THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mascotte Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

(1) GRANT OF SHARE OPTIONS AND CONNECTED TRANSACTION
(2) SPECIFIC MANDATE TO ISSUE OPTION SHARES
(3) SERVICE AGREEMENT WITH DR WU
(4) SPECIFIC MANDATE TO ISSUE CONVERSION SHARES
(5) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
AND
(6) NOTICE OF SGM

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

VINCO 域高

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

Capitalized terms used on this cover page shall have the same meanings as those in the section headed "Definitions" in this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 106 to 107 of this circular.

A letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders, containing its advice in relation to the discloseable and connected transactions contemplated under the Option Deeds, the transaction contemplated under the Service Agreement and the notifiable and connected transactions contemplated under the Sale and Purchase Agreement and the Consideration Bond Documents is set out on pages 108 to 142 of this circular.

A notice convening the SGM to be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on 4 January 2012 at 9:00 a.m. is set out on pages 303 to 307 of this circular. A form of proxy for use in connection with the SGM is also enclosed herewith. Whether or not you are able to attend the SGM, you are advised to read the notice of the SGM and to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting. Completion of the form of proxy and its return will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the SGM will be by poll.

This circular is not an offer of securities for sale or solicitation of an offer to purchase securities. The securities described herein have not been and will not be registered under the US Securities Act, and may not be offered or sold in the United States absent registration under the US Securities Act, or an applicable exemption from the registration requirements thereof. There will be no public offering of the securities described herein in the United States.

Forward-looking Information

Certain information contained in this circular constitutes forward-looking information. Investors are cautioned that forward-looking information is inherently uncertain and involves risks and uncertainties that could cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such statements include comments regarding the Target Group, completion and the terms of the proposed transactions described in this circular and the proposed strategies of the Company. Factors that could cause actual results to differ materially include, without limitation, the ability to complete the Acquisition, the failure to receive regulatory approvals with respect to the Acquisition, and changes in Hong Kong and other relevant securities markets. There can be no assurance that future developments affecting the Company will be those anticipated by management. While the Company may elect to update the forward-looking information at any time, the Company does not undertake to update such information at any particular time or in response to any particular event. Investors and others should not assume that any forward-looking information in this circular represents management's estimation as of any date other than the date of this circular.

Currency and Exchange Rates

For the purpose of this circular, the exchange rates of US$1.00 = HK$7.80 and HK$1.00 = NT$3.738 have been used for currency translation, where applicable. Such exchange rates are for illustration purposes only and do not constitute representation that any amount in HK$ or US$ or NT$ have been, could have been or may be converted in such rates or at all.

19 December 2011

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In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the purchase of the Sale Shares by the Company on the terms and subject to the conditions of the Sale and Purchase Agreement
"Acquisition Announcement"	the announcement of the Company dated 4 October 2011 relating to, among other things, the entering into the Sale and Purchase Agreement and the Proposed Conversion Mandate
"Acquisition Documents"	the Sale and Purchase Agreement and the Seller's Disclosure Letter, the Service Agreement and the Standby Line of Credit Agreement
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of the Company
"Business Day"	a day (except a Saturday or Sunday) on which banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Calculation Report"	the calculation report prepared by the Valuer, which is set out in Appendix V
"Call Option"	the option granted by the Seller to the Company to buy, and to require the Seller to sell, all or any of the Call Option Shares in accordance with the terms of the Call Option Agreement
"Call Option Agreement"	the call option agreement dated 31 December 2010 and entered into between the Company and the Seller in relation to the grant of the Call Option
"Call Option Period"	the period beginning on the first Business Day falling 12 months after 15 July 2011 and ending on the first Business Day falling 36 months after 15 July 2011

"Call Option Shares"	4,990,000 shares of a single class of no par value of the Target, representing 49.9% of the issued shares of the Target as at the date of the Call Option Agreement
"CB Company Early Redemption Date"	as defined under the paragraphs headed "3. The Convertible Bonds" in part D of the Letter from the Board in this circular
"CB Company Early Redemption Notice"	as defined under the paragraphs headed "3. The Convertible Bonds" in part D of the Letter from the Board in this circular
"CB Maturity Date"	as defined under the paragraphs headed "3. The Convertible Bonds" in part D of the Letter from the Board in this circular
"CB Redemption Price"	as defined under the paragraphs headed "3. The Convertible Bonds" in part D of the Letter from the Board in this circular
"CEO Service Agreement"	the service agreement between Sun Materials and Dr Wu dated 31 May 2010 (as amended by a supplemental agreement between Sun Materials and Dr Wu dated 11 October 2010), which was terminated by agreement between the parties on 1 August 2011 at the same time as the entry into the Service Agreement between the Company and Dr Wu
"CLSA"	CLSA Asia-Pacific Markets
"Company"	Mascotte Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
"Company Early Redemption Notice"	as defined under the paragraphs headed "2. The Consideration Bonds" in part E of the Letter from the Board in this circular
"Completion"	completion of the Acquisition pursuant to the Sale and Purchase Agreement

