after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering assuming that the Over-allotment Option is not exercised.

The applicable Offer Price, level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Wednesday, October 6, 2010 through a variety of channels as described in the manner set out in "How to Apply for Hong Kong Offer Shares — Publication of Results".

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offer will be conditional on:

- (a) the granting by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any Shares which may be sold pursuant to the exercise of the Over-allotment Option);
- (b) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (c) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on October 24, 2010.

If for any reason, the Offer Price is not agreed before October 5, 2010 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a Notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

THE HONG KONG PUBLIC OFFER

We are initially offering 38,500,000 new Shares at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offer will represent approximately 10% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Offer Shares through the Hong Kong Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Shares in the International Placing.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offer.

The Offer Price will be not more than HK\$4.50 and is expected to be not less than HK\$3.10. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum offer price of HK\$4.50 per Share plus 1.0% brokerage, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee. If the

STRUCTURE OF THE GLOBAL OFFERING

Offer Price, as finally determined on the Price Determination Date, is lower than HK\$4.50, being the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares”.

For allocation purposes only, the 38,500,000 Shares initially being offered for subscription under the Hong Kong Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offer and the International Placing) will be divided equally into two pools: Pool A comprising 19,250,000 Hong Kong Offer Shares and Pool B comprising 19,250,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy, and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy, and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 38,500,000 Shares initially comprised in the Hong Kong Public Offer (that is, 19,250,000 Hong Kong Offer Shares) are liable to be rejected.

The allocation of Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offer, the total number of Shares available under the Hong Kong Public Offer will be increased to 115,500,000, 154,000,000 and 192,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

THE INTERNATIONAL PLACING

The number of Shares to be initially offered for subscription or sale under the International Placing will consist of 306,500,000 new Shares to be offered by us and 40,000,000 sale shares to be offered by the Selling Shareholders, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. The International Placing is subject to the Hong Kong Public Offer being unconditional.

STRUCTURE OF THE GLOBAL OFFERING

Pursuant to the International Placing, the International Underwriters will conditionally place our Shares with QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters within 30 days from the last day for the lodging of applications under the Hong Kong Public Offer. An announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require the allotment and issue by the Company of an aggregate of 57,750,000 additional Shares representing in aggregate 15% of the initial Offer Shares, at the Offer Price. See “— Over-allotment and Stabilization”.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, J.P. Morgan Securities Ltd., as stabilizing manager (the “**Stabilizing Manager**”), or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be sold under the Over-allotment Option, namely, 57,750,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

STRUCTURE OF THE GLOBAL OFFERING

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing action in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate the Shares; or
 - (2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (A) above;
 - (C) sell or agree to sell any of the Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
 - (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

J.P. Morgan Securities Ltd., its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Joint Global Coordinators, their affiliates or any person acting for them, which may include a decline in the market price of the Shares.

Stabilisation cannot be used to support the price of the Shares for longer than the stabilisation period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the earlier of the thirtieth day after the last day for lodging of application under the Hong Kong Public Offer or the commencement of trading of the Shares. The stabilising period is expected to end on October 29, 2010, after which an announcement will be made pursuant to section 9 and schedule 3 of the Securities and Futures (Price Stabilisation) Rules made under the SFO. After this date, no further stabilizing action may be taken, demand for the Shares, and therefore then market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilizing period. Stabilizing bids for or market purchases of our Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by purchasers.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 7, 2010, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Thursday, October 7, 2010.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about September 30, 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting".

CORNERSTONE INVESTMENTS

HONG KONG SINCERE INVESTMENT LIMITED

On September 14, 2010, our Company and the Joint Global Coordinators entered into a cornerstone investment agreement with Hong Kong Sincere Investment Limited, or Sincere. Pursuant to the cornerstone investment agreement, Sincere has agreed to subscribe for such maximum number of our Shares as may be purchased with US\$15 million at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), rounded down to the nearest board lot of our Shares. Assuming an Offer Price of HK\$3.80, being the mid-point of the indicative Offer Price range set forth in this prospectus, Sincere would subscribe for approximately 30,789,000 Shares, representing approximately 2.02% of the Shares issued and outstanding immediately after completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and not taking into account any Shares which may be issued upon exercise of the options to be granted under the Pre-IPO Equity Incentive Plan and the Share Option Scheme).

Sincere is a company incorporated in Hong Kong and a wholly owned subsidiary of New Huadu Industrial Group Co., Ltd., or New Huadu, of China. New Huadu is one of the main shareholders of Zijin Mining Group Company Limited (Stock code: 02899) and Tsingtao Brewery Company Limited (Stock Code: 00168). Mr. Chen Fashu is the chairman of New Huadu. Sincere and its ultimate beneficial owners are Independent Third Parties.

CHINA HUADIAN CAPITAL HOLDINGS LTD.

On September 19, 2010, our Company and the Joint Global Coordinators entered into a cornerstone investment agreement with China Huadian Capital Holdings Ltd.* (中國華電集團資本控股有限公司), or Huadian, and together with Sincere, the Cornerstone Investors. Pursuant to the cornerstone investment agreement, Huadian has agreed to subscribe for such maximum number of our Shares may be purchased with US\$15 million at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), rounded down to the nearest board lot of our Shares. Assuming an Offer Price of HK\$3.80, being the mid-point of the indicative Offer Price range set forth in this prospectus, Huadian would subscribe for approximately 30,789,000 Shares, representing approximately 2.02% of the Shares issued and outstanding immediately after completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and not taking into account any Shares which may be issued upon exercise of the options to be granted under the Pre-IPO Equity Incentive Plan and the Share Option Scheme).

Huadian, a company established in the PRC, is a wholly-owned subsidiary of China Huadian Group Corporation* (中國華電集團), or China Huadian Group. China Huadian Group is a state-owned enterprise approved by the State Council. China Huadian Group and its subsidiaries are primarily engaged in businesses in relation to electrical power, and are also engaged in coal, finance and construction businesses. China Huadian Group is a major shareholder in several listed companies, including Huadian Power International Co., Ltd.* (華電國際電力股份有限公司), Huadian Energy Co., Ltd.* (華電能源股份有限公司), State Power Nanjing Automation Co., Ltd.* (國電南京自動化股份有限公司), Guizhou Qianyuan Power Co., Ltd.* (貴州黔源電力股份有限公司) and Shenyang Jinshan Energy Stock Corporation* (瀋陽金山能源股份有限公司). Huadian and its ultimate beneficial owner are Independent Third Parties.

THE CORNERSTONE INVESTMENTS

Pursuant to the two cornerstone investor agreements, the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares equal to an aggregate amount of US\$30 million, or the Cornerstone Investments. Assuming a mid-point of the indicative offer price range of HK\$3.80, the high end of the indicative offer price range of HK\$4.50 and the low end of the indicative offer price range of HK\$3.10, the total number of Offer Shares subscribed by the Cornerstone Investors would be approximately 61,578,000 Offer Shares, 52,000,000 Offer Shares and 75,482,000 Offer Shares, respectively, representing approximately

CORNERSTONE INVESTMENTS

4.03%, 3.41% and 4.94%, respectively, of the Shares issued and outstanding immediately after completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and not taking into account any Shares which may be issued upon exercise of the options to be granted under the Pre-IPO Equity Incentive Plan and the Share Option Scheme).

The Cornerstone Investments form part of the International Placing. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering, other than pursuant to their respective cornerstone investment agreement. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have representation on the Board, nor will any of them become a substantial shareholder of our Company. The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described under the paragraph headed "Hong Kong Public Offer" in the section headed "Structure of the Global Offering" in this prospectus.

CONDITIONS PRECEDENT

The Cornerstone Investments are conditional upon (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) and not having been terminated and (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and that such approval or permission has not been revoked, by no later than December 31, 2010.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company and the Joint Global Coordinators, it will not whether directly or indirectly, at any time during the period of six months following the Listing Date, or the Lock-up-Period, dispose of any the Shares acquired by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements and other securities of the Company which are derived therefrom, or the Relevant Shares, or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares.

Each Cornerstone Investor has further agreed that, after the Lock-up Period, it will be free to dispose of any of the Relevant Shares on the Stock Exchange, provided that (a) it shall first notify and consult our Company and the Joint Global Coordinators in writing prior to the disposal of any of the Relevant Shares, (b) it will use all reasonable endeavors to ensure that any such disposal does not create a disorderly or false market in the Shares and is in compliance with the Listing Rules, the Companies Ordinance and the SFO; and (c) it may not knowingly dispose of any of the Relevant Shares to another entity whose business competes or is likely to compete with that of our Company, or to another entity which is a holding company, subsidiary or fellow subsidiary of that entity.

The above restrictions will not apply to transfers of all or part of the Relevant Shares from a Cornerstone Investor to any wholly-owned subsidiary of such Cornerstone Investor.

Each Cornerstone Investor has further agreed that, save with the prior written consent of our Company and the Joint Global Coordinators, the aggregate holding (direct and indirect) of such Cornerstone Investor and its associates in the total issued share capital of our Company will at all times be less than 10% of our Company's issued share capital.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;
- applying online through the designated website of the **White Form eIPO** Service Provider (www.eipo.com.hk), referred to herein as the “**White Form eIPO Service**”; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** Service or by giving **electronic application instructions** to HKSCC. Please see the paragraph headed “How Many Applications You May Make” in this section below.

2. WHICH APPLICATION CHANNEL YOU SHOULD USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) **White Form eIPO**

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** if you want the Hong Kong Offer Shares to be registered in your own name.

(c) **YELLOW Application Forms**

Use a **YELLOW** Application form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) **Instruct HKSCC to make an electronic application on your behalf**

Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

3. WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, September 24, 2010 until 12:00 noon on Wednesday, September 29, 2010 from:

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House
8 Connaught Road Central
Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

ICBC International Securities Limited

Level 18, Three Pacific Place
1 Queen's Road East
Hong Kong

CLSA Limited

18/F., One Pacific Place
88 Queensway
Hong Kong

Mizuho Securities Asia Limited

12th Floor, Chater House
8 Connaught Road Central
Hong Kong

First Shanghai Securities Limited

19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

CMB International Capital Limited

Room 1803-4, 18/F,
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited

48/F One Exchange Square, Central
Hong Kong

or any of the following branches of **Industrial and Commercial Bank of China (Asia) Limited**:

Branch Name	Branch Address
Hong Kong Island... Central Branch	1/F., 9 Queen's Road Central
Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre
Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardine's Bazaar, Causeway Bay
Quarry Bay Branch	G/F, 1036-1040 King's Road, Quarry Bay

HOW TO APPLY FOR HONG KONG OFFER SHARES

	Branch Name	Branch Address
Kowloon.....	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Yaumatei Branch	542 Nathan Road, Yaumatei
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
	Wong Tai Sin Branch	Shop 128, Level One, Wong Tai Sin Plaza, 103 Ching Tak Street, Wong Tai Sin
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F., Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories.....	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O
	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung
	Tsuen Wan Castle Peak Road Branch	G/F., 423-427 Castle Peak Road, Tsuen Wan

or any of the following branches of **Bank of China (Hong Kong) Limited**:

	Branch Name	Branch Address
Hong Kong Island...	Bank of China Tower Branch	3/F, 1 Garden Road
	Connaught Road Central Branch	13-14 Connaught Road Central
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
Kowloon.....	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
New Territories.....	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Yuen Long

- (b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on September 24, 2010 until 12:00 noon on September 29, 2010 from:
- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (c) Your broker may have **YELLOW** Application Forms and this prospectus available.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. WHEN TO APPLY FOR HONG KONG OFFER SHARES

(a) **WHITE or YELLOW Application Forms**

Completed **WHITE** or **YELLOW** Application Forms, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on September 29, 2010, or, if the Application Lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Friday, September 24, 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, September 25, 2010 — 9:00 a.m. to 1:00 p.m.
Monday, September 27, 2010 — 9:00 a.m. to 5:00 p.m.
Tuesday, September 28, 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, September 29, 2010 — 9:00 a.m. to 12:00 noon

(b) **White Form eIPO**

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Friday, September 24, 2010 until 11:30 a.m. on Wednesday, September 29, 2010 or such later time as described under the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, September 29, 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon.

(c) **Electronic applications instructions to HKSCC**

CCASS Clearing Participants and CCASS Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Friday, September 24, 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, September 25, 2010 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, September 27, 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, September 28, 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, September 29, 2010 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to such changes as HKSCC may determine from time to time with prior notification to CCASS Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, September 24, 2010 until 12:00 noon on Wednesday, September 29, 2010 (24 hours daily, except the last application date).

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your electronic application instructions via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, September 29, 2010 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

(d) **Application lists**

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, September 29, 2010, except as provided in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below. No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made until after the closing of the Application Lists.

(e) **Effect of bad weather conditions on the opening of the application lists**

The application Lists will be opened between 11:45 a.m. and 12:00 noon on Wednesday, September 29, 2010 subject to weather conditions. The application lists will not be open in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 29, 2010 or if there are similar extraneous factors as are acceptable to the Stock Exchange. Instead, they will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

5. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Hong Kong Offer Shares you want to purchase. You must pay on the basis of the maximum Offer Price of HK\$4.50 per Hong Kong Offer Share, plus brokerage fee of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK\$4,545.37. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 19,250,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 1,000 Shares. Application for more than 1,000 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.
- (d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "ICBC (ASIA) NOMINEE LIMITED — TRONY SOLAR PUBLIC OFFER"; and
- be crossed "Account Payee Only".

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to "ICBC (ASIA) NOMINEE LIMITED — TRONY SOLAR PUBLIC OFFER"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

- (f) If you are applying for Shares using a **WHITE** or **YELLOW** Application Form, you should lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in sub-paragraphs 3(a) and 4(a) above.
- (g) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed "How Many Applications You May Make" in this section below.
- (h) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- If you are applying as an individual CCASS Investor Participant:
 - you must fill in your full name and your Hong Kong Identity Card number; and
 - you must insert your CCASS Participant I.D. in the appropriate box.

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- If you are applying as a joint individual CCASS Investor Participant:
 - you must insert all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a corporate CCASS Investor Participant:
 - you must insert your company name and your company's Hong Kong business registration number; and
 - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company's name) in the appropriate box.

Incorrect or incomplete details of the CCASS Participant or the omission of CCASS Participant I.D. or other similar matters may render the application invalid.

- (i) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

6. HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not strictly follow the instructions your application may be rejected.

If the Offer Price as finally determined is less than HK\$4.50 per Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful or partially successful applications, without interest. Details of the procedure for refunds are set out below in the paragraph headed "Refund of Application Monies".

7. HOW TO APPLY THROUGH WHITE FORM eIPO

- (a) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

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- (f) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the section headed “How to Apply for Hong Kong Offer Shares — When to Apply for the Hong Kong Offer Shares — White Form eIPO.”
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, September 29, 2010, or such later time as described under the section headed “When to Apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists” the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**
- (h) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (i) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor and Joint Lead Managers take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “Trony Solar Holdings Company Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph headed “How Many Applications You Can Make” in this section below.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

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If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.
- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Hong Kong Securities Clearing Company Limited
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares.
- (d) You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your Broker or Custodian to our Company and the Hong Kong Share Registrar.
- (e) You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:
- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
 - (ii) HKSCC Nominees does the following things on behalf of each of such persons:
 - **agrees** that the shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf;

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- **undertakes** and **agrees** to accept the shares in respect of which that person has given electronic application instructions or any lesser number;
- **undertakes** and **confirms** that that person has not applied for or taken up any offer shares under the placing nor otherwise participated in the placing;
- (if the electronic application instructions are given for that person's own benefit) **declares** that only one set of electronic application instructions has been given for that person's benefit;
- (if that person is an agent for another person) **declares** that it has given only one set of electronic application instructions for the benefit of that other person, and that it is duly authorized to give those instructions as that other person's agent;
- **understands** that the above declaration will be relied upon by the Company in deciding whether or not to make any allotment of shares in respect of the electronic application instructions given by that person and that person may be prosecuted if that person makes a false declaration;
- **authorizes** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the shares allotted in respect of that person's electronic application instructions and to send share certificates and/ or refund monies in accordance with arrangements separately agreed between the Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's electronic application instructions or instructing that person's broker/ custodian to give electronic application instructions on that person's behalf;
- **agrees** that the Company, the Underwriters and any other parties involved in the share offer are liable only for the information and representations contained in this prospectus;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;
- **agrees** to disclose that person's personal data to the Company and its agents and any information which they require about that person;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before Sunday, October 24, 2010, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any public offer shares to any person before Sunday, October 24, 2010 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

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- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instructions can be revoked and that acceptance of that application will be evidenced by the press announcement on results of the public offer published by the Company;
 - **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to public offer shares.
- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.
- (h) For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

Warning

Application for Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Joint Lead Managers and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) **submit the WHITE or YELLOW Application Form (as appropriate); or**
- (b) **go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, September 29, 2010 or such later time as described under the sub-paragraph headed "Effect of bad weather conditions on the opening of the Application Lists" above.**

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to do the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- **instruct** and **authorize** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for public offer shares on your behalf;

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- **instruct** and **authorize** HKSCC to arrange payment of the issue price, brokerage, transaction levy and trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications, refund of the application money by crediting your designated bank account;
- **instruct** and **authorize** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the white application form.

Refund of your money

All refunds of your application monies (including brokerage, transaction levy and trading fee) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday October 6, 2010.

Personal Data

The section of the application form headed "Personal Data" applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

9. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

(a) You may make more than one application for Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

- (b) If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.
- (c) If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and

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completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

- (d) If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered any such application is liable to be rejected.
- (e) It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service; or
 - (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.
- (f) Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;
 - both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic applications instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;
 - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service for more than 19,250,000 Shares, being 50% of the Share initially being offered for public subscription under the Hong Kong Public Offer, as more particularly described in the section headed "Structure of the Global Offering — The Hong Kong Public Offer" in this prospectus; or
 - have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Placing.

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- (g) **All** of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on your **electronic application instructions**). If an application is made by an unlisted company and
- the principal business of that company is dealing in securities; and
 - you exercise statutory control over that company, then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

10. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

(a) **If your application is revoked**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf cannot be revoked before Sunday, October 24, 2010. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Sunday, October 24, 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may be revoked before Sunday, October 24, 2010 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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(b) **Full discretion of our Company, the Sponsor, the Joint Global Coordinators or the designated White Form eIPO Service Provider or its or their respective agent and nominees to reject or accept your application:**

Our Company, the Sponsor and the Joint Global Coordinators (as agents for our Company) or the designated **White Form eIPO** Service Provider, or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, in their capacity as our agents, and their agents and nominees do not have to give any reason for any rejection or acceptance.

(c) **If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply using a **YELLOW** Application Form) will be void if the listing committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the listing committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) **You will not receive any allocation if:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offering. By filling in any of the Application Forms or apply by giving **electronic application instructions**, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the instructions stated in the Application Form (if you apply by an Application Form);
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Offering, but may not do both.

11. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$4.50 per Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full. This means that for one board lot of 1,000 Shares you will pay HK\$4,545.37. The Application Forms have tables showing the exact amount payable for certain numbers of Shares up to 19,250,000 Shares.

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You must pay the amount payable upon application for the Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

12. PUBLICATION OF RESULTS

Our Company expects to publish the announcement on the level of applications in the Hong Kong Public Offer, the level of indications of interest in the Placing, the basis of allotment of the Hong Kong Offer Shares and the Offer Price in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, October 6, 2010. Results of allocation in the Hong Kong Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of Hong Kong Offer Shares successfully applied for under **WHITE Application Forms**, or **YELLOW Application Forms** or by giving **electronic application instructions** to HKSCC via CCASS and the White Form eIPO Service Provider will be made available at the times and dates and in the manner specified below:

- results of allocation will be available from the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.trony.com;
- results of allocations will be available from the Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, October 6, 2010 to Saturday, October 9, 2010;
- results of allocation will be available from the Hong Kong Public Offer website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. Wednesday, October 6, 2010 to 12:00 midnight on Tuesday, October 12, 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, October 6, 2010 to Friday, October 8, 2010 at all the receiving bank branches and sub-branches and the Hong Kong Underwriters at the addresses set out in the paragraph headed "Where to Collect the Application Forms" above.

13. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) for applicants on **WHITE** and **YELLOW** Application Forms or by **White Form eIPO** service, (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest.
- (c) for applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be dispatched to the application payment account.
- (d) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address as specified on the **White Form eIPO** application by ordinary post and at the applicant's own risk.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and Share certificates for successful applicants under the **WHITE** Application Form or to the **White Form eIPO** Service Provider via the **White Form eIPO** service are expected to be posted on or about Wednesday, October 6, 2010. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s).

(a) **If you apply using a WHITE Application Form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 6, 2010. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be dispatched to the address on your Application Form on or about Wednesday, October 6, 2010 by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, October 6, 2010, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner stated in the section headed "How to Apply for Hong Kong Offer Shares — Result of Allocations" on Wednesday, October 6, 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 6, 2010 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account. If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Wednesday, October 6, 2010, by ordinary post and at your own risk.

(c) If you apply through White Form eIPO service:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 6, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch of e-Refund payment instructions/refund cheque(s)/share certificate(s). If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares but have not indicated on your application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Wednesday, October 6, 2010 by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to your application payment account on Wednesday, October 6, 2010.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Wednesday, October 6, 2010, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in this section headed "14. Refund of Application Monies" of this prospectus.

(d) If you apply by giving electronic application instructions to HKSCC via CCASS:

If your application is wholly or partly successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf, on Wednesday October 6, 2010 or under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.

If you apply by giving electronic application instructions to HKSCC via CCASS, our Company will publish the level of applications and the basis of allotment of the Hong Kong Public Offer in the manner stated in the section headed "How to Apply for Hong Kong Offer Shares — Result of Allocations" on Wednesday, October 6, 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 6, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, October 6, 2010. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

14. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, our Company will refund your application monies, including a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies before the date of despatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, our Company will refund the appropriate portion of your application monies, including the related a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Offer Price as finally determined is less than the offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund the surplus application monies, together with the related a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company, the Sponsor and the Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Wednesday, October 6, 2010 in accordance with the various arrangements as described above.

15. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, October 7, 2010.

The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 2468.

16. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC may choose. Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of our Group, Deloitte Touche Tohmatsu.

Deloitte.

德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

September 24, 2010

The Directors
Trony Solar Holdings Company Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Trony Solar Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended June 30, 2010 (the "Relevant Periods") for inclusion in the prospectus of the Company, dated September 24, 2010 in connection with the initial public offering ("IPO") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on June 23, 2006 as an exempted company with limited liability under the Company Law of the Cayman Islands. The Company is an investment holding company and has not carried on any other business since its incorporation. Pursuant to a group reorganisation ("the Reorganisation"), as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix VI to the prospectus, the Company became the holding company of the Group on November 17, 2006.

Throughout the Relevant Periods and at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company	Principal activities
				%	
Trony Solar Holdings (Hong Kong) Limited ("Trony HK") 創益太陽能控股(香港)有限公司	Hong Kong	August 3, 2006	Hong Kong dollars ("HK\$") 100	100	Investment holding
Shenzhen Trony Science and Technology Development Co., Ltd. ("Trony Science") (Note a) 深圳市創益科技發展有限公司	The People's Republic of China (the "PRC")	July 1, 1997	Renminbi ("RMB") 228,791,059 (Note b)	100	Development, manufacture and sales of solar products

Notes:

- (a) The company was established in the PRC in the form of wholly foreign-owned enterprise.
- (b) Pursuant to the Certificate of Approval issued by Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality, total registered capital was increased to RMB240 million as at June 30, 2010.

The financial year-end date of the Company and Trony HK is June 30 while the financial year-end date of Trony Science is December 31. No audited financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement. For the purpose of this report, we have reviewed all the relevant transactions of the Company since its date of incorporation to the date of this report and carried out procedures as we considered necessary for the inclusion in the Financial Information relating to the Company. The statutory financial statements of Trony HK for the years ended June 30, 2008 and 2009, which were prepared in accordance with accounting principles generally accepted in Hong Kong, were audited by Y. L. Law and Company.