"Completion Date"	the day which is the third Business Day after the date on which the last in time of the Sale Conditions to be satisfied or waived in accordance with the Sale and Purchase Agreement (except such Sale Conditions which are expressed to be satisfied on or as of the Completion Date but subject to the satisfaction or waiver of such Sale Conditions) is first satisfied or waived
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	HK$2,500,000,000, to be satisfied by the payment of HK$750,000,000 in cash and the issue of the Consideration Bonds on Completion
"Consideration Bond Documents"	the bond documentation in relation to the Consideration Bonds, details of which are set out under the paragraphs headed "2. The Consideration Bonds" in part E of the Letter from the Board in this circular
"Consideration Bonds"	HK$1,750,000,000 in principal amount of 2.5% unsecured bonds due 2013 to be issued by the Company to the Seller (or its nominee) as part of the Consideration for the Acquisition, details of which are set out under the paragraphs headed "2. The Consideration Bonds" in part E of the Letter from the Board in this circular, and constituted and issued pursuant to the Consideration Bond Documents
"Conversion Price"	HK$0.50 subject to adjustment in accordance with the Convertible Bond Documents
"Conversion Shares"	the aggregate of 2,838,000,000 Shares to be issued upon conversion of the Convertible Bonds pursuant to the Convertible Bond Documents or such other number of Shares into which the Convertible Bonds are convertible as a result of adjustment to the Conversion Price from time to time in accordance with the Convertible Bond Documents
"Convertible Bond Documents"	the bond certificates and bond terms and conditions constituting the Convertible Bonds

"Convertible Bonds"	the 5% unsecured convertible bonds due 2014 in principal amount of HK$1,450,000,000 constituted and issued by the Company on 14 July 2011 pursuant to the Convertible Bond Documents, of which HK$1,419,000,000 in aggregate principal amount are outstanding as at the Latest Practicable Date
"Directors"	the directors of the Company
"Dr Wu"	Dr Wu Yi-Shuen (吳以舜), also known as Dr Mark Wu, an executive Director and a director of certain subsidiaries of the Company (including Sun Materials and Lution)
"Effective Date"	the date on which the Service Agreement is approved by the Independent Shareholders at the SGM
"Enlarged Group"	the Group and the Target Group
"Equipment Procurement Agreement"	the equipment procurement agreement dated 31 May 2010 and entered into between Sun Materials and an equipment manufacturer in relation to Sun Materials' procurement of a cyclone high temperature reactor and all relevant components from such equipment manufacturer
"Exercise Period"	the period during which the Share Options shall remain exercisable after being vested as described in the section headed "1. The Option Deeds – e) Exercise Period" in part B of the Letter from the Board in this circular
"Exercise Price"	the exercise price of the Share Options at HK$0.40 per Share, subject to adjustment in accordance with the Option Deeds as detailed under the paragraphs headed "1. The Option Deeds – o) Reorganization of Capital Structure" in part B of the Letter from the Board in this circular
"Existing Placing Mandate"	a specific mandate granted to the Directors at the special general meeting of the Company held on 7 June 2011 to allot, issue and deal with up to 9,550,000,000 Shares, including the Conversion Shares, pursuant to the Placing Agreement

"GCL-Poly"	GCL-Poly Energy Holdings Limited, a polycrystalline silicon manufacturer based in China
"Grant Date"	means the date of the grant of the Share Options
"Grantees"	as defined under the paragraph headed "1. The Option Deeds – a) Number of Share Options granted" in part B of the Letter from the Board in this circular
"Group"	the Company and its subsidiaries, but excluding the Target Group
"Hareon"	Hareon Solar Technology Co., Ltd, a company incorporated with limited liability in China. Information in relation to Hareon is set out under the paragraphs headed "8. Reasons for the Acquisition – f) Listing Approval for Hareon" in part E of the Letter from the Board in this circular
"Hemlock"	Hemlock Semiconductor Group, a polycrystalline silicon manufacturer based in the United States
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising Mr Frank H. Miu, Dr Agustin V. Que, Mr Robert James Iaia II and Dr Chien, Yung Nelly all independent non-executive Directors formed to advise the Independent Shareholders in connection with the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under such documents