The statutory financial statements of Trony Science which were prepared in accordance with relevant accounting principles and regulations applicable to enterprises established in the PRC, were audited by 深圳敬業會計師事務所 Shenzhen Jingye Certified Public Accountants* for the year ended December 31, 2007 and 深圳聯傑會計師事務所 Shenzhen Lianjie Certified Public Accountants* for the years ended December 31, 2008 and 2009, firms of certified public accountants registered in the PRC.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with the accounting policies in compliance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Information, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at June 30, 2008, 2009 and 2010, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

* The English name is for identification purpose only.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended June 30,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Revenue	9	272,817	541,462	1,351,230
Cost of sales		(150,333)	(311,457)	(778,230)
Gross profit		122,484	230,005	573,000
Other income	10	3,142	4,139	3,768
Selling and distribution expenses		(2,901)	(3,891)	(5,321)
Administration expenses		(15,030)	(21,025)	(36,872)
Offering expenses		—	—	(34,737)
Other gains and losses		1,792	(19)	353
Research and development expenses		(3,084)	(5,535)	(11,297)
Change in fair value of convertible redeemable preferred shares		—	(213,335)	109,773
Finance costs	11	—	(9,177)	(19,449)
Profit (loss) before tax	12	106,403	(18,838)	579,218
Income tax expense	14	(17,475)	(37,201)	(79,792)
Profit (loss) and total comprehensive income (loss) for the year		<u>88,928</u>	<u>(56,039)</u>	<u>499,426</u>
Earnings (loss) per share				
- Basic	16	<u>RMB0.09</u>	<u>RMB(0.06)</u>	<u>RMB0.48</u>
- Diluted	16	<u>N/A</u>	<u>RMB(0.06)</u>	<u>RMB0.36</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At June 30,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment.....	17	259,362	811,819	982,364
Prepaid lease payments.....	18	6,595	6,452	6,309
Deferred tax assets.....	20	1,444	2,647	4,567
Deposits for purchase of property, plant and equipment..	17	324,493	22,118	434,447
Restricted bank deposits.....	24	—	—	33,747
		<u>591,894</u>	<u>843,036</u>	<u>1,461,434</u>
Current assets				
Inventories.....	21	13,058	27,951	28,236
Trade receivables.....	22	28,178	70,511	183,432
Other receivables and prepayments.....	22	3,494	1,705	14,570
Prepaid lease payments.....	18	142	143	143
Amounts due from directors.....	38(a)	60	34	34
Amounts due from related parties.....	38(e)	666	4,133	132
Restricted bank deposits.....	24	—	35,019	1,288
Bank balances and cash.....	24	4,364	20,962	91,438
		<u>49,962</u>	<u>160,458</u>	<u>319,273</u>
Current liabilities				
Trade and other payables.....	25	112,713	41,061	132,262
Tax payable.....		14,544	12,749	28,649
Amount due to a director.....	38(b)	54,590	41,397	40,074
Amounts due to related parties.....	38(e)	8,207	5,784	—
Amounts due to shareholders.....	38(f)	8,076	2,246	—
Bank borrowings — due within one year.....	26	7,250	42,200	13,388
Convertible redeemable preferred shares.....	27	—	452,166	—
		<u>205,380</u>	<u>597,603</u>	<u>214,373</u>
Net current (liabilities) assets.....		<u>(155,418)</u>	<u>(437,145)</u>	<u>104,900</u>
Total assets less current liabilities.....		436,476	405,891	1,566,334

	Notes	At June 30,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current liabilities				
Loan from a related party.....	38(c)	266,818	262,475	277,038
Loan from a shareholder	38(d)	—	—	196,892
Bank borrowings — due more than one year.....	26	32,750	30,250	52,050
Warranty provision	28	1,534	2,574	3,302
Government grants	29	—	5,980	4,700
		<u>301,102</u>	<u>301,279</u>	<u>533,982</u>
		<u>135,374</u>	<u>104,612</u>	<u>1,032,352</u>
Capital and reserves				
Share capital	30	8	8	8
Convertible preferred shares.....	31	—	—	405,128
Reserves.....		<u>135,366</u>	<u>104,604</u>	<u>627,216</u>
		<u>135,374</u>	<u>104,612</u>	<u>1,032,352</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	At June 30,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current assets				
Investment in a subsidiary	19	—	25,505	60,035
Amounts due from subsidiaries	23	—	204,218	431,744
		—	229,723	491,779
Current assets				
Other receivables and prepayments	22	—	684	9,030
Bank balances and cash	24	—	5,897	1,651
		—	6,581	10,681
Current liabilities				
Other payables and accruals	25	4,473	2,051	31,500
Amount due to a director	38(b)	25	25	284
Convertible redeemable preferred shares	27	—	452,166	—
		4,498	454,242	31,784
Net current liabilities		(4,498)	(447,661)	(21,103)
Total assets less current liabilities		(4,498)	(217,938)	470,676
Non-current liability				
Loan from a shareholder	38(d)	—	—	196,892
		(4,498)	(217,938)	273,784
Capital and reserves				
Share capital	30	8	8	8
Convertible preferred shares	31	—	—	405,128
Reserves	32	(4,506)	(217,946)	(131,352)
		(4,498)	(217,938)	273,784

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Convertible preferred share	Statutory surplus reserve	Capital reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000
At July 1, 2007	8	—	220	—	3,543	3,771
Profit and total comprehensive income for the year	—	—	—	—	88,928	88,928
Transfer of statutory surplus reserve	—	—	1,273	—	(1,273)	—
Deemed contribution on interest-free loan from a related party (note 38)	—	—	—	42,675	—	42,675
At June 30, 2008	8	—	1,493	42,675	91,198	135,374
Loss and total comprehensive loss for the year	—	—	—	—	(56,039)	(56,039)
Deemed contribution on interest-free loan from a related party (note 38)	—	—	—	25,277	—	25,277
At June 30, 2009	8	—	1,493	67,952	35,159	104,612
Profit and total comprehensive income for the year	—	—	—	—	499,426	499,426
Issuance of convertible preferred shares.....	—	405,128	—	—	—	405,128
Deemed contribution in relation to loan from a shareholder (note 38)	—	—	—	23,186	—	23,186
At June 30, 2010	<u>8</u>	<u>405,128</u>	<u>1,493</u>	<u>91,138</u>	<u>534,585</u>	<u>1,032,352</u>

Note:

The statutory surplus reserve is non-distributable and the transfer to the reserve is determined by a resolution passed by the board of directors of Trony Science in accordance with its Articles of Association. Statutory surplus reserve can be used to make up for previous years' losses or converted into additional capital of Trony Science.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit (loss) before tax	106,403	(18,838)	579,218
Adjustments for:			
Depreciation of property, plant and equipment	15,101	26,766	65,558
Release of prepaid lease payments	143	142	143
Loss on disposal of property, plant and equipment	—	—	411
Interest income	(85)	(430)	(1,279)
Change in fair value of convertible redeemable preferred shares	—	213,335	(109,773)
Finance costs	—	9,177	19,449
Unrealised foreign exchange (gain) loss	(3,162)	417	(2,399)
Operating cashflows before movements in working capital	118,400	230,569	551,328
Increase in inventories	(3,875)	(14,893)	(285)
Increase in trade receivables	(17,212)	(42,333)	(112,921)
(Increase) decrease in other receivables and prepayments	(1,822)	1,789	(8,912)
(Increase) decrease in amounts due from directors	(20)	26	287
Decrease (increase) in amounts due from related parties	7,339	(3,467)	4,001
Increase in trade and other payables, warranty provision and government grants	100,016	1,089	86,970
Cash generated from operations	202,826	172,780	520,468
Income taxes paid	(4,057)	(40,199)	(65,812)
NET CASH FROM OPERATING ACTIVITIES	198,769	132,581	454,656

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Increase in restricted bank deposits	—	(35,019)	(16)
Payment for acquisition of property, plant and equipment.....	(561,704)	(321,942)	(634,804)
Proceeds on disposal of property, plant and equipment.....	—	—	227
Interest received.....	85	430	1,279
Repayments of advances to independent third parties	21,151	—	—
NET CASH USED IN INVESTING ACTIVITIES	(540,468)	(356,531)	(633,314)
FINANCING ACTIVITIES			
Advances from related parties	1,303	—	—
Repayments of advances from related parties	(12,220)	(2,423)	(5,784)
Advances from a director.....	15,150	5,270	1,438
Repayments of advances from a director.....	(13,017)	(18,515)	(2,741)
Advances from shareholders.....	8,572	16,104	—
Repayments of advances from shareholders.....	—	(21,943)	(2,246)
Loan from a related party	305,000	—	—
Loan from a shareholder	—	—	205,083
Proceeds from issuance of convertible redeemable preferred shares ...	—	237,646	68,337
Expenses in connection with the issuance of convertible redeemable preferred shares	—	(5,132)	—
Redemption of convertible redeemable preferred shares.....	—	—	(765)
Expense in connection with the issuance of convertible preferred shares	—	—	(377)
New borrowings raised.....	40,000	108,700	35,188
Repayment of borrowings	—	(76,250)	(42,200)
Interest paid.....	(3,002)	(3,738)	(5,399)
NET CASH FROM FINANCING ACTIVITIES	341,786	239,719	250,534
NET INCREASE IN CASH AND CASH EQUIVALENTS	87	15,769	71,876
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,979	4,364	20,962
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(702)	829	(1,400)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	4,364	20,962	91,438

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company is a private limited company incorporated in the Cayman Islands. The address of the registered office is Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands, and the address of the principal place of business is Units 2112-2116, Great China International Exchange Square, No. 1 Fuhua Road, Futian District, Shenzhen 518048, Guangdong Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of the Group are development, manufacture and sale of solar products.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. GROUP REORGANISATION

Trony HK, a company formerly wholly owned by Mr. Li Yi ("Mr. Li"), the principal shareholder, acquired from Mr. Li his 100% beneficial interest in Trony Science for consideration of RMB20 million pursuant to an agreement dated September 6, 2006 and supplemented on November 3, 2006. The amount payable to Mr. Li resulting from this transaction was recorded as a deemed distribution.

On June 23, 2006, the Company was incorporated as a shell company. On November 17, 2006, the share of the Company was transferred to and held by Lakes Invest Limited ("Lakes Invest"), a company beneficially owned by Mr. Li. On the same day, shares of Trony HK were exchanged, on a two for one basis, for share of the Company. As a result, Trony HK became wholly owned subsidiary of the Company and there was no change in control or ownership interest as a result of this transaction.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB issued a number of new International Accounting Standard ("IAS"), IFRSs, amendments and interpretations (hereinafter collectively referred to as "new IFRS") which are effective for the Group's financial period beginning on July 1, 2009. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted all these new IFRS and other existing IFRS consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective during the Relevant Periods.

Notes		
IFRSs (Amendments)	(i)	Improvement to IFRSs May 2010
IFRSs (Amendments)	(ii)	Improvements to IFRSs April 2009
IAS 24 (Revised)	(vi)	Related Party Transactions
IAS 32 (Amendment)	(iv)	Classification of Rights Issues
IFRS 1 (Amendment)	(iii)	Additional Exemptions for First-time Adopters
IFRS 1 (Amendment)	(v)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 2 (Amendment)	(iii)	Group Cash-settled Share-based Payment Transactions
IFRS 9	(vii)	Financial Instruments
IFRIC 14	(vi)	Prepayments of a Minimum Funding Requirement
IFRIC 19	(v)	Extinguishing Financial Liabilities with Equity Instruments

- (i) Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate
- (ii) Amendments that are effective for annual periods beginning on or after January 1, 2010
- (iii) Effective for annual periods beginning on or after January 1, 2010
- (iv) Effective for annual periods beginning on or after February 1, 2010
- (v) Effective for annual periods beginning on or after July 1, 2010
- (vi) Effective for annual periods beginning on or after January 1, 2011
- (vii) Effective for annual periods beginning on or after January 1, 2013

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS issued by the IASB. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions and balances are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress and equipment under installation) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress and equipment under installation, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings.....	Over the shorter of lease terms or 5%
Plant and machinery.....	6.67% to 10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles.....	10%

Construction in progress includes property in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Equipment under installation represents equipments received by the Group but this is subject to installation and testing. Equipment is not depreciated until it is ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Prepaid lease payments

The prepaid rentals of land use rights are stated at cost and charged to the profit or loss on a straight-line basis over the period of the lease term. Cost represents consideration paid for the right to use the land on which various plant and buildings are situated for a definite period.

Leasing

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency on the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit or loss for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the issue of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from directors, amounts due from related parties, amounts due from subsidiaries, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 120 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit and loss ("FVTPL") and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability classified at FVTPL, of which the interest expense is included in change in fair value of financial liabilities designated at FVTPL.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise convertible redeemable preferred shares.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a director, amounts due to related parties, amounts due to shareholders, loan from a shareholder, bank borrowings and loan from a related party are subsequently measured at amortised cost, using the effective interest method.

Convertible redeemable preferred shares

Convertible redeemable preferred shares are redeemable and convertible to ordinary shares at the option of the holder. The conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are considered as embedded derivatives not closely related to the host contract.

The Group has elected to designate its convertible redeemable preferred shares with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible redeemable preferred shares contain one or more embedded derivatives. At the end of each reporting period subsequent to initial recognition, the entire convertible redeemable preferred shares are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash inflows from the outstanding trade receivables. The amount of impairment loss is measured on the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at June 30, 2008, 2009 and 2010, the carrying amounts of trade receivables of the Group are approximately RMB28 million, RMB71 million and RMB183 million, respectively. No allowance for doubtful debts was recognised during the Relevant Periods.

Useful lives and impairment assessment of property, plant, and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assess impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. As at June 30, 2008, 2009 and 2010, the carrying amounts of property, plant and equipment are approximately RMB259 million, RMB812 million and RMB982 million, respectively.

Estimated provision for warranty

The Group's solar modules and products are typically sold with up to a one-year guarantee for defects in materials and workmanship. For selected customers, the Group provides warranties with extended periods of 5 to 25 years. Due to limited warranty claims to date, the Group's management estimate the costs of warranties based on assessment of the competitors' accrual history, taking into consideration the intended applications and specifications of the competitors' products as compared to the Group's product and the periods of the warranties offered by the competitors. Such comparability analysis forms part of the basis for belief that the accrual history of competitors provides a reasonable reference for estimation of warranty costs. To the extent that accrual warranty costs differ from the estimates, the Group will prospectively revise the accrual rate for such costs. Accrued warranty costs related to the warranties of approximately RMB1.5 million, RMB2.6 million and RMB3.3 million were provided as at June 30, 2008, 2009 and 2010, respectively.

Fair value of convertible redeemable preferred shares

For the convertible redeemable preferred shares, no quoted prices in an active market exist. The fair value of the convertible redeemable preferred shares is established by using valuation techniques. These techniques include discounted cash flow analysis and option pricing models. Valuation techniques are certified by independent and recognised international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the convertible redeemable preferred shares. The fair value of the convertible redeemable preferred shares as at June 30, 2009 is approximately RMB452 million.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 26, convertible redeemable preferred shares disclosed in note 27, loan from a shareholder and a related party disclosed in note 38, cash and cash equivalents, and equity comprising issued capital, convertible preferred shares disclosed in note 31 and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure mainly through new share issues, as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP			THE COMPANY		
	At June 30,			At June 30,		
	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Loans and receivables (including cash and cash equivalents)	33,268	130,659	310,071	—	210,115	433,395
Financial liabilities						
Amortised cost.....	471,981	418,894	655,470	25	25	197,365
Designated as FVTPL						
Convertible redeemable preferred shares	—	452,166	—	—	452,166	—

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade receivables, other receivables, amounts due from (to) directors, amounts due from (to) related parties, amounts due from subsidiaries, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to shareholders, loan from a related party, loan from a shareholder, bank borrowings and convertible redeemable preferred shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, restricted bank deposits, trade receivables, amounts due from related parties, trade and other payables, convertible redeemable preferred shares, amount due to a director and loan from a shareholder of the Group and the Company are denominated in foreign currencies, which expose the Group and the Company to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting periods are as follows:

	THE GROUP			THE COMPANY		
	At June 30,			At June 30,		
	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
United States Dollars ("USD").....	878	79,621	49,875	—	210,107	433,276
Hong Kong Dollars ("HKD").....	593	1,248	2,631	—	8	120

	THE GROUP			THE COMPANY		
	At June 30,			At June 30,		
	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
USD.....	—	456,027	209,633	—	452,166	196,892
HKD.....	44,296	25,989	23,829	25	25	284

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

For the years ended June 30, 2008 and 2010, a positive number below indicates an increase in profit before tax where RMB strengthens 5% against the relevant foreign currencies. For the year ended June 30, 2009, a positive number below indicates a decrease in loss before tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit (loss) before tax for the year.

	THE GROUP			THE COMPANY		
	At June 30,			At June 30,		
	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD						
- if RMB strengthens against USD	(44)	18,820	7,988	—	12,103	(11,819)
- if RMB weaken against USD.....	44	(18,820)	(7,988)	—	(12,103)	11,819
HKD						
- if RMB strengthens against HKD	2,185	1,237	1,060	1	1	8
- if RMB weaken against HKD	(2,185)	(1,237)	(1,060)	(1)	(1)	(8)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from a shareholder (note 38). The Group aims at keeping borrowing at variable rates and the Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (note 26) and bank balances.

It is the Group's policy to keeps its borrowings at floating rate of interests so as to minimise the cash flow interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of benchmark interest rate of People's Bank of China arising from the bank borrowings.

As the bank balances interest rates having limited fluctuation over the year, management of the Company are of the opinion that the Group's and the Company's exposure to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented on bank balances.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of each reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rates.

For the years ended June 30, 2008 and 2010, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by approximately RMB200,000 and RMB327,000, respectively. For the year ended June 30, 2009, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax would increase/decrease by approximately RMB362,000. This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

Credit risk

As at the end of each reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and the Company's statements of financial position.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

The Group has concentration of credit risk as 91%, 53% and 35% of the total trade receivables was due from the Group's five largest customers at June 30, 2008, 2009 and 2010, respectively.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilisation of borrowings, and renews the borrowings upon expiry based on the actual operation requirement of the Group.

The Group relies on bank borrowings, loan from a related party, convertible preferred shares and loan from a shareholder as a significant source of liquidity. As at June 30, 2010, the Group has bank borrowings of approximately RMB65,438,000 and details of which are set out in note 26. In addition, the Group borrowed RMB305 million from a related party in April 2008 (note 38), issued convertible preferred shares to independent investors in April 2010 (note 31) and borrowed a principal of US\$30 million (equivalent to approximately RMB205 million) from a shareholder in October 2009 (note 38).

The Group's current liabilities exceeded its current assets by approximately RMB155 million and RMB437 million as at June 30, 2008 and 2009, respectively. In addition, the Company is also in net current liabilities position amounting to approximately RMB5 million, RMB448 million and RMB21 million as at June 30, 2008, 2009 and 2010, respectively. In order to improve the Group's financial position/liquidity, the Company issued 17,650,000 preferred shares for a total consideration of US\$60.01 million (equivalent to approximately RMB410 million) ("Series B Preferred Shares") to independent investors in April 2010 (note 31) and used the proceeds for redemption of convertible redeemable preferred shares ("Series A Preferred Shares"). Further, the Group has entered into an agreement with Lakes Invest in April 2010 to extend the maturity date of a loan from a shareholder of approximately US\$30 million (equivalent to approximately RMB204 million) to March 2012 (note 38). The directors of the Company are satisfied that the Group and the Company will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the preferred shares, extension of repayment period of a loan from a shareholder and internally generated funds. Accordingly, the Financial Information has been prepared on a going concern basis.

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

THE GROUP

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2008								
Non-derivative financial liabilities								
Trade and other payables.....	—	—	94,290	—	—	—	94,290	94,290
Amount due to a director	—	54,590	—	—	—	—	54,590	54,590
Amounts due to related parties	—	8,207	—	—	—	—	8,207	8,207
Amounts due to shareholders	—	8,076	—	—	—	—	8,076	8,076
Loan from a related party	7.56%	—	—	—	305,000	—	305,000	266,818
Borrowings - variable rates.....	8.28%	—	1,825	8,524	12,525	24,680	47,554	40,000
		<u>70,873</u>	<u>96,115</u>	<u>8,524</u>	<u>317,525</u>	<u>24,680</u>	<u>517,717</u>	<u>471,981</u>

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2009								
Non-derivative financial liabilities								
Trade and other payables.....	—	—	34,542	—	—	—	34,542	34,542
Amount due to a director	—	41,397	—	—	—	—	41,397	41,397
Amounts due to related parties.....	—	5,784	—	—	—	—	5,784	5,784
Amounts due to shareholders	—	2,246	—	—	—	—	2,246	2,246
Loan from a related party	5.40%	—	—	—	—	305,000	305,000	262,475
Borrowings - variable rates.....	5.15%	—	3,120	41,840	11,673	21,234	77,867	72,450
		<u>49,427</u>	<u>37,662</u>	<u>41,840</u>	<u>11,673</u>	<u>326,234</u>	<u>466,836</u>	<u>418,894</u>
FVTPL								
Convertible redeemable preferred shares.....	20%	—	—	285,161	—	—	285,161	452,166

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2010								
Non-derivative financial liabilities								
Trade and other payables.....	—	—	76,028	—	—	—	76,028	76,028
Amount due to a director	—	40,074	—	—	—	—	40,074	40,074
Loan from a shareholder.....	5.54%	—	—	—	215,976	—	215,976	196,892
Loan from a related party	5.40%	—	—	—	305,000	—	305,000	277,038
Borrowings - variable rates.....	5.15%	—	3,434	13,323	12,929	44,842	74,528	65,438
		<u>40,074</u>	<u>79,462</u>	<u>13,323</u>	<u>533,905</u>	<u>44,842</u>	<u>711,606</u>	<u>655,470</u>

THE COMPANY

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2008								
Non-derivative financial liabilities								
Amount due to a director								
	—	25	—	—	—	—	25	25

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2009								
Non-derivative financial liabilities								
Amount due to a director								
	—	25	—	—	—	—	25	25
FVTPL								
Convertible redeemable preferred shares								
	20%	—	—	285,161	—	—	285,161	452,166

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2010								
Non-derivative financial liabilities								
Other payables								
	—	—	189	—	—	—	189	189
Amount due to a director								
	—	284	—	—	—	—	284	284
Loan from a shareholder								
	5.54%	—	—	—	215,976	—	215,976	196,892
		284	189	—	215,976	—	216,449	197,365

c. Fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Fair value measurement recognised in the statement of financial position

The measurement of Series A Preferred Shares is categorised as Level 3 fair value measurements based on the degree to which the fair value is observable. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the Series A Preferred Shares are set out in note 27.

Significant assumptions used in determining fair value of financial liabilities

The consolidated financial statements include Series A Preferred Shares which are measured at fair value (note 27). Fair value is estimated using a discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates. In determining the fair value, probability of automatic conversion of 50% and a weighted average cost of capital ("WACC") of 18.5% are used as at June 30, 2009. If probability of automatic conversion was 5% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase/decrease by approximately RMB11,345,000 for the year ended June 30, 2009.

If WACC was 1% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease by approximately RMB2,111,000 or increase by approximately RMB2,709,000 as at June 30, 2009.

8. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the manufacture and sale of solar products. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews the consolidated results before tax and before fair value adjustment of financial instruments when making decisions about allocating resources and assessing performance.

Geographical information

All of the Group's non-current assets, production facilities and capital expenditure are located or utilised in the PRC.

The following table summarises the Group's revenue from customers by geographical locations:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Korea	—	14,375	—
Thailand	153,545	74,927	59,262
PRC (country of domicile)	96,961	403,294	1,140,136
Hong Kong	22,311	48,812	151,779
Others	—	54	53
Total revenue	<u>272,817</u>	<u>541,462</u>	<u>1,351,230</u>

Information about major customers

Revenues from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Customer A	153,545	74,927	*
Customer B	*	*	138,053

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

9. REVENUE

Revenue represents revenue arising on sale of solar products and services income for the Relevant Periods.

An analysis of the Group's revenue for the Relevant Periods is as follows:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Sales of goods	268,021	541,462	1,334,982
Revenue from service contracts	4,796	—	16,248
	<u>272,817</u>	<u>541,462</u>	<u>1,351,230</u>

10. OTHER INCOME

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Government grants (note 29).....	3,050	3,650	2,458
Interest income.....	85	430	1,279
Others	7	59	31
	<u>3,142</u>	<u>4,139</u>	<u>3,768</u>

11. FINANCE COSTS

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within five years	3,002	3,738	3,673
Imputed interest expense on non-current interest-free loan from a related party	4,493	20,934	14,562
Effective interest expense on loan from a shareholder	—	—	22,938
Expenses in connection with the issuance of convertible redeemable preferred shares	—	7,183	—
Total borrowing costs	7,495	31,855	41,173
Less: amounts capitalised	(7,495)	(22,678)	(21,724)
	<u>—</u>	<u>9,177</u>	<u>19,449</u>

Borrowing costs capitalised during the years arose from borrowings specifically for the purpose of obtaining qualifying assets.

12. PROFIT (LOSS) BEFORE TAX

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit (loss) before tax has been arrived at after charging (crediting):			
Staff costs, including directors' remuneration (Note 13)			
Salaries, wages and other benefits	12,315	20,210	37,307
Retirement benefits scheme contributions	1,032	2,450	2,737
	<u>13,347</u>	<u>22,660</u>	<u>40,044</u>
Auditor's remuneration.....	4,473	3,770	1,968
Cost of inventories recognised as expenses	150,333	311,457	774,960
Depreciation of property, plant and equipment.....	15,101	26,766	65,558
Loss on disposal of property, plant and equipment.....	—	—	411
Net foreign exchange loss (gain)	(1,792)	19	(764)
Release of prepaid lease payments.....	143	142	143
	<u>143</u>	<u>142</u>	<u>143</u>

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors for the Relevant Periods are as follow:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Directors' fee	—	—	—
Other emoluments			
— salaries and other benefits	399	351	554
— discretionary bonus (note)	44	26	72
— contributions to retirement benefits scheme	17	14	21
	<u>460</u>	<u>391</u>	<u>647</u>

Note: Discretionary bonus was about one month's basic salary and was determined based on the financial and individual performance.

The emoluments of the directors on a named basis are as follows:

For the year ended June 30, 2008

	Mr. Li	Mr. Chen Yixiang	Mr. Wu Guoliang	Total
	RMB'000 (note a)	RMB'000 (note a)	RMB'000 (note b)	RMB'000
Directors' fee.....	—	—	—	—
Other emoluments				
— salaries and other benefits	154	129	116	399
— discretionary bonus.....	20	18	6	44
— contributions to retirement benefits scheme	8	4	5	17
	<u>182</u>	<u>151</u>	<u>127</u>	<u>460</u>

For the year ended June 30, 2009

	Mr. Li	Mr. Chen Yixiang	Mr. Wu Guoliang	Total
	RMB'000 (note a)	RMB'000 (note a)	RMB'000 (note b)	RMB'000
Directors' fee.....	—	—	—	—
Other emoluments				
— salaries and other benefits	169	148	34	351
— discretionary bonus.....	14	12	—	26
— contributions to retirement benefits scheme	9	4	1	14
	<u>192</u>	<u>164</u>	<u>35</u>	<u>391</u>

For the year ended June 30, 2010

	Mr. Li	Mr. Chen Yixiang	Total
	RMB'000 (note a)	RMB'000 (note a)	RMB'000
Directors' fee.....	—	—	—
Other emoluments			
— salaries and other benefits	286	268	554
— discretionary bonus.....	37	35	72
— contributions to retirement benefits scheme	14	7	21
	<u>337</u>	<u>310</u>	<u>647</u>

Notes:

(a) These directors were appointed as the executive directors on November 17, 2006

- (b) Mr. Wu Guoliang was appointed as the executive director on November 17, 2006 and resigned as the executive director of the Company with effect from September 25, 2008.

The five highest paid individuals of the Group for the Relevant Periods included two directors for the years ended June 30, 2008 and 2009 and one director for the year ended June 30, 2010. The remunerations of the remaining three individuals for the years ended June 30, 2008 and 2009 and the remaining four individuals for the year ended June 30, 2010 are as follows:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Employees			
— salaries and other benefits.....	363	1,120	2,891
— discretionary bonus.....	42	—	804
— contributions to retirement benefits scheme	14	—	—
	<u>419</u>	<u>1,120</u>	<u>3,695</u>

The emoluments of each of the remaining three highest paid individuals in the Group for the years ended June 30, 2008 and 2009 were below HK\$1,000,000. Three of the remaining four individuals of the Group for the year ended June 30, 2010 were above HK\$1,000,000 but below HK\$1,500,000 and the remaining one individual was below HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the Relevant Periods.

14. INCOME TAX EXPENSE

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current tax			
PRC Enterprise Income Tax ("PRC EIT").....	17,900	38,404	81,712
Deferred tax (Note 20):			
Current.....	(425)	(1,353)	(1,920)
Attributable to a change in tax rate	—	150	—
	<u>(425)</u>	<u>(1,203)</u>	<u>(1,920)</u>
	<u>17,475</u>	<u>37,201</u>	<u>79,792</u>

The Company is tax exempt under the laws of the Cayman Islands. Trony HK is subject to Hong Kong profits tax rate of 16.5% (2008: 17.5%) on profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Before the new enterprise income tax ("EIT") law in the PRC (the "New EIT Law"), which was promulgated by the PRC government on March 16, 2007, and its implementation regulations became effective on January 1, 2008, an entity operating in the PRC was subject to the EIT rate of 33% (30% state tax and 3% local tax). Pursuant to certain tax policies, a preferential tax rate was available for foreign-investment manufacturing enterprises located in the Shenzhen Special Economic Zone and as a result, Trony Science was subject to a reduced EIT of 15%.

The New EIT Law provides that enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC territory are considered PRC resident enterprises, and will be subject to the PRC enterprise income tax at the rate of 25% of worldwide income. According to the implementation regulations, during the transition period, the EIT rate for Trony Science is 18%, 20%, 22%, 24% and 25% in the calendar years of 2008, 2009, 2010, 2011 and 2012, respectively.

While the New EIT Law equalises the tax rates for Foreign Investment Enterprises ("FIEs") and domestically-owned companies, preferential tax treatment (i.e. tax rate of 15%) would continue to be given to companies in certain encouraged sectors and to entities classified as high-technology companies, whether domestically-owned enterprises or FIEs. Trony Science was recognised as a state-encouraged "New High Technology" company and was entitled to a 15% preferential rate from April 2009 to December 2011. The Company calculated its deferred tax assets based on the enacted and substantively enacted tax rates expected to apply to future taxable income in the periods in which the deferred tax assets is expected to be realised.

Under the New EIT Law and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiary from January 1, 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiary reported in accordance with local accounting principles amounting to approximately RMB97,404,000, RMB279,637,000 and RMB742,147,000 at June 30, 2008, 2009 and 2010, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The income tax expense for the year can be reconciled to the profit (loss) before tax as follows:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit (loss) before tax.....	106,403	(18,838)	579,218
PRC EIT rate.....	25%	25%	25%
Tax at PRC EIT rate	26,601	(4,710)	144,805
Tax effect of expenses not deductible for tax purpose:			
- fair value loss (gain) on convertible redeemable preferred shares.....	—	53,334	(27,443)
- offering expenses	—	—	8,684
- effective interest expense on loan from a shareholder and a related party	—	—	3,944
- legal and professional fee	1,118	2,738	856
- others.....	34	1,431	3,204
Tax effect of income not taxable	(853)	(354)	(1,067)
Effect of income under tax holidays and tax concessions.....	(9,397)	(15,432)	(53,191)
Effect of change in tax rate.....	—	150	—
Others	(28)	44	—
Income tax expense for the year	17,475	37,201	79,792

15. DIVIDENDS

No dividend was paid or proposed during the years ended June 30, 2008, 2009 and 2010 nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the Relevant Periods is based on the following data:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Earnings (loss):			
Earnings (loss) for the purpose of basic earnings per share .	88,928	(56,039)	499,426
Effect of dilutive potential ordinary shares			
Change in fair value of convertible redeemable preferred shares	N/A	—	(109,773)
Earnings (loss) for the purpose of diluted earnings per share	N/A	(56,039)	389,653
Number of shares:			
Weighted average number of ordinary shares and convertible preferred shares for the purpose of basic earnings per share (in thousands)	1,000,000	1,000,000	1,030,948
Effect of dilutive potential ordinary shares			
Convertible redeemable preferred shares (in thousands) .	N/A	—	49,704
Weighted average number of ordinary shares and convertible preferred shares for the purpose of diluted earnings per share	1,000,000	1,000,000	1,080,652

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the Relevant Periods has been retrospectively adjusted for the issue of nominal shares and share subdivision as disclosed in Note 30, and assuming that the capitalisation issue as detailed in Appendix VI of the prospectus had been effective on July 1, 2007.

Except for the liquidation preference and the convertible features of the Series B Preferred Shares as mentioned in note 31, the Series B Preferred Shares share similar characteristics of ordinary shares of the Company. Such Series B Preferred Shares are considered as ordinary shares for the purpose of calculation of basic earnings per share.

The calculation of diluted earnings per share does not take into account restricted shares or share options granted in note 37. Since those shares and options are contingently issuable upon the completion of the IPO and the contingency has not been met at the end of the reporting period, there is no dilutive effect on the earnings per share of the Group for the year ended June 30, 2010.

For the year ended June 30, 2009, the computation of diluted earnings per share ("EPS") does not assume the conversion of Series A Preferred Shares, as the conversion of the Series A Preferred Shares is anti-dilutive.

For the year ended June 30, 2008, no diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares in issue.

17. PROPERTY, PLANT AND EQUIPMENT/DEPOSITS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Equipment under installation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At July 1, 2007	435	16,310	225	303	43,369	—	60,642
Additions	513	212,798	9	1,133	5,830	—	220,283
Transfer	44,990	21	—	—	(45,011)	—	—
At June 30, 2008	45,938	229,129	234	1,436	4,188	—	280,925
Additions	—	25,900	37	581	14,465	538,240	579,223
At June 30, 2009	45,938	255,029	271	2,017	18,653	538,240	860,148
Additions	—	19,319	1,230	583	64,601	151,008	236,741
Transfer	18,917	701,193	—	—	(30,862)	(689,248)	—
Disposal	—	(1,737)	(96)	—	—	—	(1,833)
At June 30, 2010	64,855	973,804	1,405	2,600	52,392	—	1,095,056
ACCUMULATED DEPRECIATION							
At July 1, 2007	202	6,032	120	108	—	—	6,462
Provided for the year	970	13,990	31	110	—	—	15,101
At June 30, 2008	1,172	20,022	151	218	—	—	21,563
Provided for the year	2,297	24,276	25	168	—	—	26,766
At June 30, 2009	3,469	44,298	176	386	—	—	48,329
Provided for the year	2,927	62,306	107	218	—	—	65,558
Eliminated on disposal	—	(1,108)	(87)	—	—	—	(1,195)
At June 30, 2010	6,396	105,496	196	604	—	—	112,692
CARRYING VALUES							
At June 30, 2008	44,766	209,107	83	1,218	4,188	—	259,362
At June 30, 2009	42,469	210,731	95	1,631	18,653	538,240	811,819
At June 30, 2010	58,459	868,308	1,209	1,996	52,392	—	982,364

The properties shown above are situated on land use rights in the PRC which are held by the Group under medium-term leases. The said land use rights cannot be freely transferable unless with the approval from relevant authorities.

Deposits paid for purchase of property, plant and equipment mainly represented the amount paid for the acquisition of the new production line.

In addition, 98.6%, 81.2% and 96.8% of the deposits paid for purchase of property, plant and equipment was due from the Group's largest equipment supplier at June 30, 2008, 2009 and 2010, respectively.

Application for property ownership certificate of the staff quarters located in the PRC with aggregate carrying value of approximately RMB18,286,000 is still in progress at June 30, 2010. Notwithstanding this, the directors of the Company are of the opinion that the Group has acquired the beneficial title to these properties.

As at June 30, 2008, 2009 and 2010, the Group pledged buildings with carrying values of approximately RMB44,555,000, RMB42,280,000 and RMB40,005,000 to secure bank borrowings granted to the Group.

18. PREPAID LEASE PAYMENTS

Prepaid lease payments comprise medium-term leasehold land in the PRC.

THE GROUP	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Analysed for reporting purpose as:			
Current asset	142	143	143
Non-current asset	6,595	6,452	6,309
	<u>6,737</u>	<u>6,595</u>	<u>6,452</u>

The land use rights are amortised on a straight-line basis over lease terms of 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

19. INVESTMENT IN A SUBSIDIARY

THE COMPANY	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	—	—	—
Deemed capital contribution	—	25,505	60,035
	<u>—</u>	<u>25,505</u>	<u>60,035</u>

On November 17, 2006, the Company issued one share at par value of US\$1 for exchange of equity interest in Trony HK.

Deemed capital contribution represents the fair value adjustments on non-current interest-free advances to subsidiaries at initial recognition (note 23).

20. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the Relevant Periods:

THE GROUP

	Accrued warranty cost	Accelerated tax depreciation	Government grant	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At July 1, 2007	—	100	919	1,019
Credit (charge) to profit or loss	384	360	(319)	425
At June 30, 2008 and July 1, 2008	384	460	600	1,444
Credit to profit or loss	260	646	447	1,353
Effect of changes in tax rates	—	—	(150)	(150)
At June 30, 2009 and July 1, 2009	644	1,106	897	2,647
Credit to profit or loss	182	1,465	273	1,920
At June 30, 2010	<u>826</u>	<u>2,571</u>	<u>1,170</u>	<u>4,567</u>

21. INVENTORIES**THE GROUP**

	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials	5,980	12,327	12,211
Finished goods	7,078	15,624	16,025
	<u>13,058</u>	<u>27,951</u>	<u>28,236</u>

22. TRADE RECEIVABLES/OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP			THE COMPANY		
	At June 30,			At June 30,		
	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables.....	28,178	70,511	183,432	—	—	—
Other receivables and prepayments						
Prepayment to suppliers.....	2,811	355	4,625	—	—	—
Prepaid offering costs.....	—	684	7,154	—	684	7,154
Deposit and prepaid expense.....	61	82	1,966	—	—	1,534
Others	622	584	825	—	—	342
	<u>3,494</u>	<u>1,705</u>	<u>14,570</u>	<u>—</u>	<u>684</u>	<u>9,030</u>

Trade receivables are mainly arisen from sales of solar products and service contracts. No interest is charged on the trade receivables.

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period.

	THE GROUP		
	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
0 to 60 days.....	27,965	66,025	183,426
61 to 90 days.....	213	632	—
91 to 120 days.....	—	342	—
121 to 180 days.....	—	1,492	6
Over 180 days.....	—	2,020	—
	<u>28,178</u>	<u>70,511</u>	<u>183,432</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB5,000, RMB4,080,000 and RMB6,000 at June 30, 2008, 2009 and 2010, respectively, which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of past due but not impaired trade receivables

	THE GROUP		
	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Age:			
61 to 90 days	5	226	—
91 to 120 days	—	342	—
121 to 180 days	—	1,492	6
Over 180 days	—	2,020	—
	<u>5</u>	<u>4,080</u>	<u>6</u>

23. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts due from subsidiaries are unsecured, non-traded related, non-interest bearing and repayable on demand. In the opinion of the Directors, the Company will not demand for repayment within one year from the end of reporting period and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the effective interest method at interest rates range from 5.76% to 7.02% per annum.

24. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

THE GROUP

Restricted bank deposits

Restricted bank deposits represent deposits pledged to banks to secure both short-term and long-term bank borrowings and short-term bills payables.

The restricted bank deposits will be released upon the settlement of relevant bank borrowings and bills payables. The restricted bank deposits carry interest at market rates which range from 0.36% to 1.25% and 0.36% to 1.25% as at June 30, 2009 and 2010, respectively.

THE GROUP AND THE COMPANY

Bank balances and cash

The Group's and the Company's bank balances carry interest at market rates which range from 0.01% to 0.72%, 0.01% to 1% and 0.01% to 1.17% as at June 30, 2008, 2009 and 2010, respectively.

25. TRADE AND OTHER PAYABLES/ACCRUALS

	THE GROUP			THE COMPANY		
	At June 30,			At June 30,		
	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	23,716	24,675	61,250	—	—	—
Bills payables.....	—	5,090	7,290	—	—	—
	23,716	29,765	68,540	—	—	—
Payables on acquisition of property, plant and equipment	67,772	2,590	930	—	—	—
Value-added tax payables	8,275	1,082	11,843	—	—	—
Accrued expenses	6,565	5,437	37,436	4,473	2,051	31,311
Salaries and staff welfare payables	1,242	1,485	3,576	—	—	—
Government grants (Note 29).....	3,000	—	3,100	—	—	—
Receipt in advance from customers	583	—	3,855	—	—	—
Amounts due to staff	1,026	—	189	—	—	189
Other tax payables.....	—	463	1,754	—	—	—
Others.....	534	239	1,039	—	—	—
	<u>112,713</u>	<u>41,061</u>	<u>132,262</u>	<u>4,473</u>	<u>2,051</u>	<u>31,500</u>

The credit period granted by suppliers to the Group ranged from 90 to 180 days. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of each reporting period:

	THE GROUP		
	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
0 - 90 days	21,470	29,666	67,912
91 - 180 days	1,248	99	628
Over 180 days	998	—	—
	<u>23,716</u>	<u>29,765</u>	<u>68,540</u>

26. BANK BORROWINGS

THE GROUP

	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Carrying amount of bank borrowings repayable:			
Within one year	7,250	42,200	13,388
More than one year, but not exceeding two years	10,200	10,200	10,200
More than two years, but not exceeding five years	22,550	20,050	41,850
	40,000	72,450	65,438
Less: Amounts due within one year shown under current liabilities	(7,250)	(42,200)	(13,388)
	<u>32,750</u>	<u>30,250</u>	<u>52,050</u>

	Notes	At June 30,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Secured long-term bank loan, carrying variable interest rate in average at 5.76%	(a)	—	40,450	62,250
Secured long-term bank loan, carrying variable interest rate in average at 8.28%	(b)	40,000	—	—
Secured short-term bank loans, carrying variable interest rate in average at 4.37%	(c)	—	32,000	—
Secured short-term bank loans, carrying variable interest rate in average at 3.97%	(d)	—	—	3,188
Total.....		<u>40,000</u>	<u>72,450</u>	<u>65,438</u>

Note:

- (a) The secured long-term bank loan is secured by a restricted bank deposit of Nil and approximately RMB33,747,000 as at June 30, 2009 and 2010, respectively, and a pledge of the Group's property which has a carrying value of approximately RMB42,280,000 and RMB40,005,000 as at June 30, 2009 and 2010, respectively. During the year ended June 30, 2010, the Group further drew funds amounting to RMB32,000,000 from the bank loan facilities. The loan is repayable in installments over the following 4 years, of which, the first installment of RMB850,000 was due in January 2009. As of June 30, 2010, the Group has available unutilised long-term bank loan facilities of RMB23,300,000 pursuant to the bank loan agreement.
- (b) The secured long-term bank loan was secured by a guarantee given by an independent third party. The Group paid fees of approximately RMB1,224,000 and RMB675,000 as well as pledged its property and 100% interest in the paid-up registered capital of Trony Science to the independent third party for the provision of such guarantee for the years ended June 30, 2008 and 2009, respectively. The loan was also secured by a personal guarantee from Mr. Li. The pledged property as at June 30, 2008 had a carrying value of approximately RMB44,555,000. The loan was repayable in unequal installments through August 2012 while the Group early repaid the loan in January 2009 with no penalty.
- (c) The secured short-term bank loans consisted of two loans of RMB22,000,000 and RMB10,000,000 which were repaid in full in December 2009. The loans were secured by a restricted bank deposit of approximately RMB34,301,000 and a guarantee given by Trony HK which were released upon full repayment of the loans in December 2009.

- (d) The secured short-term bank loan was secured by a restricted bank deposit of approximately RMB486,000 and is repayable in full in November 2010. As of June 30, 2010, the Group has available unutilised short-term bank loan facility of approximately RMB30,812,000 pursuant to the bank loan agreement.

As at June 30, 2008 and 2009, all the borrowings are denominated in RMB, the functional currency of the relevant group entity. As at June 30, 2010, short term borrowings of approximately RMB3,188,000 are denominated in USD, and the remaining borrowings are denominated in RMB.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES

THE GROUP AND THE COMPANY

In September 2008, the Company entered into a share purchase agreement with independent investors ("Share Purchase Agreement") and issued 6,027,191 Series A Preferred Shares for a total consideration of US\$45 million.

The conversion price is subject to adjustments based on a qualified initial public offering ("Qualified IPO"), defined as a public offering of the Group with a public offering price which values the Company for not less than US\$1 billion immediately following such public offering and which results in aggregate proceeds to the Company of not less than US\$200 million, and adjusted for according to the IPO Pre-money Valuation adjustment as later described.

The terms related to the Series A Preferred Shares are as follows:

Conversion:

The Series A Preferred Shares are convertible into ordinary shares at any time at the option of the holder. The initial conversion price shall be the preferred shares issue price ("Conversion Price"). The number of ordinary shares to be converted is determined by dividing the issue price by the Conversion Price at the time in effect.

Additionally each Series A Preferred Share shall automatically be converted into ordinary shares upon the earlier of (i) closing of the Company's Qualified IPO, or (ii) the date specified by written consent or agreement of holders of at least two-thirds of the then outstanding Series A Preferred Shares, voting as a separate class.

Conversion price adjustments:

Issuance of additional shares below original purchase price: If the Company issues shares below the original purchase price, the Conversion Price shall automatically and concurrently be adjusted with such issuance.

Share Splits and Dividend: The Conversion Price shall be appropriately decreased so that the number of ordinary shares issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of ordinary shares outstanding.

Reverse Share Splits: The Conversion Price shall be appropriately increased so that the number of ordinary shares issuable on conversion of each share of such series shall be decreased in proportion to such decrease of the aggregate of ordinary shares outstanding.

IPO Pre-Money Valuation adjustment:

If the valuation of the Group immediately prior to the Qualified IPO ("Pre-IPO Valuation") is less than or equal to US\$1.7 billion, then the Series A Preferred Shares shall be convertible into that number of ordinary shares of the Company which represents a percentage of the as-converted fully diluted outstanding equity securities of the Company immediately prior to the Qualified IPO while the percentage shall be equal to the result of 200% multiplied by the result of US\$45 million divided by the amount of the Pre-IPO Valuation.

If the valuation of the Group immediately prior to the qualified IPO is greater than US\$1.7 billion, then the Series A Preferred Shares shall be convertible into that number of ordinary shares of the Company which represents a percentage of the as-converted fully diluted outstanding equity securities of the Company immediately prior to the Qualified IPO while the percentage shall be equal to (i) the Series A Percentage Interest (as defined below) multiplied by (ii) the sum of (a) 70% multiplied by the Pre-IPO Valuation and (b) 30% multiplied by US\$1.7 billion divided by (iii) the amount of the Pre-IPO Valuation. "Series A Percentage Interest" means the percentage of the Company's equity securities (viewed on a fully diluted and as-if converted basis) that the holders of Series A Preferred Shares hold immediately prior to the effectiveness of the Qualified IPO.

Voting rights:

Each Series A Preferred Share shall be entitled to such number of votes as equals to the whole number of ordinary shares into which such Series A Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Group's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Group's members is first solicited. Except as otherwise provided in the Memorandum and Articles of Association, or as required by law, the members holding Series A Preferred Shares shall vote together with the members holding ordinary shares, and not as a separate class or series, on all matters put before them.

Dividends:

The Series A Preferred Share holders are entitled to a non-cumulative dividend of 8% of the original purchase price per annum and participate in cash and non-cash dividends on a pro rata basis to all ordinary shares on an as-converted basis.

Liquidation preference:

The Series A Preferred Shares carry liquidation preference to receive, prior to the holders of ordinary shares, an amount per share equal to 120% of the preferred shares issue price (as adjusted for any share splits, share dividends, reclassifications), plus an amount equal to all declared or accumulated but unpaid dividends on such shares. If the Group has insufficient assets, it is required to distribute its assets ratably to the preferred shareholders. The preferred shareholders, after receiving their proportional amount are entitled to further participate in the distribution of the remaining assets of the Group rateably among all the holders of outstanding ordinary shares and preferred shares on an as-converted basis.

Put options:

At any time after (1) one year anniversary of the share issue date, (2) the date on which Mr. Li ceases to be the Chairman or Chief Executive Officer of the Company, or he or his immediate family members, whether directly or indirectly, holds less than 50% of the equity interest in the Company, (3) there has been a material breach of the Share Purchase Agreement, including without limitations the representations, warranties, covenants and agreements provided by the warrantors under the Share Purchase Agreement, (4) the occurrence of a Sale Transaction (Note) or (5) the Company's failure to satisfy the financial metrics set forth in the Share Purchase Agreement for the release of US\$10 million withheld by an escrow agent, the holders have the right to put their preferred share and yield in the aggregate 20% of the Series A Preferred Share issue price for cash, compounded annually from the date on which the first Series A Preferred Share was issued until the date of redemption, after taking into account any dividends paid on such shares.

As of June 30, 2009, US\$35 million has been received by the Company and the remaining US\$10 million is being withheld by an escrow agent as it was determined that the Group failed to satisfy one of its financial metrics discussed above. The Company subsequently obtained a waiver from the Series A Preferred Share holders cancelling their rights to redeem the securities due to the breach of such financial metrics. In addition, the Series A Preferred Share holders also covenanted on August 14, 2009 that they will not exercise the

remaining put options on the Series A Preferred Shares until the earlier of (i) such date the Company has ceased to be actively preparing for the IPO and (ii) January 29, 2010; provided that the Company may, by written notice to each of them prior to January 29, 2010, extend such date until March 29, 2010. The Company has submitted written notice to Series A Preferred Shares holders on January 28, 2010 to extend such date until March 29, 2010. On March 29, 2010, the Series A Preferred Share holders have submitted written notice to the Company to exercise its put options on the Series A Preferred Shares and the redemption was completed on April 28, 2010.

Share pledge:

To secure the performance of the obligations of redemption, 13,398,780 ordinary shares of the Company owned by Sky Sense Investments Limited ("Sky Sense"), a company in which Mr. Li has beneficial interest, 13.25% of the issued and outstanding share of Trony HK and 13.25% of the paid-up registered capital of Trony Science are required to be pledged to the Series A Preferred Share holders.

Note:

Sale Transaction means (i) a sale, license or other disposition of all or substantially all of the assets or business of the Group; (ii) a merge, amalgamation, reorganisation, consolidation, transfer of voting control or other business combination or transaction in which the existing shareholders of the Company owning a majority of the voting interest of the Company prior to such transaction do not own such a majority of the surviving entity, or (iii) any sale or transfer of more than fifty percent of the voting interest of the Company by any existing shareholder or shareholders of the Company in any transaction or series of related transactions to a third party.

The Series A Preferred Shares contain liability component, conversion option derivative and redemption option derivative. The Company elected to designate the entire hybrid contract as financial liability at FVTPL. The movement of the Series A Preferred Shares is set out below:

	Shown in the	
	Original currency	Financial
	US\$'000	Information as
		RMB'000
Series A Preferred Shares issued, net of amount held under escrow agent on September 26, 2008	35,000	237,646
Change in fair value recognised in profit or loss	31,201	213,335
Exchange loss	—	1,185
At June 30, 2009	66,201	452,166
Amount released by escrow agent on August 19, 2009.....	10,000	68,337
Change in fair value recognised in profit or loss	(16,079)	(109,773)
Redemption of Series A Preferred Shares	(60,122)	(410,387)
Exchange gain	—	(343)
At June 30, 2010	—	—

The Series A Preferred Shares were valued at fair value by the directors with reference to valuation reports carried out by an independent qualified professional valuer, American Appraisal China Limited, on June 30, 2009, at approximately US\$66,201,000 (approximately RMB452,166,000). American Appraisal China Limited has appropriate qualifications and recent experiences in the valuation of similar instruments. The address of American Appraisal China Limited is Unit 3602, Bund Centre, 222 Yan An Road East, Shanghai, the PRC.

The change in fair value of approximately RMB213,335,000 and RMB109,773,000, has been recognised in the consolidated statements of comprehensive income for the years ended June 30, 2009 and 2010, respectively. The change in fair value was mainly due to the change in market risk factors. The fair value attributable to change in its credit risk is considered immaterial. The difference between carrying amount and maturity amount is approximately RMB167,005,000 as at June 30, 2009.

The assumptions adopted for the valuation of the Series A Preferred Shares as of June 30, 2009 is as follows:

	At June 30, 2009
	RMB'000
Estimated probability of the Series A Preferred Shares	
- for redemption.....	40%
- for automatic conversion	50%
- for liquidation	10%
Time to redemption	0.24 year
Time to automatic conversion	0.40 year
Risk-free rate	4.33%
WACC	18.5%

The risk-free rates used were by reference to United States of America treasury bonds with duration close to the time to expiration.

28. WARRANTY PROVISION

THE GROUP

	RMB'000
As at July 1, 2007	—
Additional provision in the year.....	1,534
As at June 30, 2008.....	1,534
Additional provision in the year.....	1,040
As at June 30, 2009.....	2,574
Additional provision in the year.....	728
As at June 30, 2010.....	3,302

The Group's solar modules and products are typically sold with up to a one-year guarantee for defects in materials and workmanship. Due to the short duration of the one-year guarantee for defects in materials and workmanship and the limited guarantee claims to-date, the Group does not expect future costs related to the one-year guarantee to be material. As such, the related provision was insignificant during the Relevant Periods.

For selected customers, the Group provides 2 to 10-year guarantee for defects in materials and workmanship. In addition, the Group provides one customer with 10-year and 25-year warranties against declines of more than 10% and 20% of initial power generation capacity, respectively. The Group has the right to repair or replace solar modules, at its option, under the terms of the warranty policy. The Group maintains warranty reserves to cover potential liabilities that could arise under these guarantees and warranties.