"Independent Shareholders"	(i) all Shareholders except persons required to abstain from voting on the Option Deeds and the Proposed Option Mandate when used in the context of the grant of Share Options and the Proposed Option Mandate, or (ii) all Shareholders except Dr Wu and his associates when used in the context of the Service Agreement; or (iii) all Shareholders except persons required to abstain from voting on the Sale and Purchase Agreement and the Consideration Bond Documents when used in the context of the Acquisition
"Initial Acquisition"	the acquisition by the Company of a 50.1% interest in the Target from the Seller, which was completed on 15 July 2011
"Initial Conversion Price"	the initial conversion price of the Convertible Bonds, being HK$0.50
"Last Trading Date"	29 August 2011, being the last trading day of the Shares on the Stock Exchange prior to the execution of the Option Deeds
"Latest Practicable Date"	15 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Lution"	Lution International Holdings Co., Ltd (祿訊國際股份有限公司), a company incorporated with limited liability in Taiwan and wholly-owned by the Target
"Maturity Date"	as defined under the paragraphs headed "2. The Consideration Bonds" in part E of the Letter from the Board in this circular
"MEMC"	MEMC Electronic Materials, Inc., a polycrystalline silicon manufacturer based in the United States
"MOEA"	Ministry of Economic Affairs of Taiwan
"Mr Lo"	Mr Lo Yuen Wa Peter, an executive Director and the managing director of the Company
"Ms Hsieh"	Hsieh Cheng Lu (謝正陸)

"NT$"	new Taiwan dollars, the lawful currency of Taiwan
"OCI"	OCI Co Ltd, a polycrystalline silicon manufacturer based in South Korea
"Option Deeds"	the option deeds dated 29 August 2011 entered into between the Company and each of the Grantees in respect of the grant of their respective Share Options, and each an "Option Deed"
"Option Period"	means the period between the Grant Date and the date which is four years from the Grant Date
"Option Shares"	the aggregate of 730,000,000 Shares to be issued to the Grantees upon exercise of the Share Options in accordance with the Option Deeds at the Exercise Price, or such other number of Shares as results from adjustment to the Exercise Price from time to time in accordance with the Option Deeds
"Photon Consulting"	Photon Consulting LLC is a research and consultancy firm focused on fast growing global photovoltaic market within the solar power sector. It provides consulting services, data, research and analysis to global clientele
"Placing Agreement"	the placing agreement entered into between the Company and Deutsche Bank AG, Hong Kong branch on 17 January 2011 for the placing of Shares and Convertible Bonds
"PRC" or "China"	the People's Republic of China
"Proposed Conversion Mandate"	a specific mandate to be sought at the SGM for the allotment and issue of up to 2,838,000,000 Conversion Shares, or such other number of Conversion Shares into which the Convertible Bonds are convertible as results from adjustment to the Conversion Price from time to time in accordance with the Convertible Bond Documents

"Proposed Option Mandate"	a specific mandate to be sought at the SGM for the allotment and issue of up to 730,000,000 Option Shares, or such other number of Option Shares as results from adjustment to the Exercise Price from time to time in accordance with the Option Deeds, subject to the conditions set out under the paragraphs headed "1. The Option Deeds – c) Conditions" in part B of the Letter from the Board in this circular
"REC"	Renewable Energy Corp ASA, a polycrystalline silicon manufacturer based in Norway
"Redemption Price"	as defined under the paragraphs headed "2. The Consideration Bonds" in part E of the Letter from the Board in this circular
"Sale and Purchase Agreement"	the agreement dated 12 September 2011 and entered into between the Company, the Seller and Ms Hsieh in relation to the acquisition of 49.9% of the issued shares of the Target, as amended by a deed of amendment dated 15 December 2011 between the Company, the Seller and Ms Hsieh
"Sale Condition"	each of the conditions set out under the paragraphs headed "1. The Sale and Purchase Agreement – g) Conditions precedent" in part E of the Letter from the Board in this circular
"Sale Shares"	4,990,000 shares of a single class of no par value of the Target, representing 49.9% of the issued shares of the Target as at the date of the Sale and Purchase Agreement
"Samuel Yang"	Mr Yang Huai Jin (楊懷進), also known as Samuel Yang
"Scheduled Maturity Date"	as defined under the paragraphs headed "2. The Consideration Bonds" in part E of the Letter from the Board in this circular
"Schott"	Schott Solar AG, a company based in Germany with whom Sun Materials entered into a polycrystalline silicon supply contract

"Seller"	Quinella International Incorporated, a company incorporated with limited liability in the BVI owning 49.9% of the issued shares of the Target
"Seller's Disclosure Letter"	the letter described as such, from the Seller and Ms Hsieh to the Company dated 31 December 2010, which was reissued to the Company on the Signing Date
"Service Agreement"	the service agreement dated 1 August 2011 between the Company and Dr Wu
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Proposed Conversion Mandate, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under such documents
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option Announcement"	the announcement of the Company dated 29 August 2011 relating to, among other things, the proposed grant of the Share Options and the Service Agreement
"Share Option Scheme"	the share option scheme of the Company adopted by the Shareholders on 21 August 2003
"Share Options"	such number of share options to be granted by the Company to each of the Grantees in accordance with the terms and conditions set out in their respective Option Deeds and representing the number of Shares as set out under the paragraphs headed "1. The Option Deeds – a) Number of Share Options granted" in part B of the Letter from the Board in this circular