29. GOVERNMENT GRANTS

Government grants include cash subsidies as well as advance subsidies received from PRC government by Trony Science. Such subsidies are generally provided in relation to the research and development of solar energy products. Government grants are recognised in the statements of comprehensive income when received and when all the conditions have been met as specified in the grant. The Group recognised income of approximately RMB3,050,000, RMB3,650,000, and RMB2,458,000 during the years ended June 30, 2008, 2009 and 2010, respectively. Certain government grants are related to long-term research and development projects and have granting periods over one year and classified as non-current in the consolidated statements of financial positions.

30. SHARE CAPITAL

The share capital of the Group at June 30, 2008, 2009 and 2010, represented the issued and fully paid capital of ordinary shares of the Company.

Movement of the share capital during the years ended June 30, 2008, 2009 and 2010 is set out below:

	THE COMPANY	
	Number of shares	Amount
		US\$
Ordinary shares		
Authorised:		
At July 1, 2007 and June 30, 2008 at US\$1 each	50,000	50,000
Subdivision of one share of US\$1 each into 10,000 shares of US\$0.0001 each (Note a)	499,950,000	—
Redesignation and reclassification into Series A Preferred Shares (Note b)	(6,027,191)	(603)
At June 30, 2009 and July 1, 2009 at US\$0.0001 each	493,972,809	49,397
Cancellation of Series A Preferred Shares (Note c)	6,027,191	603
Redesignation and reclassification into Series B Preferred Shares (Note d)	(17,650,000)	(1,765)
At June 30, 2010 at US\$0.0001 each	482,350,000	48,235

Issued and fully paid:

	THE COMPANY		
	Number of shares	Amount	Shown in the Financial Information as
			US\$
At July 1, 2007 and at June 30, 2008 at US\$1 each	1,000	1,000	8
Subdivision of one share of US\$1 each into 10,000 shares of US\$0.0001 each (note a)	9,999,000	—	—
Shares issued during the year (note a)	90,000,000	9,000	61
Unpaid share capital	—	(9,000)	(61)
At June 30, 2009 and 2010 at US\$0.0001 each	<u>100,000,000</u>	<u>1,000</u>	<u>8</u>

	THE COMPANY	
	Number of shares	Amount
		US\$
Series A Preferred Shares		
Authorised, issued and fully paid:		
At date of issuance (September 29, 2008), and at June 30, 2009 at US\$0.0001 each (note 27) (note b)	6,027,191	603
Redemption and cancellation of Series A preferred Shares (note c)	(6,027,191)	(603)
At June 30, 2010	<u>—</u>	<u>—</u>
Series B Preferred Shares		
Authorised, issued and fully paid:		
At date of issuance (April 28, 2010) and at June 30, 2010 at US\$0.0001 each (note 31) (note d)	<u>17,650,000</u>	<u>1,765</u>

Notes:

- (a) On September 23, 2008, an ordinary resolution was passed by the shareholders of the Company to approve the subdivision of each issued and unissued shares of US\$1 each in the authorised share capital into 10,000 shares of US\$0.0001 each. Immediately after the sub-division, the Company issued 90,000,000 ordinary shares at a subscription price of US\$0.0001 each to all the then shareholders of the Company on a pro rata basis. The amounts have not yet been paid. The new shares rank pari passu with the existing shares in all respects.
- (b) On September 29, 2008, the Company redesignated and reclassified 6,027,191 shares into Series A Preferred Shares with details set out in note 27.
- (c) On April 28, 2010, the Company redeemed and cancelled 6,027,191 Series A Preferred Shares with details set out in note 27.
- (d) On April 28, 2010, the Company redesignated and reclassified 17,650,000 shares into Series B Preferred Shares with details set out in note 31.

31. CONVERTIBLE PREFERRED SHARES

THE GROUP AND THE COMPANY

In April 2010, the Company entered into a share purchase agreement with independent investors ("Share Purchase Agreement") and issued 17,650,000 Series B Preferred Shares for a total consideration of US\$60.01 million (equivalent to RMB409.6 million), net of the issuance cost of approximately RMB4,494,000. The subscription of Series B Preferred Shares was completed on April 28, 2010.

The principal terms related to the Series B Preferred Shares are as follows:

Conversion:

The Series B Preferred Shares are convertible into ordinary shares at any time at the option of the holder. The initial conversion price shall be the preferred shares issue price ("Series B Conversion Price"). The number of ordinary shares to be converted is determined by dividing the issue price by the Series B Conversion Price at the time in effect.

Additionally each Series B Preferred Share shall automatically be converted into ordinary shares upon the earlier of (i) closing of the Company's first sale of its shares in a firm commitment underwritten initial public offering that results in such securities being listed or registered on the Stock Exchange with the public offering price of which values the Company for not less than US\$700 million or (ii) the date specified by written consent or agreement of holders of at least two-thirds of the then outstanding Series B Preferred Shares, voting as a separate class.

Conversion price adjustments:

Share Splits and Dividend: The Series B Conversion Price shall be appropriately decreased so that the number of ordinary shares issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of ordinary shares outstanding.

Reverse Share Splits: The Series B Conversion Price shall be appropriately increased so that the number of ordinary shares issuable on conversion of each share of such series shall be decreased in proportion to such decrease of the aggregate of ordinary shares outstanding.

Redemption:

Series B Preferred holders are not entitled to redeem the Series B Preferred Shares, except for the purpose of effecting a conversion of the Series B Preferred Shares into ordinary shares.

Voting rights:

Except as otherwise provided in the Memorandum and Articles of Association, or as required by law, the members holding Series B Preferred Shares shall have the same voting rights as the members holding ordinary shares and shall be entitled to notice of any meeting of the members in accordance with the Memorandum and Articles of Association, and the Series B Preferred Shares holders shall vote together with the members holding ordinary shares, and not as a separate class or series, on all matters put before them.

Each Series B Preferred Share shall be entitled to such number of votes as equals to the whole number of ordinary shares into which such Series B Preferred Shares are converted at the Series B Conversion Price then in effect as of the applicable record date.

Dividends:

No dividend shall be declared or paid on any other class or series of shares of the Company, unless and until an equal amount of dividends has been paid or declared and set apart on Series B Preferred Shares. In the event

that the Company shall have declared but unpaid dividends outstanding immediately prior to, and in the event of, a conversion of the Series B Preferred Shares, the Company shall at the option of each holder, paid in cash to each holder of Series B Preferred Share subject to conversion the full amount of any such dividends or allow such dividends to be converted into ordinary shares.

Liquidation preference:

The Series B Preferred Shares carry liquidation preference to receive, prior to the holders of ordinary shares, an amount per share equal to 136% of the preferred shares issue price (as adjusted for any share splits, share dividends, reclassifications), plus an amount equal to all declared or accumulated but unpaid dividends on such shares. If the Group has insufficient assets, it is required to distribute its assets ratably to the preferred shareholders. The preferred shareholders, after receiving their proportional amount are entitled to further participate in the distribution of the remaining assets of the Group ratably among all the holders of outstanding ordinary shares and preferred shares on an as-converted basis. A liquidation, dissolution or winding up of the Company is defined to be occasioned by, and to include, a Sale Transaction (note).

Note:

Sale Transaction means (i) a sale, license or other disposition of all or substantially all of the assets or business of the Group; (ii) a merge, amalgamation, reorganisation, consolidation, transfer of voting control or other business combination or transaction in which the existing shareholders of the Company owning a majority of the voting interest of the Company prior to such transaction do not own such a majority of the surviving entity, or (iii) any sale or transfer of more than fifty percent of the voting interest of the Company by any existing shareholder or shareholders of the Company in any transaction or series of related transactions to a third party.

32. RESERVES OF THE COMPANY

	Capital reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At July 1, 2007.....	—	(35)	(35)
Loss and total comprehensive loss for the year.....	—	(4,471)	(4,471)
At June 30, 2008.....	—	(4,506)	(4,506)
Loss and total comprehensive loss for the year.....	—	(213,440)	(213,440)
At June 30, 2009.....	—	(217,946)	(217,946)
Profit and total comprehensive income for the year.....	—	63,408	63,408
Deemed contribution in relation to loan from a shareholder.....	23,186	—	23,186
At June 30, 2010.....	23,186	(154,538)	(131,352)

33. MAJOR NON-CASH TRANSACTIONS

During the years ended June 30, 2008, 2009 and 2010, construction costs and acquisition of property, plant and equipment amounted to approximately RMB67,772,000, RMB2,590,000, and RMB930,000, respectively were unsettled and included in other payables.

During the years ended June 30, 2009 and 2010, expenses in connection with the issuance of Series A Preferred Shares and Series B Preferred Shares amounted to approximately RMB2,051,000 and RMB4,117,000, respectively, were unsettled and included in other payables.

During the year ended June 30, 2010, the Company settled part of the redemption of Series A Preferred Shares through the proceeds from the issuance of Series B Preferred Shares and released directly approximately RMB409,622,000 of such proceeds from the escrow agent of Series B Preferred Shares to the Series A Preferred Shares holders for settlement.

34. OPERATING LEASES

THE GROUP AS LEASEE

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	1,380	1,539	2,511

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year.....	801	1,521	2,128
In the second to fifth years inclusive	59	970	5,205
	<u>860</u>	<u>2,491</u>	<u>7,333</u>

Operating lease payments represent rentals payable by the Group for certain properties. Leases are negotiated and rentals are fixed for terms ranging from one to five years.

35. CAPITAL COMMITMENTS

	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	179,155	49,315	69,659

36. RETIREMENT BENEFITS SCHEME

The employees of Trony Science are members of a state-managed retirement benefits scheme operated by the PRC government. Trony Science is required to contribute 10% of the total monthly basic salaries of the current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statements of comprehensive income of approximately RMB1,032,000, RMB2,450,000, and RMB2,737,000 for the years ended June 30, 2008, 2009 and 2010, respectively, represent contributions payable to the scheme for the Relevant Periods.

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on October 29, 2009 for the primary purpose of providing incentives to directors and eligible employees, and will expire on October 28, 2019. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company or other share-based awards.

The total number of shares in respect of which options or other share-based awards granted under the Scheme is not permitted to exceed 10,000,000 shares.

No consideration is payable on the grant of an option. The exercise price is determined by the directors of the Company.

The Company has entered into an option agreement with an executive officer on November 6, 2009 in which the Company has agreed, among other things, to grant the executive officer options to purchase 0.35% of the outstanding ordinary shares upon completion of the IPO of its ordinary shares in the form of American depositary share on the New York Stock Exchange ("US IPO"), taking into account the shares pursuant to the over-allotment option with an exercise price at 55.0% of the US IPO price. One fourth of the options will vest upon the listing and each of the three subsequent anniversaries thereafter. Options may be exercised (i) at any time 10 years from the US IPO date; (ii) one year following the date of the employee's employment termination due to death or disability; (iii) the date of the employee's employment termination by the Company or employee for any reason other than death or disability. The estimated fair values of the options at the date of grant and the inputs into the Black-Scholes pricing model were as follows:

Expected vesting date	At December 9,			
	2009	2010	2011	2012
Estimated fair value per share (note)	US\$4.872	US\$4.872	US\$4.872	US\$4.872
Expected exercise price	US\$3.667	US\$3.667	US\$3.667	US\$3.667
Expected volatility	77.1%	74.9%	73.2%	73.4%
Expected life	5.05 years	5.55 years	6.05 years	6.55 years
Risk-free rate	2.459%	2.616%	2.819%	2.978%
Expected dividend yield	0%	0%	0%	0%
Expected fair value per option	US\$3.3578	US\$3.4077	US\$3.4657	US\$3.5599

In February 2010, the Company modified certain terms of the options granted to the executive officer which include the options that will be effective upon the first pricing date of the IPO on either the Stock Exchange or New York Stock Exchange. Moreover, the option is then exercisable from the vesting date to March 15 of the following year in which the options become vested.

Additionally, the Company has entered into a separate restricted share award agreement with the executive officer in which the Company has agreed, among other things, to grant the executive officer restricted share award consisting number of shares equal to 0.35% of the outstanding ordinary shares upon completion of the IPO and taking into account the number of shares to be issued pursuant to the over-allotment option. One fourth of the restricted shares will vest upon the first pricing date of the IPO and each of the three subsequent anniversaries thereafter.

The estimated fair values of the options at modification date and the inputs into the Black-Scholes pricing model were as follows:

Expected vesting date	At September 30,			
	2010	2011	2012	2013
Estimated fair value per share (note)	US\$4.76	US\$4.76	US\$4.76	US\$4.76
Expected exercise price	US\$2.933	US\$2.933	US\$2.933	US\$2.933
Expected volatility	76.5%	100.3%	87%	80.7%
Expected life	0.88 years	1.89 years	2.89 years	3.89 years
Risk-free rate	0.292%	0.802%	1.350%	1.837%
Expected dividend yield	0%	0%	0%	0%
Expected fair value per option	US\$2.2175	US\$2.9886	US\$3.1199	US\$3.2652

The Company has determined that no compensation cost will be recorded until the first pricing dated of IPO based on the probable outcome of the award's performance condition and any incremental fair value will be expensed at the time of IPO and over remaining vesting period.

On November 6, 2009, the Company has also entered into option agreements with proposed independent directors, under which the Company will grant options to purchase 80,000 ordinary shares to independent directors upon pricing of US IPO with exercise price at the US IPO price. 33%, 33% and 34% of such options will become vested and exercisable upon the first, second and third anniversary of the pricing of US IPO, respectively. Options may be exercised (i) at any time 10 years from the date of pricing of US IPO; (ii) one year following the date of the employee's employment termination due to death or disability; (iii) the date of the employee's employment termination by the Company or employee for any reason other than death or disability. The estimated fair values of the options and the inputs into the Black-Scholes pricing model were as follows:

Expected vesting date	At December 9,		
	2010	2011	2012
Estimated fair value per share (note)	US\$4.872	US\$4.872	US\$4.872
Expected exercise price	US\$6.667	US\$6.667	US\$6.667
Expected volatility	74.9%	73.2%	73.4%
Expected life	5.55 years	6.05 years	6.55 years
Risk-free rate	2.616%	2.819%	2.978%
Expected dividend yield	0%	0%	0%
Expected fair value per option	US\$2.8736	US\$2.9491	US\$3.0754

The independent directors will only commence services upon the US IPO and no share-based payment expenses were recognised throughout the Relevant Periods.

Note:

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The fair value of the common shares was determined as the difference between the enterprise value over the fair value of Series A Preferred Shares issued. Fair value of enterprise value and Series A Preferred Shares was determined by using valuation techniques which include discounted cash flow analysis, guideline company method and option pricing models. The following assumptions were adopted for the valuation as at option grant date and modification date:

Grant date	At November 6, 2009	At February 2, 2010
Estimated probability of the Series A Preferred Shares		
for redemption	19%	45%
for automatic conversion	80%	45%
for liquidation	1%	10%
Time to redemption.....	0.23 years	0.15 years
Time to automatic conversion	0.09 years	0.66 years
Risk-free rate	4.40%	4.56%
WACC	18.50%	18.50%

Expected exercise price was based on the estimated fair value of common shares after adjusting back marketability discount, preferential effect of preferred shares and other market factors. Expected volatility was determined by using the historical share price movement of comparable companies over the expected holding period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations. The risk-free rates used were by reference to United States of America treasury bonds with duration close to the time to expiration.

38. RELATED PARTY DISCLOSURES

(a) Amounts due from directors

THE GROUP

The Group made cash advances to the directors of the Company and the amounts are non-trade related, unsecured, interest-free and repayable on demand. The directors of the Company represented that the amount will be settled before the listing of the Company's shares on the Stock Exchange.

	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Mr. Li	—	34	—
Mr. Chen Yixiang.....	60	—	34
	<u>60</u>	<u>34</u>	<u>34</u>

The maximum amount outstanding in respect of amounts due from directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name of directors	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Mr. Li	458	34	34
Mr. Chen Yixiang.....	60	60	204
Mr. Wu Guoliang (resigned on September 25, 2008)	186	—	—

(b) Amount due to a director

THE GROUP AND THE COMPANY

The amount is due to Mr. Li and it is non-trade related, unsecured, interest-free and repayable on demand. The directors of the Company represented that the amount will be settled before the listing of the Company's shares on the Stock Exchange.

(c) Loan from a related company

THE GROUP

On April 10, 2008, the Group entered into a loan agreement with a related party of Build Up International Investments Limited ("Build Up"), one of the shareholders of the Company and borrowed RMB305 million for the acquisition of new and high-tech plant and machinery. The loan is unsecured, interest-free and initially repayable on April 9, 2010. Pursuant to a supplementary agreement entered into on June 30, 2009, the repayment of the loan is extended for another two years and will be due in full on April 9, 2012 while other terms remained unchanged.

Imputed interest was computed using the then prevailing market interest rate of 7.56% for comparable long-term borrowings on the initial loan inception date and 5.40% on the loan extension date. The discount at the loan inception amounted to approximately RMB42,675,000 and was recorded as a deemed contribution in the consolidated statements of changes in equity. Additionally, the Company recorded a subsequent deemed contribution in the consolidated statements of changes in equity on the loan agreement modification date, which amounted to approximately RMB25,277,000. Amortised imputed interest expense amounted to approximately RMB4,493,000, RMB20,934,000 and RMB14,562,000 for the years ended June 30, 2008, 2009 and 2010, respectively. Amortised imputed interest expense amounting to approximately RMB4,493,000, RMB20,934,000 and RMB1,206,000 for the years ended June 30, 2008, 2009 and 2010, respectively, were capitalised in the deposit for the acquisition of property, plant and equipment.

In the opinion of the directors of the Company, the loan will continue till its maturity after the listing of the Company's shares on the Stock Exchange.

(d) Loan from a shareholder**THE GROUP AND THE COMPANY**

On October 2, 2009, Lakes Invest entered into a loan agreement for an aggregate principal amount of US\$30 million (equivalent to approximately RMB204,777,000) ("ICBC loan") with ICBC International Finance Limited ("ICBC International"). The loan has an initial term of six months, and will be automatically extended to one year if the Company has not completed an IPO within the initial term. If the Company has completed an IPO 30 days prior to the first anniversary of the loan inception date, the maturity date will be 30 days after the Company completes its IPO. The loan bears an interest rate of 3.5% per annum. In order to secure the borrowing, Lakes Invest pledged 15% of issued share capital of the Company. The Company further pledged 13.25% of issued share capital of Trony HK, which pledge is subordinated to the pledge granted by the Company to the Series A Preferred Shares holders. On the same date, Lakes Invest entered into a shareholder loan agreement ("Shareholder Loan Agreement") with the Company to lend its proceeds from the ICBC loan to the Company. The terms of the Shareholder Loan Agreement are the same as those entered into between Lakes Invest and ICBC International. The carrying value of such shareholder loan approximates its fair value due to the short-term nature of the agreement.

In addition, Lakes Invest granted ICBC International Overseas Investment Ltd. ("ICBC Overseas"), an affiliate of ICBC International, a warrant to purchase a maximum of US\$13,000,000 worth of the Company's ordinary shares owned by Lakes Invest at a discount of (i) 18% of the IPO price or (ii) a rate not less than 18% to be agreed by and between the two parties if the Company has not completed its IPO within 395 days from the loan agreement date, provided if no such agreement, 18%. Such shares will be further subject to a lock up period of six months from the effective date of the Company's registration statement with respect to the IPO. The Company considered the warrants granted by Lakes Invest to ICBC Overseas a capital contribution made by a shareholder and recorded the value of those warrants as a deemed contribution in the consolidated statements of changes in equity. As the warrants represented direct and incremental costs in obtaining the loan, the value of the warrant of approximately RMB15,972,000 estimated based on the discount offered as well as the duration of the lock-up period, together with other direct incremental costs of approximately RMB1,582,000 were net off with the original loan principal.

On May 26, 2010, US\$15.0 million of the US\$30.0 million ICBC loan was cancelled in exchange for a transfer of 4,411,765 ordinary shares of the Company from Sky Sense to ICBC Strategic Investment Ltd., an affiliate of ICBC International. In addition, the ICBC loan agreement was amended to provide for a maturity date of March 31, 2012, cancellation of warrant granted to ICBC Overseas and a replacement of references to Series A Preferred Shares investors to Series B Preferred Shares investors in that agreement. Pursuant to the restructuring of the ICBC loan as set forth above, 7.5% of the 15% of the Company's ordinary shares pledged by Lakes Invest and 6.625% of 13.25% of issued share capital of Trony HK pledged by the Company was released.

The Shareholder Loan Agreement was also amended on the same date to extend the loan maturity date to March 31, 2012. Imputed interest was computed using the then prevailing market interest rate of 5.54% for comparable long-term borrowings on the loan extension date. The discount at the loan modification amounted to approximately RMB7,214,000 and was recorded as a deemed contribution in the consolidated statements of changes in equity.

Effective interest expense for the year ended June 30, 2010 amounted to approximately RMB22,938,000 and approximately RMB20,518,000 was capitalised in the deposits for purchase of property, plant and equipment as it is related to acquisition of property, plant and equipment during the year ended June 30, 2010.

The Company intend to repay this shareholder loan in full upon listing of the Company's shares on the Stock Exchange.

(e) Amounts due from (to) related parties**THE GROUP**

Amounts due from (to) related parties are as follows:

	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due from related parties:			
Shine Faith Asia Limited ("Shine Faith") 耀輝亞洲有限公司 (a)	666	4,133	—
Shenzhen Yiyong Patent & Trademark Agency ("Shenzhen Yiyong") 深圳市毅穎專利商標事務所 (a)	—	—	132
	<u>666</u>	<u>4,133</u>	<u>132</u>
Due to related parties:			
Family members of Mr. Li	6,145	4,083	—
Shenzhen Chuangyi Solar Construction Company Limited* ("SZ Chuangyi Construction") 深圳市創益太陽能建材有限公司 (b)	2,062	1,701	—
	<u>8,207</u>	<u>5,784</u>	<u>—</u>

* The English name is for identification purpose only.

Notes:

- (a) Shine Faith and Shenzhen Yiyong are companies in which Ms. Zhang Yiyong, a close family member of Mr. Li, has beneficial interests.
 (b) SZ Chuangyi Construction is a company in which Mr. Li has beneficial interests.

Except for the amount due from Shine Faith and Shenzhen Yiyong which is trade related, all the remaining balances are non-interest bearing and repayable on demand. All non-trade related balances have been fully settled during the year ended June 30, 2010. The Group allows a credit period of 90 days to Shine Faith and the balances as at June 30, 2008 and 2009 are aged over 180 days based on the invoice date. The amount due from Shenzhen Yiyong represents prepayments paid for registration fees. No impairment loss has been recognised in respect of the amount due from Shine Faith throughout the Relevant Periods.

The maximum amount outstanding in respect of amounts due from related parties disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Family members of Mr. Li	3,205	—	—
Shine Faith	4,060	7,720	4,230
Shenzhen Yiyong	—	—	204
	<u>7,265</u>	<u>7,720</u>	<u>4,434</u>

(f) Amounts due to shareholders**THE GROUP**

Amounts due to shareholders are as follows:

	At June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due to shareholders:			
Mr. Lau Kam Sze	—	1,294	—
Ms. Liu Lai Ting	8,076	952	—
	8,076	2,246	—

The amounts were non-trade related, non-interest bearing and fully settled during the year ended June 30, 2010.

(g) Transactions with related companies

Apart from details of the balances and other arrangements with related parties disclosed elsewhere in the Financial Information, the Group had also entered into the following transactions with related parties during the Relevant Periods:

- (i) During the years ended June 30, 2008 and 2009, Mr. Li gave a personal guarantee to secure a long-term loan of the Company.
- (ii) During the year ended June 30, 2009 and 2010, Sky Sense, a company owned by Mr. Li, pledged its 13,398,780 ordinary shares of the Company to secure the performance of the obligations of redemption of Series A Preferred Shares.
- (iii) During the years ended June 30, 2008, 2009 and 2010, sales by the Group to Shine Faith amounted to approximately RMB3,741,000, RMB12,970,000 and Nil, respectively.
- (iv) During the years ended June 30, 2008, 2009 and 2010, purchase of equipment and raw materials from Shine Faith amounted to approximately RMB2,135,000, RMB1,475,000, and RMB369,000, respectively.
- (v) During the years ended June 30, 2008, 2009 and 2010, the Group paid trademark registration fee and agent fee to Shenzhen Yiyang, a company in which Ms. Zhang has a beneficial interest, amounting to approximately RMB277,000, RMB429,000, and RMB735,000, respectively.
- (vi) Historically, certain technology and production patents developed by the Group have been registered in the name of Mr. Li for administrative simplicity. Mr. Li and the Group have entered into agreements pursuant to which such patents are made available to the Group on a perpetual basis at nil consideration until Mr. Li has transferred all legal and beneficial interest in those patents to the Group.

In the opinion of directors, except for transactions with related companies disclosed in (v) and (vi) above, all other transactions are expected to discontinue after the listing of the Company's shares on the Stock Exchange.

(h) Compensation of key management personnel

The remuneration of key management personnel during the Relevant Periods was as follows:

	Year ended June 30,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	700	1,826	4,145
Post employee benefits.....	26	26	42
Other long term benefits	14	14	968
	<u>740</u>	<u>1,866</u>	<u>5,155</u>

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration excluding bonus payable, if any, of the Company's directors for the year ending June 30, 2011 is approximately be RMB1,945,000.

C. SUBSEQUENT EVENTS

Other than those disclosed elsewhere in the Financial Information, the following events took place subsequent to June 30, 2010:

Pursuant to written resolutions of the shareholders and holders of Series B Preferred Shares passed on September 13, 2010, inter-alia, the authorised share capital of the Company was increased from US\$50,000 to US\$500,000 by the creation of an additional 4,500,000,000 shares of US\$0.0001 each and the capitalisation issue as detailed in appendix VI was conditionally approved.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2010.

Yours faithfully,

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

The information set out in this appendix does not form part of the accountants' report prepared by the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I "Accountants' Report" to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and Appendix I "Accountants' Report" to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Company and its subsidiaries (collectively the "Group"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2010 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group as of June 30, 2010 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets value per Share	
	(Note 1)	(Note 2)		(Note 3)	(Note 6)
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$3.10 per Offer share	1,032,352	881,542	1,913,894	1.26	1.45
Based on an Offer Price of HK\$4.50 per Offer share	1,032,352	1,286,756	2,319,108	1.52	1.76

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2010 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2010 of RMB1,032.4 million.
- (2) The estimated net proceeds from the Global Offering are based on an indicative Offer Prices of HK\$3.10 (equivalent to RMB2.68) and HK\$4.50 (equivalent to RMB3.89) per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options or restricted shares granted under the Pre-IPO Equity Incentive Scheme. For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.8649 to HK\$1 as of September 16, 2010. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 1,521,500,000 Shares were in issue assuming the following events had been completed on June 30, 2010:
 - i. the conversion of the Series B Preferred Shares into Shares;
 - ii. the Global Offering;
 - iii. the Capitalisation Issue (without taking into account of Capitalisation Issue in respect of Shares issued under the Pre-IPO Equity Scheme).

It takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options or restricted shares granted under the Pre-IPO Equity Incentive Scheme.

- (4) As of July 31, 2010, the Group's property interests were revalued by American Appraisal China Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. Since the land use rights granted by the Land Resources and Real Estate Administration Bureau of Shenzhen City pursuant to the grant contracts Shen Di He Zi (2005) No. 5019 and (2006) No. 5007 dated August 10, 2005 and April 10, 2006, respectively, cannot be freely transferable unless with the approval from relevant authorities, American Appraisal China Limited has concluded that there is no commercial value to the properties erected thereon. So far as the Directors are aware, the value of the properties erected thereon has not been impaired by such restriction. For the purpose of this unaudited pro forma statement of adjusted net tangible assets of the Group, those properties are stated at the net book value of approximately RMB58.5 million as at June 30, 2010.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2010.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8649 to HK\$1 as of September 16, 2010. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on July 1, 2010. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group had the Global Offering been completed as at July 1, 2010 or for any future periods.

For the six months ending December 31, 2010

Unaudited forecast consolidated profit attributable to owners of the Company ⁽¹⁾	Not less than RMB258.7 million (equivalent to approximately HK\$299.1 million)
Unaudited pro forma forecast basic earnings per Share ⁽²⁾	Not less than RMB0.17 (equivalent to approximately HK\$0.20)
Unaudited pro forma forecast diluted earnings per Share ⁽³⁾	Not less than RMB0.17 (equivalent to approximately HK\$0.20)

Notes:

- (1) The unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 is extracted from the section headed "Financial Information — Profit Forecast for the six months ending December 31, 2010" in this prospectus. The bases and assumptions on which the above profit forecast for the six months ending December 31, 2010 have been prepared are summarised in the section headed "Profit Forecast" in Appendix III to the prospectus.
- (2) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 and a total of 1,521,500,000 Shares in issue, assuming the following events had been completed on July 1, 2010:
- the conversion of the Series B Preferred Shares into Shares;
 - the Global Offering;
 - the Capitalisation Issue (without taking into account of Capitalisation Issue in respect of Shares issued under the Pre-IPO Equity Scheme).
- It further assumed that there are 1,386,697 shares to be issued and vested on the first pricing date of the Global Offering under the Pre-IPO Equity Incentive Plan but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and exercise of options or remaining unvested restricted shares under the Pre-IPO Equity Incentive Plan.
- (3) The calculation of the unaudited pro forma forecast diluted earnings per Share is based on the unaudited forecast consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 and a total of 1,521,500,000 Shares in issue, assuming the following events had been completed on July 1, 2010:
- the conversion of the Series B Preferred Shares into Shares;
 - the Global Offering;
 - the Capitalisation Issue (without taking into account of Capitalisation Issue in respect of Shares issued under the Pre-IPO Equity Incentive Plan).
- It further assumed that there are 1,386,697 shares to be issued and vested on the first pricing date of the Global Offering under the Pre-IPO Equity Incentive Plan and there is an effect of 3,511,624 diluted potential shares arising from the outstanding options and restricted shares granted under the Pre-IPO Equity Incentive Scheme but taking no account of any Share which may be issued upon the exercise of the Over-allotment Option. The calculation of diluted potential shares has considered the exercise price, unrecognised share-based compensation and assuming that the average market price during the period equals to the mid-point of the indicative Offer Price range shown in this prospectus.
- (4) For the purpose of this unaudited pro forma forecast earning per Share, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8649 to HK\$1 as of September 16, 2010. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE DIRECTORS OF TRONY SOLAR HOLDINGS COMPANY LIMITED

We report on the unaudited pro forma financial information of Trony Solar Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed placing and public offer might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated September 24, 2010 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in sections A and B of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at June 30, 2010 or any future date; or
- the earnings per share of the Group for the six months ending December 31, 2010 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

September 24, 2010

The forecast of the consolidated profit attributable to owners of the Company for the six months ending December 31, 2010 is set out in the section entitled "Financial Information" in this prospectus.

(A) BASES

The directors have prepared the forecast of the consolidated profit attributable to the owners of the Company for the six months ending December 31, 2010, based on the unaudited management accounts for one month ended July 31, 2010 and a forecast of the results for the remaining five months of the six months ending December 31, 2010. The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with the accounting policies we have presently adopted as set out in Appendix I to this prospectus and on the assumptions prepared by the Directors.

GENERAL ASSUMPTIONS

The directors have made the following principal assumptions in the preparation of the profit forecast:

- (i) There will be no material changes in the existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in the PRC and Hong Kong and in the industry in which the Group operates,
- (ii) There will be no material change in the bases or rates of taxation or duties in any of the countries in which the Group operates or in which the Group's companies are incorporated or registered,
- (iii) The Group's operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in the section headed "Risk Factors" in this prospectus,
- (iv) There will be no material changes in inflation rate, interest rates and exchange rates from the current prevailing rates, and
- (v) There will be no government action, or any other unforeseen circumstances beyond the control of the Company which will have a material adverse effect on the operations and result of the Group.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of the letter, prepared for inclusion in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in connection with the profit forecast of the Group for the six months ending December 31, 2010.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

September 24, 2010

The Directors
Trony Solar Holdings Company Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Trony Solar Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ending December 31, 2010 attributable to the owners of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated September 24, 2010 issued by the Company (the "Prospectus"). The Forecast is prepared based on the results shown in the unaudited management accounts of the Group for one month ended July 31, 2010, and a forecast of the results for the remaining five months of the six months ending December 31, 2010.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in the section headed "Bases" of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended June 30, 2010 as set out in Appendix I to the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SPONSOR

The following is the text of the letter, prepared for inclusion in this prospectus, received from the Sponsor, J.P. Morgan Securities (Asia Pacific) Limited, in connection with the profit forecast of the Group for the six months ending December 31, 2010.

J.P.Morgan

28th Floor, Chater House
8 Connaught Road Central
Central, Hong Kong

September 24, 2010

The Directors
Trony Solar Holdings Company Limited

Dear Sirs,

We refer to the consolidated profit forecast of Trony Solar Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") for the six months ending December 31, 2010 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast for the Six Months ending December 31, 2010" under the section headed "Financial Information" in the prospectus issued by the Company dated September 24, 2010.

The Profit Forecast, for which the directors of the Company (the "Directors") are solely responsible, has been prepared by them based on the results shown in the unaudited management accounts of the Group for one month ended July 31, 2010, and a forecast of the results for the remaining five months of the six months ending December 31, 2010.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated September 24, 2010 addressed to you and us from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
David PW Lau
Executive Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from American Appraisal, an independent valuer, in connection with its valuation as at July 31, 2010 of the property interests of our Group.

American Appraisal China Limited
1506 Dah Sing Financial Centre
108 Gloucester Road / Wanchai / Hong Kong
美國評值有限公司
香港灣仔告士打道108號大新金融中心1506室
Tel +852 2511 5200 / Fax +852 2511 9626



Leading / Thinking / Performing

September 24, 2010

The Board of Directors
Trony Solar Holdings Co. Ltd.

Dear Sirs,

In accordance with your instructions to value the property interests of Trony Solar Holdings Co. Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections for the property interests, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at July 31, 2010 (the "date of valuation").

BASIS OF VALUATION

Our valuation is our opinion of the market value which is defined in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value. The value of a property is also estimated without regard to costs of sales and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

For the property interests in Group I, which are held and occupied by the Group in the PRC, cost approach has been adopted for valuing the property regarding the buildings and structures (referred to as the "buildings") of the property, we have determined its depreciated replacement cost, which is defined as the gross replacement cost of the buildings, from which appropriate deductions may then be made to allow for age, condition, economic/external and functional obsolescence and environmental factors etc. All of these might result in the existing buildings being worth less to the undertaking in occupation than would a new replacement. For the land portion, we have made reference to the similar transaction in the locality and the published standard land price from the local authorities. They are considered having no commercial value because the property cannot be freely transferred in the market.

For the property interests in Group II, which are rented by the Group, they are considered having no commercial value either because of their non-assignability in the market or because there are prohibitions against subletting and/or assignment contained in the respective leases and/or tenancy agreements or the lack of substantial profit rent.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title or leases of the property interests situated in the PRC and Hong Kong. We have caused searches to be made at the appropriate Land Registry in Hong Kong. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group and the PRC legal opinion given by the Group's PRC legal advisor on the PRC law regarding titles to the property interests.

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificates.

ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the property interests on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner.

We have valued property interest on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

Other special assumptions and qualifications for each property, if any, have been stated in the footnotes of the valuation certificates for the respective property.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, construction cost, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificates are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the proposed development, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the International Valuation Standards (8th Edition 2007) published by the International Valuation Standard Council and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Chartered Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We enclose herewith the summary of valuation and the valuation certificates.

Yours faithfully,

For and on behalf of

AMERICAN APPRAISAL CHINA LIMITED

Eric M. H. Poon

MRICS, MHKIS

Assistant Vice President

Note: Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 10 years experience in valuation of properties in Hong Kong and the PRC

SUMMARY OF VALUATION

Group I — Property interests held and occupied by the Group in the PRC

No. Property	Capital Value in existing state as at July 31, 2010 (RMB)
1. An industrial complex located at Baolong Industrial Park, Longgang District, Shenzhen City, Guangdong Province, the PRC 中國廣東省深圳市龍崗區寶龍工業城	No Commercial Value
Sub-total:	No Commercial Value

Group II — Property interests rented by the Group

No. Property	Capital Value in existing state as at July 31, 2010 (RMB)
2. Units 2112-2116 Great China International Exchange Square, Shennan Road Futian District, Shenzhen City, Guangdong Province, the PRC 中國廣東省深圳市福田區深南大道深圳國際交易廣場 2112- 2116	No Commercial Value
3. East Wing, 8th Floor, Block 2, Guangxian Xiaoqu, Bagua Third Road, Futian District, Shenzhen City, Guangdong Province, the PRC 中國廣東省深圳市福田區八卦三路光纖小區二棟八樓東側	No Commercial Value
4. Unit 528 on 5th Floor, South Block, Jianshebu Dayuan, 11 Sanlihe Road, Ganjiakou Street, Haidian District, Beijing, the PRC 中國北京市海淀區甘家口街道三里河路11號建設部 大院南配樓528號	No Commercial Value

No.	Property	Capital Value in existing state as at July 31, 2010 (RMB)
5.	Unit 21G on 21st Floor, Zhongjian Building, 158 Zhongyi First Road, Changsha City, the PRC 中國長沙市中意一路158號中建大廈21G	No Commercial Value
6.	Unit 103B of the 1st Floor of Enterprise Place, Phase One, Hong Kong Science Park, Pak Shek Kok, Tai Po, New Territories, Hong Kong	No Commercial Value
Sub-total:		No Commercial Value
Grand total:		No Commercial Value

VALUATION CERTIFICATE

Group I — Property held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at July 31, 2010 (RMB)
1.	An industrial complex located at Baolong Industrial Park, Longgang District, Shenzhen City, Guangdong Province, the PRC 中國廣東省深圳市龍崗區寶龍工業城	The property comprises a 4-storey industrial building (the "Industrial Building A"), a 7-storey dormitory (the "Dormitory") and a construction-in-progress building ("the Industrial Building B") erected on 2 land parcels with a total site area of approximately 42,038.84 square metres. The industrial building A was completed in 2008 whilst the dormitory was completed in 2009. The Industrial Building A and the Dormitory have a total gross floor area of approximately 31,424.69 square metres. The Industrial Building B is scheduled to be completed in September 2010. The total planned gross floor area of the building upon completion will be approximately 29,894 square metres. The land use rights of the property have been granted for a term expiring on August 9, 2058 and April 9, 2056.	The Industrial Building A and the Dormitory were occupied by the Group as industrial complex and dormitory respectively as of the date of valuation. The Industrial Building B will be occupied by the Group as industrial complex upon completion.	No Commercial Value

Notes:

- (1) Pursuant to a Shenzhen City State-owned Land Use Rights Grant Contract (深圳市土地使用權出讓合同書) Shen Di He Zi (2005) No. 5019 (深地合字(2005)5019號), entered into between Land Resources and Real Estate Administration Bureau of Shenzhen City (深圳市國土資源和房產管理局) ("Party A") and Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Party B") dated August 10, 2005, Party A agreed to grant the land use rights of a land parcel of the property with a site area of 38,244.32 sq.m. to Party B for a term of 50 years for industrial use at a total consideration of RMB6,375,158, which has already been fully paid as advised by the Company.
- (2) Pursuant to a Shenzhen City State-owned Land Use Rights Grant Contract (深圳市土地使用權出讓合同書) Shen Di He Zi (2006) No. 5007 (深地合字(2006)5007號), entered into between Land Resources and Real Estate Administration Bureau of Shenzhen City (深圳市國土資源和房產管理局) ("Party A") and Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Party B") dated April 10, 2006, Party A agreed to grant the land use rights of a land parcel of the property with a site area of 3,794.52 sq.m. to Party B for a term of 50 years for industrial use at a total consideration of RMB768,696, which has already been fully paid as advised by the Company.
- (3) Pursuant to the Real Estate Title Certificate (房地產證), Shen Fang Di Zi No. 6000313464 (深房地字第6000313464號) issued by the Land Resources and Real Estate Administration Bureau of Shenzhen City - Longgang Branch (深圳市國土資源和房產管理局龍崗分局) dated 21 October 2008, the land use rights of the property with a site area of 38,244.32 square metres and building ownership rights of the property with a gross floor area of 24,575.99 square meters are held by Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Trony Science") for a term expiring on August 9, 2058 for industrial use. The said land use rights cannot be freely transferable unless with the approval from relevant authorities.
- (4) Pursuant to the Real Estate Title Certificate (房地產證), Shen Fang Di Zi No. 6000215912 (深房地字第6000215912號) issued by the Land Resources and Real Estate Administration Bureau of Shenzhen City - Longgang Branch (深圳市國土資源和房產管理局龍崗分局) dated July 24, 2006, the land use rights of the Dormitory of the property with a site area of 3,794.52 square metres is held by Trony Science for a term expiring on April 9, 2056 for industrial use. The said land use rights cannot be freely transferable unless with the approval from relevant authorities. If transference is required under special reason, the transference has to be processed together with the above land use rights with a site area of 38,244.32 square meters.

- (5) Pursuant to Construction Land Use Planning Permit (建設用地規劃許可證), Shen Gui Hu Zi No. 06-2005-0096 (深規許字06-2005-0096號), issued by the Planning Bureau of Shenzhen City - Longgang Branch (深圳市規劃局龍崗分局) on May 10, 2005, the land use planning of the Dormitory of the property has been approved.
- (6) Pursuant to Construction Works Planning Permit (建設工程規劃許可證), Shen Gui Jian Hu Zi No. LG-2007-1162 (深規建許字LG-2007-1162號) issued by the Planning Bureau of Shenzhen City Longgang Branch (深圳市規劃局龍崗分局) on November 22, 2007, the construction works of the Dormitory of the property with a gross floor area of 6,848.70 square metres has been approved.
- (7) Pursuant to Construction Works Commencement Permit (建築工程施工許可證), No. 44030720060903902, issued by the Construction Bureau of Longgang District, Shenzhen City (深圳市龍崗區建設局) on March 5, 2008, the commencement of construction works of the Dormitory of the property with a gross floor area of 6,848.70 square metres has been approved.
- (8) Pursuant to Construction Works Planning Permit (建設工程規劃許可證), Shen Gui Tu Jian Hu Zi No. LG-2010-0004 (深規土建許字LG-2010-0004號), issued by the Planning and Land Resources Committee of Shenzhen City - Administration Bureau of Longgang District (深圳市規劃和國土資源委員會龍崗管理局) on January 12, 2010, the construction works of Industrial Building B of the property with a gross floor area of 29,894.12 square metres has been approved.
- (9) Pursuant to Construction Works Commencement Permit (建築工程施工許可證), No. 44030720100102402, issued by the Construction Bureau of Longgang District, Shenzhen City (深圳市龍崗區建設局) on March 10, 2010, the commencement of construction works of the Industrial Building B of the property with a gross floor area of 29,894.12 square metres has been approved.
- (10) As advised by the Group, the total construction cost for the construction of Industrial Building B is approximately RMB100,000,000 and about RMB43,000,000 has been incurred as at the date of valuation.
- (11) Pursuant to the Receipt of the Certification of Construction Works No.LG620100009 issued by the Business Service Centre of Construction Bureau of LongGang ShenZhen Municipality (深圳市龍崗區建設局業務辦理中心) on February 26, 2010, the certification of construction works of Dormitory of the property has been completed.
- (12) The land use rights and buildings of Industrial Building A of the property were mortgaged to the China Construction Bank Corporation Limited — Shenzhen Branch (中國建設銀行股份有限公司深圳市分行) at an amount of RMB59,678,500 dated December 30, 2008.
- (13) In the course of our valuation, we have attributed no commercial value to the property as the property cannot be freely transferred in the market.
- (14) Trony Science is an indirect wholly-owned subsidiary of the Company.
- (15) The PRC legal opinion states, inter alia, that:
 - a. Trony Science has obtained the land use rights for Industrial Building A, Industrial Building B and Dormitory of the property with a total site area of approximately 38,244.32 and 3,794.52 square metres respectively. Trony Science is the legal owner of the said land use rights and has the right to occupy, use, lease, mortgage or deal with the said land use rights by other lawful means without prior approval from relevant government authority.
 - b. Trony Science has obtained the building ownership rights for Industrial Building A of the property with gross floor area of 24,575.99 square metres. Trony Science is the legal owner of the said building and has the right to occupy, use, lease and mortgage the said building or deal with the said building by other lawful means.
 - c. As the land use rights and building ownership rights of Industrial Building A of the property has been mortgaged, Trony Science has to obtain prior written approval from the China Construction Bank Corporation Limited — Shenzhen Branch (中國建設銀行股份有限公司深圳市分行) before lease, transfer, refinance the said land use rights and building, or deal with such land use rights and building by other means.
 - d. The certification of construction works of Dormitory of the property has been completed. After completing the certification of fire services, environmental protection and planning issues and after settling the relevant taxation amount, there is no legal impediment for Trony Science to have relevant Building Ownership Certificate registered for the said building.
 - e. Pursuant to the said Real Estate Title Certificate of Industrial Building A and Dormitory of the property, Trony Science has to obtain prior approval from relevant government's department before transferring the land use rights and building ownership rights of the said buildings of the property.
 - f. Apart from the said mortgage, the land use rights of both the said land parcels of the property have not been mortgaged nor consist of any right of another third party. Moreover, the actual use of the said land parcels comply with those permitted in the relevant Stated Land Use Rights Grant Contracts and Real Estate Title Certificates. Apart from the said mortgage, both land parcels of the property does not subject to any other forced requisition, litigation process, dispute nor other significant unfavourable situations.
 - g. Apart from the said mortgage, the building ownership rights of Industrial Building A and Dormitory of the property does not subject to any other forced requisition, litigation process, dispute nor significant unfavourable situations.
 - h. The construction works of Industrial Building B of the Property is in progress as at the date of valuation. Trony Science has completed the relevant planning and construction procedures and Trony Science has the rights to construct the Industrial Building B and possess the ownership rights of those construction works in progress.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at July 31, 2010 (RMB)
2.	Units 2112-2116, Great China International Exchange Square, Shennan Road, Futian District, Shenzhen City, Guangdong Province, the PRC 中國廣東省深圳市福田 區深南大道深圳國際交 易廣場2112-2116	The property comprises 5 office units on 21/F of a 42-storey commercial building completed in about 2004. The property has a total gross floor area of approximately 1,163.67 square metres. The property was leased by Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Trony Science") from Wu Ke Ping (吳克平), (a legal representative of the landlord), an independent third party for a term commencing on December 16, 2009 and expiring on December 15, 2014 at an annual rent of RMB1,396,404 exclusive of water and electricity charges, sanitation charges, management fee, telephone and internet charges, etc. for office purposes.	The property was occupied by the Group as office as of the valuation date.	No Commercial Value

Notes:

1. Pursuant to a Shenzhen City Real Estate Tenancy Agreement (深圳市房屋租賃合同書) entered into between Wu Ke Ping (吳克平) (a legal representative of the landlord), an independent third party and Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Trony Science") dated October 15, 2009, the property was rented by the latter party for a term commencing on December 16, 2009 and expiring on December 15, 2014 at a current annual rent of RMB1,396,404 exclusive of water and electricity charges, sanitation charges, management fee, telephone and internet charges, etc. for office purposes.
2. Trony Science is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alias, that:
 - a. Pursuant to the Authorization Letter dated August 25, 2008 issued by the joint owner, Li Jun (李軍), of unit 2113 of the property, Wu Ke Ping (吳克平) has the right to sign the said tenancy agreement.
 - b. The above Tenancy Agreement is registered.
 - c. As the Building Ownership Certificate is not available to us, the tenancy agreement may be considered as a void one and Trony Science may not be able to continue to use the above leased property during the tenancy period if there is any dispute on the building ownership of the property or being opined by the relevant government authority that the building of the property is an unauthorized structure.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at July 31, 2010 (RMB)
3.	East Wing, 8th Floor, Block 2, Guangxian Xiaoqu, Bagua Third Road, Futian District, Shenzhen City, Guangdong Province, the PRC 中國廣東省深圳市福田 區八卦三路光纖小區二 棟八樓東側	<p>The property comprises an industrial unit on 8/F of an 8-storey industrial building and ancillary dormitory facilities in another building of Guangxian Xiaoqu completed in about 1980s.</p> <p>The property has a gross floor area of approximately 1,261.15 square metres for industrial use and approximately 605.51 square metres for dormitory use.</p> <p>The property was leased by Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Trony Science") from 深圳市紡織服裝研究所, an independent third party for a term commencing on December 1, 2008 and expiring on December 30, 2010 at an annual rent of RMB597,531.6 exclusive of water and electricity charges, sanitation charges, management fee, etc. for industrial and dormitory purposes.</p>	The property was occupied by the Group as industrial unit and dormitory as of the valuation date.	No Commercial Value

Notes:

1. Pursuant to a Shenzhen City Real Estate Tenancy Agreement (深圳市房地產租賃合同書) entered into between 深圳市紡織服裝研究所, an independent third party and Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Trony Science") dated November 7, 2008, the property was rented by the latter party for a term commencing on December 1, 2008 and expiring on December 30, 2010 at an annual rent of RMB597,531.6 exclusive of water and electricity charges, sanitation charges, management fee, etc. for industrial and dormitory purposes.
2. Trony Science is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alias, that:
 - a. The above Tenancy Agreement is registered.
 - b. As the Building Ownership Certificate is not available to us, the tenancy agreement may be considered as a void one and Trony Science may not be able to continue to use the above leased property during the tenancy period if there is any dispute on the building ownership of the property or being opined by the relevant government authority that the building of the property is an unauthorized structure.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at July 31, 2010 (RMB)
4.	Unit 528 on 5th Floor, South Block, Jianshebu Dayuan, 11 Sanlihe Road, Ganjiakou Street, Haidian District, Beijing, the PRC 中國北京市海澱區甘家 口街道三里河路11號建 設部大院南配樓528號	The property comprises an office unit on 5/F of a 5-storey office building completed in about 1989. The property has a gross floor area of approximately 45.55 square metres for office use. The property was leased by Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發 展有限公司) ("Trony Science") from 國務 院國有資產監督管理委員會建材機關服務 中心房管處, an independent third party for a term commencing on August 1, 2009 and expiring on July 31, 2010 at an annual rent of RMB74,816 inclusive of water and electricity charges, air conditioning charges, etc. for office purposes.	The property was occupied by the Group as office as of the valuation date.	No Commercial Value

Notes:

1. Pursuant to a Real Estate Tenancy Agreement (房屋租賃合同) entered into between 國務院國有資產監督管理委員會建材機關服務中心房管處, an independent third party and Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Trony Science") dated August 1, 2009, the property was rented by the latter party for a term commencing on August 1, 2009 and expiring on July 31, 2010 at an annual rent of RMB74,816 inclusive of water and electricity charges, air conditioning charges, etc. for office purposes.
2. Trony Science is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alias, that:
 - a. The above Tenancy Agreement is not yet registered but it will not affect the effectiveness of the above Tenancy Agreement.
 - b. The above Tenancy Agreement is legal and valid, Trony Science has the right to use the above leased property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at July 31, 2010 (RMB)
5.	Unit 21G on 21st Floor, Zhongjian Building, 158 Zhongyi First Road, Changsha City, the PRC 中國長沙市中意一 路158號中建大廈21G	The property comprises an office unit on 21/F of a 27-storey commercial building completed in about 2008. The property has a gross floor area of approximately 68 square metres for office use. The property was leased by Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發 展有限公司) ("Trony Science") from 中建不二幕牆裝飾有限公司, an independent third party for a term commencing on October 1, 2008 and expiring on October 1, 2012 at an annual rent of RMB28,560 exclusive of water and electricity charges, sanitation charges, management fee, heating charges, etc. for office purposes.	The property was occupied by the Group as office as of the valuation date.	No Commercial Value

Notes:

1. Pursuant to a Changsha City Real Estate Tenancy Agreement (長沙市房地產租賃合同書) entered into between 中建不二幕牆裝飾有限公司 (the "landlord"), an independent third party, and Shenzhen Trony Solar Science and Technology Development Co., Ltd (深圳市創益科技發展有限公司) ("Trony Science") dated August 17, 2009, the property was rented by the latter party for a term commencing on October 1, 2008 and expiring on October 1, 2012 at a current annual rent of RMB28,560 exclusive of water and electricity charges, sanitation charges, management fee, heating charges, etc. for office purposes.
2. Trony Science is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alia, that:
 - a. The above Tenancy Agreement is not yet registered but it will not affect the effectiveness of the above Tenancy Agreement.
 - b. As advised by Trony Science, the landlord is a directly wholly-owned subsidiary of the owner of the property and possesses the rights to lease the property.
 - c. As the Building Ownership Certificate is not available to us, the tenancy agreement may be considered as a void one and Trony Science may not be able to continue to use the above leased property during the tenancy period if there is any dispute on the building ownership of the property or being opined by the relevant government authority that the building of the property is an unauthorized structure.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at July 31, 2010 (RMB)
6.	Unit 103B of the 1st Floor of Enterprise Place, Phase One, Hong Kong Science Park, Pak Shek Kok, Tai Po, New Territories, Hong Kong Tai Po Town Lot No. 171 (the "Lot")	<p>The property comprises and an office unit on 1/F of a 7-storey building for the use of research and development of products, services and processes including engineering and advanced manufacturing (but not mass production). The building was built in 2004.</p> <p>According to the Lease Agreement, the property has a lettable area of approximately 58.95 square metres (or about 635 square feet).</p> <p>The Lot is held under New Grant No. 13812 for a term of 50 years commencing from December 30, 2000.</p> <p>The property was leased by Trony Solar Holdings (Hong Kong) Limited ("Trony HK") from Hong Kong Science and Technology Parks Corporation, an independent third party for a term of 3 years commencing on May 17, 2010, at a current monthly rent of HKD8,890 exclusive of rates, government rent, service charges and other outgoing charges for the use of research and development of products.</p>	The property is vacant as of the date of valuation	No Commercial Value

Notes:

1. The registered owner of the property is Hong Kong Science and Technology Parks Corporation vide Memorial No. TP663440 dated May 15, 2001.
2. Pursuant to the Lease Agreement entered into between Hong Kong Science and Technology Parks Corporation and Trony Solar Holdings (Hong Kong) Limited (the "tenant") dated May 25, 2010, the property is leased to the tenant for a term of 3 years commencing from May 17, 2010 at a monthly rent of HK\$8,890 for the use of research and development of products exclusive of rates, government rent, service charges and other outgoing charges. The amount of monthly service charges for the property at the commencement of the said term was HK\$3,175 subject to further adjustments.
3. Trony (HK) is a directly wholly-owned subsidiary of the Company.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 23, 2006 under the Cayman Companies Law. The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles"), which were adopted pursuant to a shareholders' resolution passed on September 13, 2010, conditional upon and with effect from the Listing Date, comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The following is a summary of certain provisions of the Articles:

(a) Directors

Composition of the board

Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than three. There is no maximum number of directors.