"Shareholders' Agreement"	the shareholders' agreement in respect of the Target entered into by the Company, the Seller, the Target and Ms Hsieh on completion of the Initial Acquisition on 15 July 2011
"Signing Date"	12 September 2011, being the date on which the Company, the Seller and Ms Hsieh entered into the Sale and Purchase Agreement
"SREAP"	SREAP Inc., a company based in the Republic of Korea, with whom Sun Materials have entered into a polycrystalline silicon supply agreement
"Standby Line of Credit"	means a term loan facility of up to HK$500,000,000 to be made available to Sun Materials by the Seller subject to and in accordance with the terms and conditions of the Standby Line of Credit Agreement
"Standby Line of Credit Agreement"	means the facility agreement to be entered into on or before Completion between Sun Materials and the Seller in relation to the Standby Line of Credit
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Cooperation Agreement"	the strategic cooperation agreement between the Company, Sun Materials and Hareon dated 27 September 2010
"Subscription Agreement"	the subscription agreement between Samuel Yang, Improve Forever Investments Limited and the Company dated 12 January 2011 in respect of 354,100,608 Shares
"Sun Materials"	Sun Materials Technology Co., Ltd. (山陽科技股份有限公司), a company incorporated with limited liability in Taiwan and wholly-owned by Lution
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Target"	Sun Mass Energy Limited (formerly known as Trifecta International Incorporated), a company incorporated in the BVI under registered number 1585425, with 49.9% and 50.1% of its issued shares owned by the Seller and the Company respectively

"Target Group"	the Target, Lution and Sun Materials
"Target Group Company"	a member of the Target Group
"Technical Adviser"	Ove Arup & Partners Hong Kong Ltd
"Technical Report"	the technical report prepared by the Technical Adviser in connection with Sun Materials, as set out in Appendix VI to the circular of the Company dated 20 May 2011
"Tokuyama"	Tokuyama Corporation, a polycrystalline silicon manufacturer based in Japan
"Tynsolar"	Tynsolar Corporation, a company based in Taiwan, with whom Sun Materials have entered into a polycrystalline silicon supply agreement
"United States"	the United States of America
"US Securities Act"	the US Securities Act of 1933 and the rules and regulations promulgated thereunder (as amended from time to time)
"US$"	United States dollars, the lawful currency of the United States of America
"Valuer"	American Appraisal China Limited, an independent valuer
"Vinco Capital"	Grand Vinco Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder
"Wacker"	Wacker Chemie AG, a polycrystalline silicon manufacturer with production facilities around the world

"Core Technology"	the technology deployed by Sun Materials in relation to its polycrystalline production
"electronic grade polycrystalline silicon"	polycrystalline silicon for applications in the microelectronic industry to produce, for example, integrated circuits. Electronic grade polycrystalline silicon's purity is about >99.999999999% (i.e. 11N)
"FBR"	the fluidized bed reactor process, one of the dominant processes used in the current market for polycrystalline silicon production
"GW"	gigawatt
"MW"	megawatt
"photovoltaic"	the physical effect of converting light into electricity. The term is used by the photovoltaic industry to describe the application of this effect on an industrial scale
"polycrystalline silicon"	the primary raw materials used in producing solar cells and integrated circuits
"pyrolysis"	a form of incineration that chemically decomposes organic materials by heat in the absence of oxygen
""Siemens" process", "traditional "Siemens" process" and "modified "Siemens" process"	a process which uses the trichlorosilane (TCS) and Siemens type reactor and modifications of such process, both being widely deployed in the industry of polycrystalline silicon production
"Silicon Price Index"	Silicon Price Index is a non-tradable, US dollar denominated market index published by Photon Consulting, which benchmarks global spot and contract prices for high-purity silicon
"solar grade polycrystalline silicon"	a type of polycrystalline silicon used for applications in the solar / photovoltaic industry to produce solar cells. Solar grade polycrystalline silicon's purity is about >99.99999% (i.e. 7N-8N) for solar cells with lower cell efficiency and about >99.999999% (i.e. 8N-9N) for high efficiency solar cells
"t.p.a."	tons per annum
""Wacker" solar grade specifications"	a set of specifications for solar grade polycrystalline silicon employed by Wacker and widely recognized as the typical set of specifications for solar grade polycrystalline silicon in the polycrystalline silicon production industry

Set out below are the risks and uncertainties which may be associated with the Acquisition.

Risks relating to the business

Sun Materials' business is new for the Group.

Prior to the Initial Acquisition, the Group was principally engaged in the business of trading of investments, loan financing, property investment, manufacturing and sales of computers, photographic, videos, phones and solar powered multi-media bags and accessories. The Group has limited experience in operating a company located in Taiwan and a company which manufactures solar grade polycrystalline silicon. As such, the prospective investors should consider the Group's business and prospects in light of the risks and uncertainties that the Group may face as a company operating a new business in a new region. If the Enlarged Group is unable to control the related operational risks of this new business, its financial condition and operating results may be materially and adversely affected.