Power to allot and issue Shares and warrants

Subject to the Articles, any direction that may be given by the Company in general meeting and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, all Shares for the time being unissued shall be under the control of the Directors who may designate, re-designate, offer, issue, allot and dispose of the same to such persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine but so that no Shares shall be issued at a discount; and grant options with respect to such Shares and issue warrants, convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of Shares or securities in the capital of the Company on such terms as they may from time to time determine, and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

Loans and provision of security for loans to Directors

There are provisions in the Articles restricting the making of loans or provision of security to Directors.

Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the Shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Cayman Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of Shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of Shares or debentures or other securities of the Company by virtue only of his/their interest in Shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five percent. or more of the issued Shares or of the voting rights of any class of Shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a Share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any Shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place.

The office of Director shall also be vacated if:

- (aa) the Director resigns his office by notice in writing to the Company at its registered office or its head office;
- (bb) an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (cc) the Director, without leave, is absent from meetings of Directors (unless an alternate Director appointed by him attends in his place) for a continuous period of 12 months, and the Directors resolve that his office be vacated;
- (dd) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) the Director ceases to be or is prohibited from being a director by law or by virtue of any provisions in the Articles; or
- (ff) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Directors may from time to time appoint any person, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the

Directors may think fit. Any person so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of managing director upon like terms, but any such appointment shall ipso facto determine if any managing director ceases from any cause to be a Director, or if the Company by resolution resolves that his tenure of office be terminated.

The Directors may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorize the members of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation.

Borrowing powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of its undertaking, property and uncalled capital or any part thereof, and subject to the Cayman Companies Law, to issue debentures, debenture stock, and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

Proceedings of the Board

The board may meet together with (either within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

Register of Directors and Officers

The Cayman Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of Directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty days of any change in such Directors or officers.

(b) Alterations to constitutional documents/Change of Name

The Articles may be altered or amended by the Company in general meeting by special resolution. The Cayman Companies Law provides that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

- (i) increase its capital by such sum, to be divided into Shares of such classes and amount, as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into Shares of larger amount than its existing Shares;
- (iii) convert all or any of its paid up Shares into stock and reconvert that stock into paid up Shares of any denomination;

- (iv) subdivide its Shares, or any of them into Shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; or
- (v) cancel any Shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the Shares so cancelled.

The Company may by special resolutions reduce its Share capital and any capital redemption reserve in any manner authorized by law.

(d) Variation of rights of existing Shares or classes of Shares

Whenever the capital of the Company is divided into different classes the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied or abrogated with the consent in writing of the holders of not less than three-fourths of the issued Shares of the relevant class, or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of such class by a majority of not less than three-fourths of the votes cast at such a meeting. To every such separate meeting all the provisions of the Articles relating to general meetings of the Company or to the proceedings thereat shall *mutatis mutandis*, apply except that the necessary quorum shall be one or more persons at least holding or representing by proxy one-third in nominal or par value amount of the issued Shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that class, every shareholder of the class shall on a poll have one vote for each Share of the class held by him.

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that class, be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any class by the Company.

(e) Transfer of Shares

Transfers of Shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve, which is consistent with the standard form of transfer as prescribed by the Stock Exchange and approved by the Directors. All instruments of transfer must be left at the registered office of the Company or at such other place as the Directors may appoint. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share which is not fully paid up, and it may also refuse to register any transfer of any Share to more than four joint holders or any transfer of any Share on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of Share and is lodged at the relevant registration office or registered office or such

other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to and in accordance with the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in any newspapers, be suspended and the register of Shares closed at such times for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended or the register of Shares closed for more than 30 days in each year.

(f) Power for the Company to purchase its own Shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements of the Listing Rules.

(g) Power for any subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to ownership of Shares in the Company by a subsidiary.

(h) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles) at such time and place as may be determined by the board.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than 21 clear days and not less than 20 clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall be called by notice of at least 21 clear days and not less than 10 clear business days. All other extraordinary general meetings shall be called by notice of at least 14 clear days and not less than 10 clear business days. The notice shall specify the time, place, and agenda of the meeting, particulars of the resolutions to be considered at the meeting and in the case of special business (as defined in the Articles) the general nature of that business. Notice of every general meeting shall be given to all members of the Company (except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the share register), the Company's auditors, each Director and alternate Director, the Stock Exchange, and such other person(s) to whom such notice is required to be given in accordance with the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, if permitted by the Listing Rules, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. in nominal value of the issued Shares giving that right.

All business carried out at a general meeting shall be deemed special with the exception of (a) declaration and sanctioning a dividend; (b) the consideration of the accounts, balance sheets, and any report of the Directors or of the Company's auditors; (c) the election of Directors whether by rotation or otherwise in the place of those retiring; (d) the appointment of the Company's auditors and other officers; (e) the fixing of the remuneration of the company's auditors, and the voting of remuneration or extra remuneration to the Directors; (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued Shares in the capital of the Company representing not more than 20 per cent. in nominal value of its existing issued share capital; and (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

No special business shall be transacted at any general meeting without the consent of all members of the Company entitled to receive notice of that meeting unless notice of such special business has been given in the notice convening that meeting.

(j) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(k) Special/Ordinary resolution-majorities required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of such members as, being entitled so to do, vote in person or, in the case of such members being corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice, specifying the intention to propose the resolution as a special resolution, has been duly given, or in writing by all members of the Company entitled to vote at a general meeting of the Company.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of such members as, being entitled to do so, vote in person or, in the case of such members being corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles, or in writing by all members of the Company entitled to vote at a general meeting of the Company.

(l) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid Share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or installments is treated for the foregoing purposes as paid up on the Share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a member is a clearing house or its nominee(s), it may authorize such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of the Company or any meeting of any class of members provided that, if more than one person is so authorized, the authorization or proxy form must specify the number and class of shares and/or warrants in respect of which each such person is so authorized. The person so authorized will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual member of the Company.

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(m) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise.

(n) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons a

summary financial statement derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(o) Dividends and other methods of distribution

Subject to the Cayman Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of Share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint

holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

(p) Inspection of register of members

Pursuant to the Articles the principal register and any branch register of members shall be open to inspection for at least two hours on every business day by members without charge. Any branch register held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the directors may impose) be open to inspection by a member without charge and any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the directors may determine for each inspection.

(q) Call on Shares and forfeiture of Shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any moneys unpaid on the Shares held by them (whether on account of the nominal value of the Shares or by way of premium). If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight per cent. per annum from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any Shares held by him, and upon all or any of the moneys so advanced the Company may pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight per cent. per annum) as may be agreed upon between the member and the Directors.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited Shares and not actually paid before the date of forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, but this liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution, except where the Company is to be wound up voluntarily because it is unable to pay its debts as they fall due. In such case the resolution shall be an ordinary resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the Shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the authority of an ordinary resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any Shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the Shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the Shares in question (being not less than three in total number) for any sum payable in cash to the holder of such Shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) following the expiry of the 12 year period, the Company has caused an advertisement to be published in accordance with the Listing Rules giving notice of its intention to sell such Shares and a period of three months, or such shorter period as may be permitted by the Stock Exchange, has elapsed since the date of such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

3. CAYMAN COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share Capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Memorandum and Articles of Association of the Company include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial Assistance to Purchase Shares of a Company or its Holding Company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the Directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of Shares and Warrants by a Company and its Subsidiaries

Subject to the provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the Directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

(f) Protection of Minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up. Or, as an alternative to a winding-up order, the Court may make the following orders: (a) an order regulating the conduct of the company's affairs in the future; (b) an order requiring the company to refrain from doing or continuing an act complained of by the petitioner or to do an act which the petitioner has complained it has omitted to do; (c) an order authorizing civil proceedings to be brought in the name of and on behalf of the company by the petitioner on such terms as the Court may direct; or (d) an order providing for the purchase of the shares of any members of the company by other members or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and Auditing Requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has applied for and expects to receive an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company will be for a period of twenty years from the date of issue of the undertaking. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to Directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of Corporate Records

Members of the Company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding Up

A company may be wound up by either an order of the Court, voluntarily or subject to the supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily (a) when the period (if any) fixed for the duration of the company by its memorandum or articles of association expires; (b) if the event (if any) occurs, on the occurrence of which the memorandum or articles of association provide that the company is to be wound up; (c) if the company resolves by special resolution that it be wound up voluntarily; or (d) if the company resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company shall from the commencement of its winding up, cease to carry on its business except so far as it may be beneficial for its winding up.

In circumstances where a company is solvent (the directors of the company will need to provide a statutory declaration to this effect), the company can be wound up by a special resolution of its shareholders, and the liquidation will not require the supervision of the Cayman Islands court. Unless one or more persons have been designated as liquidator or liquidators of the company in the company's memorandum and articles of association, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Alternatively, where the financial position of the company is such that a declaration of solvency cannot be given by the directors, the winding up will be initiated by an ordinary resolution of the company's shareholders and will occur subject to the supervision of the Cayman Islands court. In this case, a licensed insolvency practitioner will need to be appointed as liquidator (known as "an official liquidator"). The Court may determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. The Court may appoint a foreign practitioner to act jointly with a qualified insolvency practitioner. A person may qualify as an official liquidator if that person holds the qualifications specified in the Insolvency Practitioners Regulations of the Cayman Islands. The Court may appoint a foreign practitioner to act jointly with a qualified insolvency practitioner.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed one or more than one person to be called an official liquidator or official liquidators of the Company. The Court may appoint as official liquidator such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation for it. At least 21 days before the meeting the liquidator must send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Cayman Islands Gazette.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. While a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Mergers and Consolidations

The Cayman Companies Law provides that any two or more Cayman Islands companies limited by shares (other than segregated portfolio companies) may merge or consolidate in accordance with the Cayman Companies Law. The Cayman Companies Law also allows one or more Cayman Islands companies to merge or consolidate with one or more foreign companies (provided that the laws of the foreign jurisdiction permit such merger or consolidation), where the surviving or consolidated company will be a Cayman Islands company.

To effect a merger or consolidation the directors of each constituent company must approve a written plan of merger or consolidation in accordance with the Cayman Companies Law. The Plan must then be authorized by each constituent company by a shareholder resolution by a majority in number representing 75% in value of the shareholders voting together as one class. If the shares to be issued to each shareholder in the consolidated or surviving company are to have the same rights and economic value as the shares held in the constituent company, the plan must be authorized by each constituent company by a special resolution of the shareholders voting together as one class.

Where a parent is merging with one or more of its Cayman Islands subsidiaries, shareholder consent is not required.

(q) Compulsory Acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety per cent of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Walkers, the Company's legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of the Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. 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 June 23, 2006. Our Company has been registered as an oversea company since September 17, 2010 under Part XI of the Companies Ordinance and our Company's principal place of business in Hong Kong is at Unit 103B, 1/F, Enterprise Place, No. 5 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong. Mr. Howard Chu of 28A Garden Terrace Block 2, 8A Old Peak Road, Mid Levels, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was 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 provisions of the Memorandum and the Articles of our Company and of certain aspects of the Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, its authorized share capital was US\$50,000 divided into 50,000 shares of US\$1.00 each. The following sets out the changes in the share capital of our Company since the date of its incorporation:

- (a) On June 23, 2006, one ordinary share of US\$1.00 of our Company was allotted and issued credited as fully paid to Offshore Incorporations (Cayman) Limited.
- (b) On November 17, 2006, Offshore Incorporations (Cayman) Limited transferred the one ordinary share of US\$1.00 of our Company to Lakes Invest at its par value and our Company allotted and issued an additional 554 ordinary shares of US\$1.00 each of our Company to Lakes Invest Limited for a subscription price of US\$1.00 per share. On the same date, our Company allotted and issued 185 and 260 shares of US\$1.00 each to Sky Sense and Build Up, respectively, for a subscription price of US\$1.00 per share. At that time, both Lakes Invest and Sky Sense were beneficially wholly owned by Mr. Li, and Build Up was owned as to 50% by Kam Sze Lau and as to 50% by Yiling Huang.
- (c) On September 23, 2008, each of our ordinary shares was subdivided into 10,000 ordinary shares of US\$0.0001 each. Immediately after the sub-divisions, our Company allotted and issued 49,950,000 Shares, 16,650,000 Shares and 23,400,000 Shares to Lakes Invest, Sky Sense and Build Up respectively, for a subscription price of US\$0.0001 per Share.

On the same date, our Company allotted and issued 1,122,871 Shares to Liu Lai Ting, a related party, for consideration of US\$2.0 million plus RMB5.0 million; however, our Company did not receive the subscription money prior to the issuance of the ordinary shares. In January 2009, the related party further notified us that it had no intention of paying for the issued shares and wished to surrender the shares to our Company for no consideration. Pursuant to a board resolution of our Company dated August 6, 2009, those shares were cancelled on August 6, 2009.

- (d) On September 25, 2008, the authorized share capital of our Company was reclassified and redesignated to US\$50,000 divided into 493,972,809 Shares of US\$0.0001 par value each and 6,027,191 Series A Preferred Shares of US\$0.0001 par value each.

On September 26, 2008, our Company allotted and issued an aggregate of 3,348,439 Series A Preferred Shares and 2,678,752 Series A Preferred Shares to JPMSS and Intel Capital, respectively, for a consideration of US\$25.0 million and US\$20.0 million, respectively, pursuant to a Series A Preferred Share Purchase Agreement dated September 26, 2008 entered into by the parties.

- (e) On April 28, 2010, 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares were allotted and issued to ICBCI Fund Management, Shikumen and Tailwind, respectively, for a consideration of US\$49,999,998.80, US\$5,005,000.60 and US\$5,005,000.60, respectively. On the same date, all Series A Preferred Shares in issue were redeemed and cancelled. The authorized share capital of our Company was reclassified and redesignated to US\$50,000 divided into 482,350,000 Shares of US\$0.0001 par value each and 17,650,000 Series B Preferred Shares of US\$0.0001 par value each on April 28, 2010.
- (f) On September 13, 2010, the authorized share capital was increased to US\$500,000 by the creation of an additional 4,500,000,000 Shares of par value US\$0.0001 each.

Subject to and upon the Offer Price being agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, 554,678 Shares will be issued and allotted to Mr. Howard Chu, the chief financial officer of our Company, pursuant to the Pre-IPO Equity Incentive Plan and a restricted share award agreement between our Company and Mr. Chu dated February 4, 2010 and amended on September 16, 2010. These Shares, together with any additional Shares to be issued pursuant to the Capitalization Issue to Mr. Chu arising from Mr. Chu's interest in these 554,678 Shares, will be subject to a vesting schedule set out in the restricted share award agreement. Please refer to the paragraph headed "H. Options and Restricted Shares granted to Senior Management" in this Appendix VI for further details.

Conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the conversion of the Series B Preferred Shares, the Capitalization Issue, the Over-allotment Option, the Pre-IPO Equity Incentive Plan and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise, in each case, at or before 8:00 a.m. on October 7, 2010 (or such other date and time as may be agreed between the Joint Global Coordinators and our Company in writing), the 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares respectively beneficially owned by ICBCI Fund Management, Shikumen and Tailwind as at the day after the Price Determination Date will be converted, re-designated and re-classified as 14,705,882, 1,472,059 and 1,472,059 ordinary Shares which shall rank *pari passu* in all respects with the existing Shares in issue so that immediately following such conversion, there will only be one single class of Shares in the share capital of our Company and our Company will have an authorized share capital of US\$500,000 divided into 5,000,000,000 Shares. Accordingly, the authorized and issued share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue will consist of ordinary Shares in the share capital of our Company, with a nominal value of US\$0.0001 each.

Assuming that the Global Offering becomes unconditional, the conversion of the Series B Preferred Shares, the issue of the Offer Shares and the issue of Shares pursuant to the Capitalization Issue mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and/or the exercise of subscription rights under any options to be granted under the Pre-IPO Equity Incentive Plan and/or the Share Option Scheme, the authorized share capital of our Company will be US\$500,000 divided into 5,000,000,000 Shares, of which 1,527,046,789 Shares will be issued fully paid or

credited as fully paid, and 3,472,953,211 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 and holders of Series B Preferred Shares passed on September 13, 2010" in this Appendix and pursuant to the Pre-IPO Equity Incentive Plan and the Share Option Scheme, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our 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 prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

Trony HK

(a wholly owned subsidiary of our Company incorporated as a limited liability company in Hong Kong on August 3, 2006)

Authorized share capital

As at September 24, 2008	HK\$10,000 divided into 10,000 shares with par value of HK\$1.00 each
As at September 25, 2008	HK\$10,000 divided into 1,000,000 shares with par value of HK\$0.01 each
As at the Latest Practicable Date	HK\$10,000 share divided into 1,000,000 shares with par value of HK\$0.01 each

Issued share capital

As at September 24, 2008	HK\$2 divided into 2 shares with par value of HK\$1.00 each
As at September 25, 2008	HK\$100 divided into 10,000 shares with par value of HK\$0.01 each
As at the Latest Practicable Date	HK\$100 divided into 10,000 shares with par value of HK\$0.01 each

Trony Science

(an indirect wholly owned subsidiary of our Company incorporated as a wholly owned foreign enterprise in the PRC on September 29, 1993)

Registered capital

As at September 24, 2008	RMB 140,000,000
As at 24 April 2010	RMB 240,000,000
As at the Latest Practicable Date	RMB 240,000,000

Our company has no founder shares, management shares or deferred shares.

Except as set out above, there has been no alteration in the share capital of any of our subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders and holders of Series B Preferred Shares passed on September 13, 2010

Pursuant to the written resolutions of all our Shareholders and holders of Series B Preferred Shares entitled to vote at general meetings of our Company, which were passed on September 13, 2010:

- (a) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the conversion of the Series B Preferred Shares, the Capitalization Issue, the Over-allotment Option, the Pre-IPO Equity Incentive Plan and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise, in each case, at or before 8:00 a.m. on October 7, 2010 (or such other date and time as may be agreed between the Joint Global Coordinators and our Company in writing):
- (i) the 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares beneficially owned by ICBCI Fund Management, Shikumen and Tailwind, respectively, as at the date of this prospectus to be converted in accordance with the Article 4.2 of the amended and restated articles of association of our Company previously adopted by our Company on April 28, 2010 (the "Amended and Restated Articles of Association") to 14,705,882, 1,472,059 and 1,472,059 Shares immediately prior to the listing of the Shares on the date of the listing of the Shares on the Stock Exchange;
 - (ii) the conversion shall be effected by the redemption of the Series B Preferred Shares to be converted followed by the allotment and issue of 14,705,882 Shares to ICBCI Fund Management, 1,472,059 Shares to Shikumen and 1,472,059 Shares to Tailwind receivable upon such conversion in accordance with the provisions of Article 4.2 of Amended and Restated Articles of Association;
 - (iii) our Directors were authorized to effect the conversion of the 14,705,882 Series B Preferred Shares beneficially owned by ICBCI Fund Management, 1,472,059 Series B Preferred Shares beneficially owned by Shikumen and 1,472,059 Series B Preferred Shares beneficially owned by Tailwind by redemption, and to be converted followed by the issue and allotment of 14,705,882 Shares to ICBCI Fund Management, 1,472,059 Shares to Shikumen and 1,472,059 Shares to Tailwind receivable upon such conversion in accordance with the provisions of Article 4.2 of the Amended and Restated Articles of Association, which shall rank *pari passu* in all respects with the existing Shares in issue; and
 - (iv) all the Shares in the share capital of our Company shall upon conversion of all Series B Preferred Shares form one single class of Shares ranking *pari passu* in all respects with each other;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the conversion of the Series B Preferred Shares, the Capitalization Issue, the Over-allotment Option, the Pre-IPO Equity Incentive Plan and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise, in

each case, at or before 8:00 a.m. on October 7, 2010 (or such other date and time as may be agreed between the Joint Global Coordinators and our Company in writing):

- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;
 - (ii) the rules of the Pre-IPO Equity Incentive Plan, the principal terms of which are set out in the paragraph headed "Pre-IPO Equity Incentive Plan" in this Appendix were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe to Shares thereunder and to allot and issue Shares pursuant to the exercise of subscription rights under any options granted under the Pre-IPO Equity Incentive Plan and to take all such actions as they consider necessary and/or desirable to implement and give effect to the Pre-IPO Equity Incentive Plan;
 - (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify or amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe to Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue (as defined below), or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options which have been granted under the Pre-IPO Equity Incentive Plan or under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before any exercise of the Over-allotment Option;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe to shares open for a period fixed by our Directors to holders of Shares in our Company on the register on a fixed record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or

obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option;
- (e) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option was approved;
- (f) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to allot and issue a total of 1,063,842,111 Shares, by way of Capitalization of the sum of US\$106,384.22 standing to the credit of the share premium account of our Company, credited as fully paid at par to the Shareholders and holders of the Series B Preferred Shares as appearing on the register of members of our Company on the day after the Price Determination Date, i.e. Lakes Invest Limited as to 487,530,000 Shares, Sky Sense Investments Limited as to 70,918,119 Shares, Build Up International Investments Limited as to 183,780,000 Shares, ICBCI Fund Management as to 132,352,938 Shares, Shikumen as to 13,248,531 Shares, Tailwind as to 13,248,531 Shares, ICBC International Strategic Investment Limited as to 39,705,885 Shares, Wang Mei Po as to 45,701,000 Shares, Warshaw Holdings Limited as to 20,704,896 Shares, Lai Ting Liu as to 14,850,000 Shares, Wellink Management Limited as to 13,500,000 Shares, Tang&Lee as to 23,310,000 Shares and Howard Chu as to 4,992,111 Shares; and
- (g) the authorized share capital of our Company was increased to US\$500,000 by the creation of an additional 4,500,000,000 Shares of par value US\$0.0001 each;
- (h) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the conversion of the Series B Preferred Shares, the Capitalization Issue, the Over-allotment Option, the Pre-IPO Equity Incentive Plan and the Share Option Scheme) as mentioned in the Prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise; and (iii) the conversion of the Series B Preferred Shares on the terms thereof:
- (i) the authorized share capital of our Company of US\$500,000 divided into 4,982,350,000 Shares of par value US\$0.0001 each and 17,650,000 Series B Preferred Shares of US\$0.0001 par value each be reclassified and re-designated to 5,000,000,000 Shares of par value US\$0.0001 each; and

- (ii) the Memorandum and the Articles be adopted in substitution for and to the exclusion of the amended and restated memorandum of association of our Company previously adopted by our Company on April 28, 2010 and the Amended and Restated Articles of Association with effect from the date on which the Shares are listed on the Stock Exchange.

Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) 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
- (3) the time when such mandate is varied or revoked by an ordinary resolution of our shareholders in a general meeting.