The pricing and demand for polycrystalline silicon tend to fluctuate.

The Directors consider that there are many factors which may influence the price and demand of polycrystalline silicon in the international market, including but not limited to, the stability of the international economic situation and the fluctuation of the global political and social condition, which are beyond the control of the Enlarged Group. According to the Silicon Price Index published by Photon Consulting, the average spot prices for polycrystalline silicon had fallen from a high point of US$417/kg in August 2008 to US$219/kg in December 2008 due to adverse market condition caused by the financial crisis. The average spot prices further experienced a sharp fall in the first half of 2009 and reached US$72/kg by June 2009. The average spot prices for polycrystalline silicon continued to decline to the range of US$52-$55/kg in early 2010. The industry built up in inventory of polycrystalline silicon supply as a result of a new round of feed in tariff cuts in Europe during the first half of 2011 and the continued expansion of production volume by the tier-1 polycrystalline silicon producers have forced the market into a near-term price shift of approximately US$35 by mid-October of 2011. The future price movement of polycrystalline silicon, whether upward or downward, is unpredictable. If the prices of polycrystalline silicon continue to drop to lower levels, it will intensify the price competition, and the financial condition and results of operation of the Target Group may be adversely affected.

Interruption in the supply for raw materials will affect Sun Materials' operations.

Sodium hexafluorosilicate (Na_2SiF_6), also known as sodium silicofluoride, is the main raw material in manufacturing Sun Materials' polycrystalline silicon. The operations of Sun Materials depend on its ability to procure sufficient quantities of sodium hexafluorosilicate on a timely basis and on commercially reasonable terms. Based on the information provided by Sun Materials, sodium hexafluorosilicate is a waste product from the production of fertilizer and such material is available in China and India in quantities of up to 3,000,000 t.p.a. and is widely available in other phosphorus fertilizer producing regions. However, in the event of interruptions in delivery of these raw materials due to delay, trade restrictions, changes in tariffs or other factors, it may significantly affect the quantity, quality or cost of the raw materials supplied by third-party suppliers and which in turn may adversely affect the financial condition and results of operations of the Target Group.

If Sun Materials fails to maintain an effective quality control system, its reputation and revenue may be materially and adversely affected.

The performance and quality of Sun Materials' polycrystalline silicon are critical to its customers, its reputation and ultimately, its success. The effectiveness of Sun Materials' quality control system is determined by various factors, including the design of the system, the implementation of quality standards, the quality of training programs and the mechanism to ensure its employees' adherence to the quality control policies and guidelines, and its ability to monitor and manage the supplier quality system. If Sun Materials fails to maintain an effective quality control system, the quality of its products may be compromised and it may in turn be exposed to product liabilities and warranty claims. Inconsistent product quality may also undermine its reputation and relationships with existing customers and its revenue may be materially and adversely affected.

Sun Materials' business and expansion plans require significant, continuous and timely capital investment.

The Target Group's business is still in development and requires significant and continuous capital investment. Sun Materials completed the construction of its first production plant in Yi-Lan County, Taiwan in October 2010, at a total construction cost of approximately US$17.1 million. It is estimated that the total capital expenditure and working capital required to construct the additional five production plants in Taiwan commencing 2012 will be approximately US$275 million. Historically, Sun Materials financed its production and business operations primarily through its internal funds, bank borrowings and capital contribution from equity holders. It is expected that over the next several years, a substantial portion of Sun Materials' cash flow will be used to finance its production and sales activities, the construction of new production plants and research and development. Sun Materials may need to obtain additional financing through bank borrowings or by accessing international capital markets (through the Company, if Completion proceeds) in order to fund its business operations, production expansion and capital expenditure in the future. The Target Group's ability to obtain additional capital in the future is subject to a variety of uncertainties. There is no assurance that Sun Materials will be successful in obtaining such financing at a reasonable cost or at all.

In addition, if the commercial production of polycrystalline silicon by the Target Group does not commence as planned or scheduled, the operations of the Target Group may exceed the original budgets and may not achieve the intended economic results or commercial viability. The Company cannot assure Shareholders that after Completion the Enlarged Group will be able to obtain additional capital in a timely manner or on acceptable terms, or at all. If the Enlarged Group fails to raise adequate funding, its financial conditions and operations may be adversely affected.

If Sun Materials is unable to complete the expansion plan, to obtain relevant equipment, to bring the first production plant up to full capacity within budget and on schedule and to produce polycrystalline silicon that meets its customers' quality specifications, the results of its operations and business expansion strategies could be adversely affected.

Sun Materials may face cost overruns if the actual cost exceeds the budget in its expansion plan. In addition, Sun Materials has to largely rely on contractors, consultants, managers and technicians that it hires or will hire from the industry to construct, complete, operate and maintain its production plants. It also relies on the equipment that has been imported or contracted to import for the production of polycrystalline silicon. It has expended and will continue to expend significant financial and other resources in order to construct, start up, test run and ramp up its new lines of business. Apart from the risks described above, Sun Materials' ability to successfully construct and ramp up its production plants is subject to various other risks and uncertainties, including:

- the need to procure additional equipment at reasonable cost and on a timely basis;
- the need to raise additional funds to finance the construction, ramp-up and maintenance of the production plant, which it may be unable to obtain on reasonable terms or at all;
- unexpected construction delays, delays in equipment deliveries and cost overruns;
- its ability to install, implement and maintain the facilities and closed-loop systems for each of its production plants;
- difficulties in recruiting and training additional skilled employees, including technicians and managers at different levels;
- diversion of significant management attention and other resources; and
- delays or denials of required approvals (if any), including environmental approvals, for its land acquisition, plant construction and operating permits by relevant government authorities in Taiwan.

The Target Group's ability to achieve profitability depends in part on its ability to achieve commercial production and full utilization of its production capacity. The Target Group has incurred and will continue to incur certain fixed costs associated with the facilities and equipment whether or not they are being used. If Sun Materials fails to complete the construction of its production plants in time or to make it operational up to its designed capacity or fails to produce polycrystalline silicon that meets its quality standards, or if the construction and ramp-up costs significantly exceed its original budget, the Group may not have sufficient resources to meet its working capital and capital expenditure requirements. The results of operations, the business expansion and low-cost production strategies will be materially and adversely affected.

Reliance on the strategic relationship with Hareon and its affiliates.

As a new entrant to the solar energy market, the relationship with Hareon, its strategic partner under the Strategic Cooperation Agreement and Sun Materials' contracted customer, is invaluable to the Enlarged Group in providing the Enlarged Group with access to potential customers and vendors, as well as insights into the demands, trends and technological development in the industry. This strategic relationship is further strengthened by the investment of Samuel Yang, the founder of Hareon, in the Company under the Subscription Agreement. The Enlarged Group will rely on this relationship in its business development and technological development as it establishes its presence in the solar grade polycrystalline silicon market. The Board believes that the relationship with Hareon and Samuel Yang will continue to prosper. However, if, for any reason, this strategic relationship is terminated or becomes untenable, the business prospects of the Enlarged Group in the solar energy market may be adversely affected.

Dependence on the continuing services of the executive officers and key employees.

The future success depends substantially on the continued services of the Enlarged Group's executive officers and key employees, including Dr Wu, the chairman, chief executive officer and chief technical officer of Sun Materials. If one or more of our executive officers or key employees, including Dr Wu, were unable or unwilling to continue to work for Sun Materials, Sun Materials may not be able to replace them in a timely manner, or at all. The technical operations of Sun Materials rely significantly on contributions by Dr Wu in the form of intellectual property in development or in various stages of filing and approval, know-how and trade secrets which need to be passed on to the operational team members. If this knowledge base is not sufficiently transferred to Sun Materials in a timely manner or we incur a loss of any of our key personnel, the Enlarged Group's business may be severely interrupted, its financial condition and results of operations may be materially and adversely affected and it may incur additional expenses to recruit, train and retain personnel.

Sun Materials relies on a limited number of customers for a significant portion of its net sales of polycrystalline silicon, and changes in their purchase terms or patterns may cause significant fluctuations or declines in its revenues.

Sun Materials has entered into fixed term purchase agreements with a number of downstream solar wafer, cell and module manufacturers, namely Hareon, Schott, Tynsolar and SREAP, whereby these customers may, but are not obliged to, make orders for polycrystalline silicon from Sun Materials. Whilst it is expected that the production output of Sun Materials will be fully taken up by the orders from these customers until the end of 2012, customers' orders may vary depending on its own demand for polycrystalline silicon, Sun Materials' competitiveness in product quality and pricing, and factors generally affecting the solar energy market which are beyond the control of Sun Materials.

In light of the recent global economic downturn, there is no assurance that any of these customers will continue to purchase significant quantities of, or any, polycrystalline silicon from Sun Materials. In such an event, Sun Materials has to find alternative customers for its product. If this trend continues, then the quantity of polycrystalline silicon that these customers order from Sun Materials would be less than expected, and, therefore Sun Materials' sales performance and the utilization of its production capacity may be adversely affected. In addition, due to the fact that Sun Materials relies on a limited number of customers, any of the following events may cause material fluctuations or declines in its net sales and profits:

- delays or cancellations of purchase orders from one or more of its significant customers;
- loss of one or more of its significant customers and its failure to identify additional or replacement customers; and
- failure of any of its significant customers to make timely payments for its products.

If Sun Materials fails to develop or maintain its relationships with these and other new customers, or if any of its major customers reduces in the purchases of Sun Materials' products, it may be difficult for Sun Materials to find alternative customers on a timely basis and on commercially reasonable terms or at all. This may have an adverse effect on Sun Materials' revenue and profitability.