5. Repurchase of our Shares

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

(1) Provisions of the Listing Rules

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

(i) Shareholders' approval

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

Pursuant to the written resolutions passed on September 13, 2010 by all of our Shareholders and holders of Series B Preferred Shares, a general unconditional mandate (the "**Repurchase 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 Global Offering, details of which have been described above in the paragraph headed "Written resolutions of our Shareholders and holders of Series B Preferred Shares passed on September 13, 2010".

(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 Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares 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.

(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.

(2) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our shareholders for our 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 our Shareholders.

(3) Funding of repurchases

In repurchasing Shares, 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 our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our 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 compared with the position disclosed in this prospectus. However, our 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 our Directors are from time to time appropriate for us.

(4) General

None of our 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 us.

Our 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 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 could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our 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 has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to rationalise our structure and prepare for the Listing, we have undertaken several restructuring steps which involved in the followings:

Our Company, previously known as Super Bonus Limited, was incorporated in the Cayman Islands on June 23, 2006 to act as the holding company of our Group. At the time of our incorporation, Offshore Incorporations (Cayman) Limited held the one subscriber share of US\$1.00 par value in our Company.

On August 3, 2006, Trony HK was incorporated in the BVI and was held as to 50% by Mr. Li and 50% by Guo Ying Ru on behalf of Mr. Li pursuant to a declaration of trust dated September 6, 2006.

On September 6, 2006, Trony HK entered into an equity transfer agreement with Mr. Li, Ms. Yiyang Zhang, Ms. Ying Li and Chuangyixing for the acquisition of the entire equity interest in Trony Science at a consideration of

RMB40 million. Pursuant to a supplemental equity transfer agreement entered November 3, 2006, the parties subsequently agreed to reduce the consideration to RMB20 million. On September 29, 2006, Trony Science was converted into a wholly foreign-owned enterprise of Trony HK.

Pursuant to an instrument of transfer entered into between our Company and Mr. Li on November 17, 2006 and an instrument of transfer entered into between our Company and Ms. Yingru Guo, a nominee of Mr. Li, on November 17, 2006, our Company acquired the entire equity interest in Trony HK from Mr. Li and Ms. Yingru Guo for a nominal consideration.

On November 17, 2006, Offshore Incorporations (Cayman) Limited transferred the one subscriber share of US\$1.00 par value in our Company to Lakes Invest, and our Company allotted and issued an additional 554 shares of US\$1.00 each to Lakes Invest for a subscription price of US\$1.00 per share. On the same date, our Company allotted and issued 185 and 260 shares of US\$1.00 each to Sky Sense and Build Up, respectively, for a subscription price of US\$1.00 per share. At that time, Sky Sense was wholly owned by Mr. Li. The entire equity interest of Lakes Invest was beneficially owned by Mr. Li, which he directly owned 73% and indirectly owned 20% through Ms. Yiyang Zhang, his mother, who held such interest on his behalf pursuant to a declaration of trust dated July 5, 2006, and 7% through Ms. Ying Li, his sister, who held such interest on his behalf pursuant to a declaration of trust dated July 5, 2006. Build Up was owned as to 50% by Kam Sze Lau and as to 50% by Yiling Huang.

In preparation for the investments by JPMSS and Intel Capital, we restructured our share capital on September 23, 2008 by subdividing each of our shares of US\$1.00 par value into 10,000 shares of US\$0.0001 par value each. Immediately after the subdivision, we issued 49,950,000 Shares, 16,650,000 Shares and 23,400,000 Shares to Lakes Invest, Sky Sense and Build Up, respectively, for a subscription price of US\$0.0001 per share.

On September 23, 2008, subsequent to the aforesaid subdivision of our shares, Lakes Invest transferred 50,000 and 1,100,000 shares of US\$0.0001 each to Ellipsis Limited and Liu Lai Ting, respectively. On the same date, Build Up transferred 2,000,000 shares of US\$0.0001 each to Ellipsis Limited, and Ellipsis Limited subsequently transferred 550,000 shares of US\$1.00 each to Liu Lai Ting. On the same date, we also allotted and issued an aggregate of 1,122,871 shares of US\$1.00 each to Liu Lai Ting for a subscription price of US\$2 million plus RMB5 million. On the same date, Lakes Invest also transferred 180,000 shares of US\$0.0001 to Warsaw Holdings Limited. As a result of the above share transfers, Ellipsis Limited, Liu Lai Ting, Warsaw Holdings Limited became the shareholders of our Company.

Trony HK restructured its share capital on September 25, 2008 by subdividing each of its shares of HK\$1.00 par value into 100 shares of HK\$0.01 par value each. Immediately after the subdivision, Trony HK issued 9,800 shares of HK\$0.01 par value to us for a subscription price of HK\$0.01 per share.

On September 25, 2008, the authorized share capital of our Company was redesignated and reclassified into 493,972,809 ordinary shares of US\$0.0001 par value each and 6,027,191 redeemable Series A Preferred Shares of US\$0.0001 par value each.

Pursuant to a Series A Preferred Share Purchase Agreement entered into by and among our Company, Trony HK, Trony Science, all of the then shareholders of our Company and the Series A Shareholders on September 26, 2008, we allotted and issued 3,348,439 and 2,678,752 Series A Preferred Shares to JPMSS and Intel Capital, respectively, for an aggregate consideration of US\$25 million and US\$20 million, respectively.

On August 6, 2009, 1,122,871 ordinary shares of our Company previously issued to Liu Lai Ting were forfeited due to Liu Lai Ting's failure to pay the subscription price in respect of such shares.

On October 27, 2009, Sky Sense transferred 497,900 and 2,120,544 ordinary shares of our Company of US\$0.0001 each to Wang Mei Po and Warsaw Holdings Limited, respectively. On the same date, Build Up

transferred 3,180,000 ordinary shares of our Company of US\$0.0001 each to Wang Mei Po; and Ellipsis Limited transferred 1,500,000 ordinary shares of our Company of US\$0.0001 each to Wellink Management Limited. As a result of the above share transfers, Ellipsis Limited ceased to be a shareholder of our Company and Wellink Management Limited became a shareholder of our Company.

On 17 November 2009, Mr. Li transferred 73 ordinary shares of US\$1.00 each in the share capital of Lakes Invest to Spring Shine, Ms. Ying Li transferred 7 ordinary shares of US\$1.00 each in the share capital of Lakes Invest to Spring Shine and Ms. Yiyiang Zhang transferred 20 ordinary shares of US\$1.00 each in the share capital of Lakes Invest to Spring Shine.

On the same date, Spring Shine also acquired the one 1 ordinary share of US\$1.00 each in the share capital of Sky Sense held by Mr. Li, representing the entire issued share capital of Sky Sense.

As at 17 November 2009, Spring International was owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust. The Li Family Trust is a discretionary trust set up by Mr. Li, the beneficiary objects of which include the immediate family members of Mr. Li. Mr. Li is the settlor of the Li Family Trust.

On April 28, 2010, 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares were allotted and issued to ICBCI Fund Management, Shikumen and Tailwind, respectively, for a consideration of US\$49,999,998.80, US\$5,005,000.60 and US\$5,005,000.60, respectively. The authorized share capital of our Company was reclassified and redesignated to US\$50,000 divided into 482,350,000 Shares of US\$0.0001 par value each and 17,650,000 redeemable Series B Preferred Shares of US\$0.0001 par value each on April 28, 2010. On the same date, all Series A Preferred Shares in issue were redeemed and cancelled.

As at May 26, 2010, immediately prior to the transfer of Shares from Sky Sense to ICBC International Strategic Investment Limited as described below, Lakes Invest had an outstanding loan in the aggregate principal amount of US\$30.0 million with ICBC International Finance Ltd. On May 26, 2010, in consideration for ICBC International Finance Ltd. canceling US\$15.0 million of the principal amount of the said loan, Sky Sense, at the direction of Lakes Invest, transferred 4,411,765 Shares to an affiliate of ICBC International Finance Ltd., ICBC International Strategic Investment Limited.

On May 27, 2010 Sky Sense transferred 2,590,000 Shares to Tang&Lee. Tang&Lee is held as to 60% by Guanghua Liu and as to 40% by Yan Wang. Guanghua Liu and Yan Wang are Independent Third Parties. On the same date, Sky Sense transferred 1,000,000 Shares to Wang Mei Po and Build Up transferred 400,000 Shares to Wang Mei Po.

On September 13, 2010, the authorized share capital was increased to US\$500,000 by the creation of an additional 4,500,000,000 Shares of par value US\$0.0001 each.

Conditional on the closing of the Global Offering (not taking into account the exercise of the Over-allotment Option), the 14,705,882, 1,472,059 and 1,472,059 Series B Preferred Shares respectively beneficially owned by ICBCI Fund Management, Shikumen and Tailwind as at the date of this prospectus will be converted, re-designated and re-classified as 14,705,882, 1,472,059 and 1,472,059 ordinary Shares which shall rank *pari passu* in all respects with the existing Shares in issue so that immediately following such conversion, there will only be one single class of Shares in the share capital of our Company and our Company will have an authorized share capital of US\$500,000 divided into 5,000,000,000 Shares.

Subject to and upon the Offer Price being agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, 554,678 Shares will be issued and allotted to Mr. Howard Chu, the chief financial officer of our Company, pursuant to the Pre-IPO Equity Incentive Plan and a restricted share award agreement between our Company and Mr. Chu dated February 4, 2010 and amended

on September 16, 2010. These Shares, together with any additional Shares to be issued pursuant to the Capitalization Issue to Mr. Chu arising from Mr. Chu's interest in these 554,678 Shares, will be subject to a vesting schedule set out in the restricted share award agreement. Please refer to the paragraph headed "H. Options and Restricted Shares granted to Senior Management" in this Appendix VI for further details.

Conditional on our share premium account being credited as a result of the Global Offering, the sum of US\$106,384.22 will be capitalized and apply in paying up in full at par 487,530,000 Shares to Lakes Invest, 70,918,119 Shares to Sky Sense, 183,780,000 Shares to Build Up, 20,704,896 Shares to Warshaw Holdings Limited, 14,850,000 Shares to Liu Lai Ting, 45,701,000 Shares to Wang Mei Po, 13,500,000 Shares to Wellink Management Limited, 23,310,000 Shares to Tang&Lee, 132,352,938 Shares to ICBCI Fund Management, 39,705,885 Shares to ICBC International Strategic Investment Limited, 13,248,531 Shares to Shikumen, 13,248,531 Shares to Tailwind and 4,992,111 Shares to Howard Chu, and such Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued Shares of our Company.

C. FURTHER INFORMATION ABOUT OUR 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 our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a Series A Preferred Share Purchase Agreement entered into among our Company, Trony HK, Trony Science, Mr. Li, Sky Sense, Build Up, Ellipsis Limited, Warshaw Holdings Limited, Liu Lai Ting, Lakes Invest, JPMSS and Intel Capital, dated September 26, 2008 in relation to the sale and issuance of up to 6,027,191 Series A Preferred Shares at a per share price of US\$7.4662 (the "Series A Agreement");
- (b) an investors' rights agreement entered into pursuant to the Series A Agreement between our Company, Mr. Li, Lakes Invest, Sky Sense, Build Up, Ellipsis Limited, Warshaw Holdings Limited, Liu Lai Ting, JPMSS and Intel Capital dated September 26, 2008 in relation to certain rights of holders of the Series A Preferred Shares in connection with the subscription of the Series A Preferred Shares;
- (c) a subordination agreement dated September 26, 2008 entered into among our Company, Trony HK, Trony Science, JPMSS, Intel Capital and Jinjiang City Weili Weaving Manufacturing Industry Co., Ltd. in relation to the Series A Agreement;
- (d) an equity interest pledge dated September 26, 2008 entered into among Trony HK as the pledgor, JPMSS and Intel Capital as the pledgees and Trony Science in relation to the Series A Agreement pursuant to which 13.25% of the equity interest of the Trony Science owned by the pledgor are pledged to the pledgees;
- (e) a share charge dated September 26, 2008 entered into among our Company as the chargor, and JPMSS and Intel Capital as the chargees in relation to the Series A Agreement pursuant to which the 1,325 ordinary shares of Trony HK registered in the name of the chargor are charged in favor of the chargees;
- (f) a share charge dated September 29, 2008 entered into among Sky Sense as the chargor, and JPMSS and Intel Capital as the chargees and our Company in relation to the Series A Agreement pursuant to which the 13,398,780 ordinary shares of our Company registered in the name of the chargor are charged in favor of the chargees;

- (g) an escrow agreement entered into on September 25, 2008, by and among our Company, JPMSS, Intel Capital, and JPMorgan Chase Bank, N.A. in relation to the Series A Agreement for the appointment of JPMorgan Chase Bank, N.A. as the escrow agent;
- (h) an intellectual property license agreement dated September 29, 2008 between Mr. Li and Trony Science ("License Agreement") entered into pursuant to the Series A Agreement as described in paragraph (a) above, pursuant to which Mr. Li agreed to grant Trony Science an exclusive, unconditional, irrevocable, royalty-free and transferable license of the right to use all intellectual property ("Licensed IP") used in connection with the business of Trony Science from the date of the License Agreement until Mr. Li has transferred to Trony Science any and all legal and beneficial interest in the Licensed IP;
- (i) a supplemental intellectual property license agreement dated June 30, 2009 between Mr. Li and Trony Science to supplement the License Agreement, pursuant to which the License Agreement was renewed and Mr. Li granted exclusive right to use certain new patents to Trony Science;
- (j) a waiver entered into among our Company, JPMSS and Intel Capital dated August 14, 2009 in relation to the Series A Agreement pursuant to which each of the Purchasers (as defined in the Series A Agreement as described in the paragraph (a) above) agreed to waive certain requirements in the Series A Agreement as described in paragraph (a) above;
- (k) a registration rights agreement among our Company, ICBC International Finance Ltd., ICBC International Overseas Investment Ltd., JPMSS, and Intel Capital, dated October 12, 2009 in relation to the deed of share charge as described in paragraph (m) below;
- (l) an amendment and restatement deed entered into by and among our Company as chargor, JPMSS and Intel Capital as senior chargees and ICBC International Finance Ltd. as junior chargee dated October 12, 2009, pursuant to which the share charge dated September 26, 2008 between our Company and the senior chargees was amended;
- (m) a deed of share charge dated October 12, 2009 entered into by Lakes Invest as the chargor and our Company in favour of ICBC International Finance Ltd. as the chargee pursuant to which 15,904,078 ordinary shares of our Company registered in the name of the chargor are charged in favour of the chargee in relation to a loan agreement between our Company and the chargee;
- (n) a letter agreement among our Company, JPMSS and Intel Capital, dated November 23, 2009 in relation to the investors' rights agreement as described in paragraph (b) above;
- (o) a Series B Preferred Share Purchase Agreement among our Company, Trony HK, Trony Science, Mr. Li, Sky Sense, Build Up, Lakes Invest and the Series B Shareholders dated April 23, 2010 in relation to the sale and issuance of up to 17,650,000 Series B Preferred Shares at a per share price of US\$3.40 (the "Series B Agreement");
- (p) an investors' rights agreement entered into pursuant to the Series B Agreement between our Company, Mr. Li, Build Up, Liu Lai Ting, Lakes Invest, Sky Sense, Wang Mei Po, Warsaw Holdings Limited, Wellink Management Limited, and the Series B Shareholders dated April 28, 2010 in relation to certain rights of the Series B Shareholders with respect to the Series B Preferred Shares;
- (q) a subordination agreement dated April 28, 2010 entered into pursuant to the Series B Agreement, entered into among our Company, Trony HK, Trony Science, the Series B Shareholders and Jinjiang City Weili Weaving Manufacturing Industry Co., Ltd. in relation to the Series B Agreement;
- (r) an equity interest pledge dated April 28, 2010 entered into among Trony HK as the pledgor, the Series B Shareholders as the pledgees and Trony Science pursuant to which 20% the equity interest of Trony Science owned by the pledgor are pledged to the pledgees;


- (s) a deed of share charge dated April 28, 2010 entered into among our Company as the chargor, and the Series B Shareholders as the chargees pursuant to which the 2,000 ordinary shares of Trony HK registered in the name of the chargor are charged in favour of the chargees;
- (t) a share charge dated April 28, 2010 entered into among Lakes Invest as the chargor, and the Series B Shareholders as the chargees and our Company pursuant to which the 23,529,412 ordinary shares of our Company registered in the name of the chargor are charged in favour of the chargees;
- (u) an escrow agreement entered into on April 28, 2010, by and among our Company, JPMSS, Intel Capital, the Series B Shareholders and Citibank, N.A., Hong Kong Branch in relation to the Series B Agreement for the appointment of Citibank, N.A., Hong Kong Branch as the escrow agent;
- (v) a deed of release by JPMSS and Intel Capital in favour of Sky Sense and our Company dated April 28, 2010 pursuant to which the share charge as described in paragraph (f) above was released;
- (w) an equity interest pledge dated May 26, 2010 entered into among Trony HK as the pledgor, ICBC International Strategic Investment Ltd. as the pledgee and Trony Science in relation to a loan lent by ICBC International Finance Ltd. to Lakes Invest, pursuant to which 5% the equity interest of the Trony Science owned by the pledgor are pledged to the plegee;
- (x) a share charge dated May 26, 2010 entered into by our Company as the chargor in favour of ICBC International Strategic Investment Ltd. as the chargee in relation to a loan lent by ICBC International Finance Ltd. to Lakes Invest, pursuant to which 500 ordinary shares of Trony HK registered in the name of the chargor are charged in favour of the chargee;
- (y) a deed of share charge dated May 26, 2010 entered into by Lakes Invest as the chargor and our Company in favour of ICBC International Strategic Investment Ltd. as the chargee in relation to a loan lent by ICBC International Finance Ltd. to Lakes Invest, pursuant to which 5,882,353 ordinary shares of our Company registered in the name of the chargor are charged in favour of the chargee;
- (z) a deed of release by ICBC International Finance Ltd. as the chargee in favour of Lakes Invest as the chargor and our Company dated May 26, 2010 pursuant to which the charge over 7,952,039 Shares under the deed of share charge as described in paragraph (m) above was released;
- (aa) a deed of release by ICBC International Finance Ltd. in favour of our Company dated May 26, 2010 pursuant to which the charge over 663 ordinary shares in Trony HK under the share charge as amended by the amendment and restatement deed as described in paragraph (l) above was released;
- (bb) an amendment entered into by Trony HK, Trony Science and the Series B Shareholders dated May 26, 2010 pursuant to which the equity pledge as described in paragraph (r) was amended;
- (cc) an amendment entered into by our Company and the Series B Shareholders dated May 26, 2010 pursuant to which the share charge as described in paragraph (s) was amended;
- (dd) an amendment entered into by Lakes Invest, our Company and the Series B Shareholders dated May 26, 2010 pursuant to which the share charge as described in paragraph (t) was amended;
- (ee) an investors' rights agreement dated May 26, 2010 entered into between our Company, Mr. Li, Build Up, ICBC International Strategic Investment Ltd., Liu Lai Ting, Lakes Invest, Sky Sense, Wang Mei Po, Warsaw Holdings Limited, Wellink Management Limited, and the Series B Shareholders, pursuant to which the investors' rights agreement referred to in paragraph (p) above was replaced in its entirety by this agreement;
- (ff) a deed of undertaking by Mr. Li and our Company in favour of the Series B Shareholders and ICBC International Strategic Investment Ltd. dated August 16, 2010 in relation to, among other things, certain restrictions in issuing new shares by our Company;





- (gg) a discharge and release agreement by the Series B Shareholders in favour of our Trony HK and Trony Science dated August 16, 2010, pursuant to which the equity pledge as described in paragraph (r) was discharged and released;
- (hh) a deed of release by the Series B Shareholders in favour of our Company dated August 16, 2010, pursuant to which the share charge as described in paragraph (s) was released;
- (ii) a discharge and release agreement by the ICBC International Strategic Investment Ltd. in favour of Trony HK and Trony Science dated August 16, 2010, pursuant to which the equity pledge as described in paragraph (w) was discharged and released;
- (jj) a deed of release by the ICBC International Strategic Investment Ltd. in favour of our Company dated August 16, 2010, pursuant to which the share charge as described in paragraph (x) was released;
- (kk) a cornerstone investment agreement dated September 14, 2010 entered into among our Company, the Joint Global Coordinators and Hong Kong Sincere Investment Limited, pursuant to which Hong Kong Sincere Investment Limited agreed to subscribe for such maximum number of our Shares as may be purchased with US\$15 million at the Offer Price;
- (ll) a cornerstone investment agreement dated September 19, 2010 entered into among our Company, the Joint Global Coordinators and China Huadian Capital Holdings Ltd.* (中國華電集團資本控股有限公司), pursuant to which China Huadian Capital Holdings Ltd.* agreed to subscribe for such maximum number of our Shares as may be purchased with US\$15 million at the Offer Price;
- (mm) a non-competition undertaking dated September 21, 2010 entered into by the Controlling Shareholders in favour of our Company;
- (nn) a deed of indemnity dated September 21, 2010 entered into between the Controlling Shareholders and our Company for itself and as trustee for its subsidiaries, under which each of the Controlling Shareholders has given certain indemnities in favour of our Group containing, among others, the indemnities referred to the sub-paragraph headed "Estate Duty and tax Indemnity" under the paragraph headed "Other Information" in this Appendix; and
- (oo) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group







Trademarks

As at the Latest Practicable Date, we have the right to use the following trademarks:

Trademark	Registrant	Place of Registration	Class	Registration Number	Expiry Date
	Trony Science	PRC	9	854498	July 13, 2016
TRONY	Trony Science	PRC	19	1146098	January 27, 2018
TRONY	Trony Science	PRC	11	1146864	January 27, 2018
德乐 TRONY	Trony Science	PRC	9	1983586	August 6, 2012
创益	Trony Science	PRC	19	3943129	August 20, 2016

Trademark	Registrant	Place of Registration	Class	Registration Number	Expiry Date
	Trony Science	PRC	19	4905892	March 13, 2019
	Trony Science	PRC	11	4905895	September 6, 2018
	Trony Science	PRC	19	4905894	March 13, 2019
	Trony Science	PRC	9	5147365	March 20, 2019
TRONY	Trony Science	Madrid	9	967966	March 31, 2018
TRONY	Trony Science	Japan	9	967966	April 17, 2019

As at the Latest Practicable Date, applications have been made for the registration of the following trademarks:

Trademark	Applicant	Place of Application	Class	Application Number	Application Date
创益	Trony Science	PRC	9	4905891	September 20, 2005
	Trony Science	PRC	9	4905893	September 20, 2005
	Trony Science	PRC	42	6788762	June 18, 2008
	Trony Science	PRC	41	6788763	June 18, 2008
	Trony Science	PRC	40	6788764	June 18, 2008
	Trony Science	PRC	37	6788765	June 18, 2008
	Trony Science	PRC	45	6788766	June 18, 2008

Domain Names

As at the Latest Practicable Date, we have registered the following domain names:

Registrant	Domain Name	Date of Registration
Trony Science	trony.com	March 12, 1997

Patents

As at the Latest Practicable Date, we have the right to use the following patents:

Type	Registrant	Place of Registration	Patent Number	Effective Period
Invention	Trony Science	PRC	ZL 95 1 04992.5	February 22, 1997 to February 21, 2017
Invention	Trony Science	PRC	ZL 03 1 34829.7	September 7, 2005 to September 6, 2025
Invention	Trony Science	PRC	ZL 2004 1 0028002.8	May 10, 2006 to May 9, 2026
Invention ⁽¹⁾	Mr. Li	PRC	ZL 2005 1 0034904.7	September 20, 2006 to September 19, 2026
Invention	Trony Science	PRC	ZL 2004 1 0026828.0	September 20, 2006 to September 19, 2026
Invention ⁽¹⁾	Mr. Li	PRC	ZL 2006 1 0063759.X	January 5, 2007 to January 4, 2027
Invention ⁽¹⁾	Mr. Li	PRC	ZL 2005 1 0100696.6	January 9, 2008 to January 8, 2028
Invention	Trony Science	PRC	ZL 2004 1 0051144.6	January 23, 2008 to January 22, 2028
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200510033425.3	October 29, 2008 to October 28, 2028
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200710075880.9	December 31, 2008 to December 30, 2028
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200610061349.1	February 25, 2009 to February 24, 2029
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200610061259.2	February 28, 2009 to February 27, 2029
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200610062643.4	March 25, 2009 to March 24, 2029
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200710072812.7	June 24, 2009 to June 23, 2029
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200710125207.1	September 2, 2009 to September 1, 2029
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200710305817.X	September 2, 2009 to September 1, 2029
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200710073014.6	December 9, 2009 to December 8, 2029
Invention ⁽¹⁾	Mr. Li	PRC	ZL 200810141726.1	June 23, 2010 to June 22, 2030

Type	Registrant	Place of Registration	Patent Number	Effective Period
Utility Model	Trony Science	PRC	ZL 01 2 02666.2	January 9, 2002 to January 8, 2012
Utility Model	Trony Science	PRC	ZL 01 2 27971.4	May 22, 2002 to May 21, 2012
Utility Model	Trony Science	PRC	ZL 01 2 26030.4	June 26, 2002 to June 25, 2010
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 02 2 26039.0	December 11, 2002 to December 10, 2012
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 02 2 49529.0	December 10, 2003 to December 9, 2013
Utility Model	Trony Science	PRC	ZL 03 2 26314.7	December 8, 2004 to December 7, 2014
Utility Model	Trony Science	PRC	ZL 03 2 0132017.X	January 12, 2005 to January 11, 2015
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2004 2 0048717.5	April 6, 2005 to April 5, 2015
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2004 2 0002267.6	June 15, 2005 to June 14, 2015
Utility Model	Trony Science	PRC	ZL 2004 2 0044723.3	July 6, 2005 to July 5, 2015
Utility Model	Trony Science	PRC	ZL 2004 2 0083016.5	March 1, 2006 to February 29, 2016
Utility Model	Trony Science	PRC	ZL 2005 2 0055355.7	July 26, 2006 to July 25, 2016
Utility Model	Trony Science	PRC	ZL 2005 2 0059062.6	September 13, 2006 to September 12, 2016
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2005 2 0067166.1	November 8, 2006 to November 7, 2016
Utility Model	Trony Science	PRC	ZL 2005 2 0066324.1	December 27, 2006 to December 26, 2016
Utility Model	Trony Science	PRC	ZL 2005 2 0059420.3	January 10, 2007 to January 9, 2017
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2005 2 0120752.8	April 4, 2007 to April 3, 2017
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2005 2 0120817.9	May 23, 2007 to May 22, 2017
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2006 2 0014309.7	July 25, 2007 to July 24, 2017

Type	Registrant	Place of Registration	Patent Number	Effective Period
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2006 2 0017543.5	September 19, 2007 to September 18, 2017
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2006 2 0014750.5	September 19, 2007 to September 18 2017
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2007 2 0117914.1	January 2, 2008 to January 1, 2018
Utility Model	Mr. Li	PRC	ZL 2007 2 0118501.5	January 23, 2008 to January 22, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2007 2 0118154.6	March 19, 2008 to March 18, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2006 2 0144550.1	March 19, 2008 to March 18, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2007 2 0119927.2	May 14, 2008 to May 13, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 2007 2 0121584.3	May 28, 2008 to May 27, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720121394.1	July 18, 2008 to July 17, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720122239.1	July 18, 2008 to July 17, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720122312.5	July 18, 2008 to July 17, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720174556.8	July 18, 2008 to July 17, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720171857.5	July 18, 2008 to July 17, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720171858.X	July 2, 2008 to July 1, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720172466.5	September 10, 2008 to September 9, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720172723.5	October 1, 2008 to September 30, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720196120.9	October 8, 2008 to October 7, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720196552.X	October 22, 2008 to October 21, 2018
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200720196551.5	October 22, 2008 to October 21, 2018

Type	Registrant	Place of Registration	Patent Number	Effective Period
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820146976.X	May 27, 2009 to May 26, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820146974.0	May 27, 2009 to May 26, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820146975.5	May 27, 2009 to May 26, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 20082021955.3	June 24, 2009 to June 23, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820212274.7	June 24, 2009 to June 23, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820147416.6	June 24, 2009 to June 23, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820212273.2	September 9, 2009 to September 8, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820213462.1	September 9, 2009 to September 8, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820213836.X	September 16, 2009 to September 15, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820234961.9	October 28, 2009 to October 27, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820235306.5	October 28, 2009 to October 27, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200820235307.X	October 28, 2009 to October 27, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200920129615.9	December 9, 2009 to December 8, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200920129643	December 9, 2009 to December 8, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200920129431.2	December 9, 2009 to December 8, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200920129504.8	December 9, 2009 to December 8, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200920129430.8	December 23, 2009 to December 22, 2019
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200920130775.5	March 31, 2010 to March 30, 2020
Utility Model ⁽¹⁾	Mr. Li	PRC	ZL 200920134780.3	May 26, 2010 to May 25, 2020
Utility Model ⁽¹⁾	Trony Science	PRC	ZL 200920205340.2	June 30, 2010 to June 29, 2020

Type	Registrant	Place of Registration	Patent Number	Effective Period
Packaging Design	Trony Science	PRC	ZL 033205132	January 28, 2004 to January 27, 2014
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2004 3 0043956.7	January 26, 2005 to January 25, 2015
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2004 3 0092036.4	April 20, 2005 to April 19, 2015
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2004 3 0067016.1	August 10, 2005 to August 9, 2015
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2004 3 0043955.2	January 25, 2006 to January 24, 2016
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2005 3 0076475.0	August 9, 2006 to August 8, 2016
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2005 3 0076476.5	September 6, 2006 to September 5, 2016
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2005 3 0076501.X	October 18, 2006 to October 17, 2016
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2006 3 0016976.4	March 14, 2007 to March 13, 2017
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2006 3 0155458.0	November 28, 2007 to November 27, 2017
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2007 3 0130817.1	January 30, 2008 to January 29, 2018
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 2006 3 0155457.6	March 19, 2008 to March 18, 2018
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 200730170528.4	July 16, 2008 to July 15, 2018
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 200730173764.1	August 13, 2008 to August 12, 2018
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 200730170909.2	October 29, 2008 to October 28, 2018
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 200830154687.X	September 16, 2009 to September 15, 2019
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 200830154688.4	October 14, 2009 to October 13, 2019
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 200830154686.5	October 14, 2009 to October 13, 2019
Packaging Design ⁽¹⁾	Mr. Li	PRC	ZL 200920129430.8	December 16, 2009 to December 15, 2019

Note:

- (1) Pursuant to an intellectual property license agreement dated September 29, 2008 and a supplemental intellectual property license agreement dated June 30, 2009 between Mr. Li and Trony Science, Mr. Li agreed to grant Trony Science an exclusive, unconditional, irrevocable, royalty-free and transferrable license of the right to use these patents in the design, development, management, manufacturing, assembly, installation, commissioning, operation, maintenance and repair of products of Trony Science as now designed, developed, manufactured, assembled and as presently proposed to be designed, developed, manufactured, assembled anywhere in the world, from the date of the license agreement until Mr. Li has transferred to Trony Science all legal and beneficial interests in these patents. The said license agreement and supplemental license agreement were not filed with relevant patent registration authorities.

As at the Latest Practicable Date, applications have been made for the registration of the following patent:

Type	Applicant	Place of Application	Application Number	Application Date
Invention	Mr. Li	PRC	200510101146.6	November 4, 2005
Invention	Mr. Li	PRC	200710074258.6	April 29, 2007
Invention	Mr. Li	PRC	200710075269.6	July 25, 2007
Invention	Mr. Li	PRC	200710148695.8	August 31, 2007
Invention	Mr. Li	PRC	200710305818.4	December 27, 2007
Invention	Mr. Li	PRC	200810067105.3	May 7, 2008
Invention	Mr. Li	PRC	200810141727.6	August 29, 2008
Invention	Mr. Li	PRC	200810141725.7	August 29, 2008
Invention	Mr. Li	PRC	200810217634.7	November 24, 2008
Invention	Mr. Li	PRC	200810218323.2	December 12, 2008
Invention	Mr. Li	PRC	200810241339.5	December 18, 2008
Invention	Mr. Li	PRC	200910105067.0	January 15, 2009
Invention	Mr. Li	PRC	200910106676.8	April 17, 2009
Utility Model	Mr. Li	PRC	201020125672.2	March 8, 2010
Invention	Trony Science	PRC	200910109822.2	November 23, 2009
Utility Model	Trony Science	PRC	200920260640.0	November 23, 2009
Invention	Trony Science	PRC	200910239062.7	December 28, 2009
Utility Model	Trony Science	PRC	200920262188.1	December 28, 2009
Utility Model	Trony Science	PRC	200920262189.6	December 28, 2009
Utility Model	Trony Science	PRC	201020103653.X	January 25, 2010
Utility Model	Trony Science	PRC	201020103654.4	January 25, 2010

Type	Applicant	Place of Application	Application Number	Application Date
Utility Model	Trony Science	PRC	201020103652.5	January 25, 2010
Utility Model	Mr. Li	USA	11/419,498	May 21, 2006
Utility Model	Mr. Li	Japan	2006-144312	May 24, 2006
Utility Model	Mr. Li	German	102006024714.0	May 26, 2006
Invention	Trony Science	PRC	201010141222.7	April 1, 2010
Utility Model	Trony Science	PRC	201020197886.0	May 20, 2010
Invention	Trony Science	PRC	201010178714.3	May 20, 2010
Invention	Trony Science	PRC	201010198736.6	June 11, 2010
Invention	Trony Science	PRC	201010198710.1	June 11, 2010
Invention	Trony Science	PRC	201010198739.x	June 11, 2010
Invention	Trony Science	PRC	201010198723.9	June 11, 2010
Invention	Trony Science	PRC	201010198688.0	June 11, 2010
Utility Model	Trony Science	PRC	201020223591.6	June 11, 2010
Utility Model	Trony Science	PRC	201020223573.8	June 11, 2010
Utility Model	Trony Science	PRC	201020223571.9	June 11, 2010
Utility Model	Trony Science	PRC	201020223593.5	June 11, 2010
Utility Model	Trony Science	PRC	201020223606.9	June 11, 2010
Invention	Trony Science	PRC	201010198753.x	June 11, 2010
Utility Model	Trony Science	PRC	201020223607.3	June 11, 2010
Utility Model	Trony Science	PRC	201020238307.2	June 25, 2010

3. Further information about our PRC subsidiary

Trony Science

- (i) nature of the company..... Wholly foreign-owned enterprise
- (ii) term of business operation..... 50 years commencing on September 29, 1993 and expiring on September 29, 2056
- (iii) total investment..... RMB680,000,000
- (iv) registered capital RMB240,000,000
- (v) attributable interest of the company 100%

- (vi) scope of business Manufactures and sells solar batteries and products, solar-electrical products, solar energy construction parts, solar powered lighting systems, solar power supply system, and consolidated construction solar power systems, provision of related technical consultancy and technical support. Import and export (excluding distribution). Transportation of the self-manufactured products (subject to the road transportation operation license which will expire on September 30, 2012).
- (vii) legal representative..... Mr. Li

D. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Directors' service contracts

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing 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 our non-executive Director and independent non-executive Directors has entered into a service contract with us for an initial fixed term of two years commencing from the Listing 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.

All reasonable travelling, accommodation and other out-of-pocket expenses reasonably incurred by our Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

The current basic annual salaries of the executive Directors, non-executive Director and independent non-executive Directors are as follows:

Name	Annual Amount
Mr. Li	US\$150,000
Mr. Yixiang Chen	US\$100,000
Mr. Hong Yu.....	Nil
Mr. David Ka Hock Toh	US\$40,000
Prof. Chia-Wei Woo	US\$40,000
Mr. Shujian Che	US\$40,000

Save as aforesaid, none of our 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)).

2. Directors' remuneration during the Track Record Period

For the three fiscal years ended June 30, 2008, 2009 and 2010, the aggregate of the remuneration paid (including salaries, bonuses, allowance, benefits in kind and pension scheme contributions) to our Directors by us and our subsidiaries was approximately RMB460,000, RMB391,000 and RMB647,000, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the Track Record Period by us to our Directors. There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three fiscal years ended June 30, 2010.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, Directors (excluding discretionary bonus and share-based payment compensation granted under the Pre-IPO Equity Incentive Plan) for the year ending June 30, 2011 will be approximately RMB1,945,318.

E. DISCLOSURE OF INTERESTS

1. Disclosure of Interests

(a) *Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and Capitalization Issue*

Immediately following completion of the Global Offering and Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Equity Incentive Plan and the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of the Directors and the chief executive in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company 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:

Interests and short positions in the shares, underlying shares and debentures and our associated corporations:

Long Positions in our Company

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company ⁽³⁾
Mr. Li ⁽¹⁾	Beneficiary of a trust	620,497,910	40.63%
Mr. Chen Yixiang ⁽²⁾	Interest in a controlled corporation	15,000,000	0.98%

Notes:

- (1) As at the Latest Practicable Date, each of Sky Sense and Lakes Invest was owned by Spring Shine, which was owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust. The Li Family Trust is a discretionary trust set up by Mr. Li, the beneficiary objects of which include the immediate family members of Mr. Li. Mr. Li is the settlor of the Li Family Trust. Mr. Li is therefore deemed to be interested in all the Share held by each of Sky Sense and Lakes Invest as a beneficiary of the Li Family Trust.
- (2) Mr. Chen Yixiang is deemed to be interested in the Shares held by Wellink Management Limited by virtue of Wellink Management Limited being wholly-owned by Mr. Chen Yixiang. Ms. Chen Xiuli, the wife of Mr. Chen Yixiang, is deemed to be interested in her husband's interests in Wellink Management Limited.
- (3) Assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Equity Incentive Plan prior to the Listing Date and assuming the automatic conversion of all of our outstanding Series B Preferred Shares at an Offer Price of HK\$3.80 per Share, being the mid-point of the proposed Offer Price range.

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

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any shares which may be allotted and issued pursuant to the Pre-IPO Equity Incentive Plan and the Share Option Scheme or the exercise of the Over-allotment Option, 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 our shares or underlying shares 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.

Interests and short positions in our shares and underlying shares:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding ⁽⁶⁾
Mr. Li ⁽¹⁾	Beneficiary of a trust	620,497,910	40.63%
Spring Shine International Limited ⁽²⁾	Interest in a controlled corporation	620,497,910	40.63%
Credit Suisse Trust Limited ⁽³⁾	Trustee of a trust	620,497,910	40.63%
Seletar Limited ⁽³⁾	Trustee of a trust	620,497,910	40.63%
Serangoon Limited ⁽³⁾	Trustee of a trust	620,497,910	40.63%
Lakes Invest Limited	Beneficial owner	541,700,000	35.47%
Sky Sense Investments Limited	Beneficial owner	78,797,910	5.16%
Yiling Huang ⁽⁴⁾	Interest in controlled corporation	204,200,000	13.37%
Kam Sze Lau ⁽⁴⁾	Interest in controlled corporation	204,200,000	13.37%
Build Up International Investments Limited ⁽⁴⁾	Beneficial owner	204,200,000	13.37%
ICBC International Holdings Limited ⁽⁵⁾	Interest in controlled corporation	191,176,470	12.50%
ICBC International Fund ⁽⁵⁾ Management Limited ...	Beneficial owner	147,058,820	9.63%

Notes:

- (1) Each of Sky Sense and Lakes Invest is ultimately owned by the Li Family Trust. Mr. Li is therefore deemed to be interested in all the Share held by each of Sky Sense and Lakes Invest as a beneficiary of the Li Family Trust.
- (2) Lakes Invest and Sky Sense Investments Limited are wholly owned by Spring Shine International Limited. Therefore Spring Shine International Limited is deemed to be interested in all the Shares held by each of Lakes Invest Limited and Sky Sense Investments Limited.
- (3) Spring Shine International Limited is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust.
- (4) Build Up is owned as to 50% by Yiling Huang and 50% by Kam Sze Lau.
- (5) ICBCI Fund Management and ICBC International Strategic Investment Limited are wholly-owned subsidiaries of ICBC International Holdings Limited. Therefore ICBC International Holdings Limited is deemed to be interested in all Shares held by ICBCI Fund Management and all Shares held by ICBC International Strategic Investment Limited.
- (6) Assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Equity Incentive Plan prior to the Listing Date and assuming the automatic conversion of all of our outstanding Series B Preferred Shares at an Offer Price of HK\$3.80 per Share, being the mid-point of the proposed Offer Price range.

2. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being our Director or our chief executive) who will, immediately after completion of the Global Offering (taking no account of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Equity Incentive Plan and the Share Option Scheme and the Capitalization Issue), 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 our general meetings;
- (b) none of the Directors has any interest or short position in any of the Shares, underlying Shares or debentures or any 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 for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in the section headed "Other Information — Consents 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 prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of the Directors nor any of the parties listed in the section headed "Other Information — Consents of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "Other Information — Consents of experts" 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 to or to nominate persons to subscribe to securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their associates (as defined in the Listing Rules) or the 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.

F. OTHER INFORMATION

1. Estate Duty and tax indemnity

The Controlling Shareholders (together, the "Indemnifiers") have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (II) referred to in paragraph head "Summary of the Material Contracts" of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, 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 Global Offering and the Capitalization Issue become unconditional.

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

- (a) to the extent that provision or allowance has been made for such liability, Taxation or Taxation Claim (as defined in the deed of indemnity) in the combined audited accounts of our Company and our subsidiaries for the three years ended June 30, 2010; or
- (b) to any liability or Taxation Claim falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after June 30, 2010 unless such liability or Taxation Claim would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the members of our Group (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:
 - (1) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after June 30, 2010; or
 - (2) carried out, made or entered into pursuant to a legally binding commitment created on or before June 30, 2010; or
 - (3) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of Taxation; or
- (c) to the extent of any provision or reserve made for Taxation in the combined audited accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of Taxation shall not be available in respect of any such liability arising thereafter.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries are/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 its results of operations or financial condition.

3. Preliminary Expenses

Our estimated preliminary expenses are approximately HK\$16.4 million and have been paid by us.

4. Sponsor

The Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the conversion of the Series B Preferred Shares and the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Pre-IPO Equity Incentive Plan and the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

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 June 30, 2010 (being the date to which our latest audited consolidated financial statements were made up).

6. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

7. Miscellaneous

- (1) Save as disclosed in this prospectus:
 - (a) within the two years immediately preceding the date of this prospectus, 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;
 - (d) within the two years immediately preceding the date of this prospectus, 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) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
 - (f) none of the equity and debt securities of our Company 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.
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.
- (3) there has been no material adverse change in the financial position or prospects of our Group since June 30, 2010 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (4) The Company has no promoter.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
J.P. Morgan Asia Pacific.....	Licensed under the SFO for type 1 (dealing in securities, type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) activities as defined under the SFO
Deloitte Touche Tohmatsu.....	Certified Public Accountants
American Appraisal China Limited	Independent professional property valuer
Walkers	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	PRC legal counsel to our Company

9. Consents of experts

Each of J.P. Morgan Asia Pacific, Deloitte Touche Tohmatsu, American Appraisal China Limited, Walkers and Jingtian & Gongcheng has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe to or to nominate persons to subscribe to securities in our Company or any of our subsidiaries.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provide by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Particulars of the Selling Shareholders in the Global Offering

Name	Description	Address/Registered Office	Number of Sale Shares
Ms. Liu Lai Ting ⁽¹⁾	Individual	Flat 3803, Lei Ting House, Lei On Court, Lam Tin, Kowloon	12,000,000
Mr. Wang Mei Po ⁽²⁾	Individual	FT B 61/F Tower 10, Le Point, 7 King Ling Road, Tseung Kwan O, Kowloon	15,000,000
Warsaw Holdings Limited ⁽³⁾	Corporation	P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands	13,000,000

Notes:

- (1) Ms. Liu Lai Ting is an Independent Third Party.
- (2) Mr. Wang Mei Po is an independent Third Party.
- (3) Warshaw Holdings Limited is a limited liability company incorporated in BVI on July 10, 2008, wholly owned by Lo Li, an Independent Third Party.

G. PRE-IPO EQUITY INCENTIVE PLAN

Summary of Terms

The purpose of the Pre-IPO Equity Incentive Plan is to aid us in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of our company through the granting of options, stock appreciation rights, and other share-based awards such as restricted shares, referred to hereafter as "awards." The principal terms of the Pre-IPO Equity Incentive Plan adopted by our Company on October 29, 2009, and amended by way of written resolutions of our Shareholders and holders of Series B Preferred Shares passed on September 13, 2010, are substantially the same as the terms of the Share Option Scheme except that:

- (a) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Equity Incentive Plan is 10,000,000 Shares representing approximately 0.65% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised);
- (b) save for the options which have been granted as at the Latest Practicable Date, no further options will be granted under the Pre-IPO Equity Incentive Plan on or after the Listing Date; and
- (c) each option granted under the Pre-IPO Equity Incentive Plan has a exercise period not longer than 10 years from date of grant.

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 5,546,789 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Equity Incentive Plan.

Outstanding Options Granted

As at the date of this prospectus, an option (the "Pre-IPO Share Option") to subscribe for an aggregate of 5,546,789 Shares (taking into account any adjustment pursuant to the Pre-IPO Equity Incentive Plan and representing approximately 0.36% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised) at an exercise price equal to a 55% of the Offer Price has been conditionally granted to one participant by our Company. Please also refer to the paragraph headed "H. Option and Restricted Shares granted to Senior Management" in this Appendix VI for further details. No further options will be granted under the Pre-IPO Equity Incentive Plan prior to the Listing Date.

The details in respect of the option granted as 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 1 to the Listing Rules is set out below:

Grantee and Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option	Percentage of enlarged issue share capital of our Company after full exercise of the Pre-IPO Share Option (Note)
Howard Chu, chief financial officer	28A Garden Terrace, Block 2 8A Old Peak Road Mid Levels Hong Kong	5,546,789	0.36%
Total		<u>5,546,789</u>	<u>0.36%</u>

Note: Assuming that the Over-allotment Option is not exercised.

The exercise price of the Pre-IPO Share Option is 55% of the Offer Price.

The exercise period for the Pre-IPO Share Option is as follows:

Number of Shares subject to exercise of the Pre-IPO Share Option	Exercise period
1,386,697	From the Price Determination Date to March 15, 2011
1,386,697	From the first anniversary of the Price Determination Date to March 15, 2012
1,386,697	From the second anniversary of the Price Determination Date to March 15, 2013
1,386,698	From the third anniversary of the Price Determination Date to March 15, 2014

The options granted under the Pre-IPO Equity Incentive Plan represent approximately 0.36% of our Company's enlarged issued share capital as at the Listing Date. If all options are exercised, taking into account all restricted shares granted under the Pre-IPO Equity Incentive Plan that have vested, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 0.36% and a dilutive effect of approximately 0.36% on earnings per Share such that the forecasted earnings per Share for the six months ending December 31, 2010 will be diluted from approximately HK\$0.1964 to approximately HK\$0.1957. However, as the options are exercisable for a period of 10 years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Equity Incentive Plan after the Listing Date.

In addition, our Company has determined that no share-based compensation cost in relation to the options granted under the Pre-IPO Equity Incentive Plan will be recorded until the completion of the Global Offering. Based on the probable outcome of the award's performance condition and any incremental fair value, such share-based compensation cost will be recorded by our Company at the completion of the Global Offering and over relevant remaining vesting period in respect of such share options.

H. OPTION AND RESTRICTED SHARES GRANTED TO SENIOR MANAGEMENT

Under an employment agreement we entered into with Mr. Howard Chu, our chief financial officer, in July 2009 and as amended in February 2010, we have agreed to grant, upon the Offer Price having been determined by the Company and the Joint Global Coordinators on the Price Determination Date, Mr. Chu options to purchase such number of our Shares equal to 0.35% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is exercised). These options will have an exercise price that equals to 55% of the Offer Price.

Additionally, our Company has entered into a separate restricted share award agreement with Mr. Chu pursuant to which our Company has agreed, among other things, to grant to Mr. Chu, upon the Offer Price being agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters), certain restricted share award consisting such number of shares equal to 0.35% of the number of outstanding ordinary shares upon completion of the Global Offering (assuming the Over-allotment Option is exercised). One fourth of the restricted shares will vest on the Price Determination Date and each of the three subsequent anniversaries thereafter.

I. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a written resolution of our Shareholders and holders of Series B Preferred Shares passed on September 13, 2010 and adopted by a resolution of the Board on September 13, 2010. 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 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 in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. 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) the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange.

3. Who may join

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

- (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("**Employee**"), any full-time or part-time Employee, or a person for the time being seconded to work fulltime or part-time for any member of our Group ("**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 the **"Eligible Persons"**)

4. 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 Listing Date (i.e. 152,704,678 Shares) (the **"Scheme Mandate Limit"**) provided that our Company may at any time as the Board may think fit seek approval from our 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 Share Option 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 Shareholders 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.
- (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. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded

5. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of our Company's issued share capital from time to time.

6. Offer and grant of Options

Subject to the terms of the Share Option 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 the Share 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.

7. Granting Options to Connected Persons

Subject to the terms in the Share Option 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 (as defined in the Listing Rules) 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 (as defined in the Listing Rules) 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 (voting by way of a poll). 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.

8. 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 Share Option Scheme. 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\$1.0 by way of consideration for the grant thereof is received by our Company on or before 30 days after the offer 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.

9. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive event 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 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 its results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcements.

10. Subscription 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.

11. Exercise of Option

- (i) 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 Share Option 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.
- (ii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.
- (iii) Subject as hereinafter provided:
 - (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;
 - (b) in the event that the Grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our 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 our Group by resignation or termination on the ground of misconduct, 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;

- (c) 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;
- (d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it dispatches 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 (in respect of any particular Option, the period commencing immediately after the Business Day on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by the Directors to each Grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
 - (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.
- (e) in the event a notice is given by our Company to its 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 dispatches 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.

12. 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 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 reopening 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.

13. 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 from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

14. Lapse of Share Option Scheme

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 paragraphs related to exercise of Option;
- (c) subject to the period mentioned in paragraph (e) of "Exercise of Option" in this section, 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; or
- (e) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

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.

15. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of Capitalization of profits or reserves, 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 Share Option 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 Capitalization 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;
- (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 (including supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

16. 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 the restriction on transferability of Option 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 its 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.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option 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 Share Option Scheme.

18. 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.

19. Amendment

The Share Option 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; and (iii) any alteration to the aforesaid termination provisions.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **white, yellow** and **green** Application Forms, the written consents referred to in the paragraph headed “Other Information — Consents of experts” in Appendix VI, the statement of particulars of the Selling Shareholders including their names, addresses and description, and copies of the material contracts referred to in the paragraph headed “Summary of the Material Contracts” in Appendix VI.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the dates of this prospectus:

- (1) our Memorandum and the Articles;
- (2) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Group for the three fiscal years ended June 30, 2008, 2009 and 2010;
- (4) the letter received from Deloitte Touche Tohmatsu on unaudited pro forma financial information, the texts of which is set out in Appendix II to this prospectus;
- (5) the letters relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (6) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by American Appraisal China Limited, the texts of which are set out in Appendix IV to this prospectus;
- (7) the material contracts referred to in the paragraph headed “Summary of the Material Contracts” of Appendix VI to this prospectus;
- (8) the service contracts with Directors, referred to in the paragraph headed “Further Information about the Directors — Directors’ service contracts” of Appendix VI to this prospectus;
- (9) the written consents referred to in the paragraph headed “Other Information — Consents of experts” of Appendix VI to this prospectus;
- (10) the legal opinions prepared by Jingtian & Gongcheng, our legal advisor as to the PRC law, in respect of certain aspects of our Group and our the property interests;
- (11) the letter prepared by Walkers summarising certain aspects of Cayman Islands company law referred to in Appendix V to this prospectus;

- (12) the Companies Law;
- (13) the statement of particulars of the Selling Shareholders including their names, addresses and description;
and
- (14) the rules of the Pre-IPO Equity Incentive Plan and the Share Option Scheme.