If Sun Materials fails to fulfil its customer orders on a timely basis, it may lose the customers, its reputation may be damaged, and Sun Materials may incur economic losses for breach of contracts.

Sun Materials' ability to meet the purchase orders depends on successfully and timely implementation of its production plan. If Sun Materials is unable to fulfil its customer orders on a timely basis, it may lose the customers and its reputation may be damaged. Moreover, although it is not currently provided for in the supply agreements, agreements with potential customers in the future may provide for specified monetary damages or penalties for non-delivery or failure to meet delivery schedules or product specifications. If any of its potential customers invokes these clauses against Sun Materials, it may be liable to pay damages. As a result, the results of operations of Sun Materials may be adversely affected.

Fluctuations in exchange rates could adversely affect the Target Group's business.

The Target Group's revenues, costs and capital expenditures are largely denominated in US$ and NT$. Therefore, fluctuations in currency exchange rates could have a material adverse effect on its financial condition and results of operations. These fluctuations could affect the Target Group's gross and net profit margins and could result in foreign exchange and operating losses. To the extent the Target Group holds assets denominated in HK$, including the net proceeds from the Placing, any appreciation of NT$ against HK$ could result in a change to the Target Group's statements of operations and a reduction in the value of its HK$ denominated assets. The Target Group cannot predict the impact of future exchange rate fluctuations on its results of operations and may incur additional net foreign currency losses in the future.

The Enlarged Group faces risks related to health epidemics and other outbreaks of contagious diseases, including influenza A (H1N1), avian flu and SARS.

The Enlarged Group's business could be adversely affected by the effects of influenza A (H1N1), avian flu, SARS, or other epidemic outbreaks. There has been an outbreak of influenza A caused by the H1N1 virus occurred in Mexico and the United States, which has spread into a number of countries rapidly. There have been reports of outbreaks of a highly pathogenic avian flu, caused by the H1N1 virus, in certain regions of Asia and Europe. Over the years, there have been reports on the occurrences of avian flu in various parts of China, including confirmed human cases. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, any recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the outbreaks in 2003 which affected China, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries, could also have similar adverse effects of a similar scale. Any prolonged occurrence or recurrence of these contagious diseases or other adverse public health developments may have a material adverse effect on the business operations of the Enlarged Group. These include limitations on the ability to travel or ship products to overseas as well as temporary closure of the production facilities for quarantine or for preventive purposes. Such closures or travel or shipment restrictions could severely disrupt the Enlarged Group's business operations and adversely affect the Enlarged Group's financial condition and results of operations. The Enlarged Group has not adopted any written preventive measures or contingency plans to combat any health epidemics and other outbreaks of contagious diseases, including influenza A (H1N1), avian flu, or SARS.

Risks relating to valuation and pro forma financial information

An impairment loss on the intangible assets of the Enlarged Group may affect its financial position.

The unaudited pro forma consolidated financial information set out in Appendix III to this circular shows that as of 30 September 2011, the deemed cost of the Core Technology is HK$ 3,109,319,000. According to the Group's accounting policy, intangible assets that are acquired by the Group should be stated in the Group's statement of financial position at cost less accumulated amortization and impairment losses. According to HKAS 36 "Impairment of Assets", an intangible asset not yet available for use should be tested for impairment annually, irrespective of whether there is an indication of impairment. Since Sun Materials has not commenced commercial production using the Core Technology or the sale of its polycrystalline silicon, the Directors are unable to prepare an estimate of the future cash flows that the Group expects to derive from the Core Technology for the calculation of the recoverable amount of the Core Technology and assess whether an impairment loss would need to be recognized in respect of the Core Technology at this stage in accordance with HKAS 36 "Impairment of Assets". If the deemed cost of the Core Technology was higher than its recoverable amount, an adjustment would be required to reflect the effect of the impairment loss.

The Directors expect that the Core Technology will be available for use on or before the first reporting period after Completion and they will be able to assess whether there is any indication that the Core Technology may be impaired in the first annual results after Completion. Whilst the Directors are not aware of any event or circumstance which is likely to cause any material adverse effect on the market for polycrystalline silicon or the industry in which Sun Materials will operate, there is no assurance that circumstances will not change. If Sun Materials does not commence full scale commercial production and launch its product successfully within the projected timeframe after Completion, the value of the Core Technology may be impaired. If the amount of impairment (if any) of the Enlarged Group's intangible assets turns out to be significant, the financial position of the Enlarged Group may be materially and adversely affected.

Sun Materials' lack of operating history and track record may not serve as adequate basis for evaluating its future performance.

Sun Materials expects to commence commercial production of the first production plant in late December 2011. It has limited financial track record for potential investors to evaluate its business, financial performance and future prospects. While Sun Materials plans to construct further production plants in Taiwan, its expansion plan may be delayed, and there is no assurance that its planned expansion will prove to be profitable. Accordingly, its results of operations for any prior periods may not serve as accurate indication of its future performance.

The accountants' report of Lution contains a qualified opinion.

As the accountants' report of Lution contains a qualified opinion relating to the fact that consolidated financial statements of Lution and its subsidiary have not been prepared, it may or may not properly reflect the financial position of Lution.

The pro forma financial information of the Enlarged Group contains a qualified opinion.

As the pro forma financial information of the Enlarged Group contains a qualified opinion relating to the Company's inability to carry out the impairment test in respect of the Core Technology in accordance with HKAS 36 "Impairment of Assets", it may or may not properly reflect the pro forma financial position of the Enlarged Group.

The Calculation Report involves assumptions.

As the Calculation Report involves various assumptions, it may or may not properly reflect the true fair value of the Target Group.

Risks relating to the technology

The solar energy industry changes rapidly and introduction of new technology or the improvement of existing technology could render Sun Materials' technology less competitive or obsolete.

The solar energy industry is characterized by rapid changes in technology and know-how and frequent emergence of innovations. New technology, raw materials and products may emerge in the photovoltaic industry and affect Sun Materials' viability and competitiveness. These technological evolutions and developments place increasing demands on the improvement of Sun Materials' product, such as higher quality. Other companies may devise production technologies that enable them to produce polycrystalline silicon that could yield higher qualities at a lower cost than Sun Materials' products. Technologies developed or adopted by others may prove more advantageous than Sun Materials' proprietary technology for commercialization of polycrystalline silicon products and may render its products obsolete. In addition, further developments in competing polycrystalline silicon production technologies may result in lower manufacturing costs or higher product performance than those achieved from the "Siemens" or the FBR processes.

Improvement of the cost structure of existing incumbents such as the "Siemens" and the FBR processes can make Sun Materials technology less competitive. Existing tier-1 producers have in recent years made significant strides in lowering the cost of production and increasing the efficiency of their processes and further improvements cannot be ruled out.

The future success of Sun Materials therefore depends in part on the Enlarged Group's ability to foresee and respond to these changes and position itself favourably in the market. Sun Materials may need to invest significant resources in research and development to maintain its market position, to keep pace with technological advances in the photovoltaic industry and to effectively compete in the future. The failure to further refine and enhance Sun Materials' products or to keep pace with evolving technologies and industry standards could cause its products to become uncompetitive or obsolete, which could in turn reduce its market share and cause its net sales and profits to decline.

Failure to protect the intellectual property rights, know-how and technology may undermine Sun Materials' competitive position.

Sun Materials has developed the know-how and technologies in the production of polycrystalline silicon and such know-how and technologies play a critical role in its reducing the cost of production. The intellectual property and proprietary rights will be crucial in maintaining Sun Materials' competitive edge in the polycrystalline silicon industry. Sun Materials has only obtained patents on its key production equipment, namely the self-propagating combustion cyclone reactor, in Taiwan, China, Japan, the United States and Europe. It currently uses contractual arrangements with employees and external parties to protect its intellectual property and proprietary rights. Nevertheless, contractual arrangements afford only limited protection and the actions Sun Materials may take to protect its intellectual property and proprietary rights may not be adequate. In addition, others may obtain knowledge of Sun Materials' know-how and technologies through independent development. The failure to protect its production process related know-how and technologies and/or its intellectual property and proprietary rights may undermine its competitive position. Third parties may infringe or misappropriate its proprietary technologies or other intellectual property and proprietary rights. Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation, which can be costly and can divert management attention and other resources away from Sun Materials' business, may be necessary to enforce its intellectual property rights, to protect its trade secrets or to determine the validity and scope of its proprietary rights. There is no assurance that the outcome of such potential litigation will be in Sun Materials' favour. An adverse determination in any such litigation will impair its intellectual property and proprietary rights and may harm its business, prospects and reputation.

Sun Materials may be exposed to infringement, misappropriation or other claims by third parties and an adverse determination could result in it paying significant damages.

Sun Materials' success depends on the ability to use and develop its technology and know-how, to produce polycrystalline silicon without infringing the intellectual property or other rights of third parties. Although Sun Materials has obtained patents on its key production equipment, namely the self-propagating combustion cyclone reactor, in Taiwan, China, Japan, the United States and Europe, it may be subject to litigation involving claims of other patent infringement or violation of intellectual property rights of third parties with respect to its production process. The validity and scope of claims relating to photovoltaic technology patents involve complex scientific, legal and factual questions and analyses and, therefore, may be highly uncertain. The defence and prosecution of intellectual property suits, patent opposition proceedings, trademark disputes and related legal and administrative proceedings can be both costly and time consuming and may significantly divert Sun Materials' resources and the attention of its technical and management personnel. An adverse ruling in any such litigation or proceedings could result in its significant liability to third parties, require it to seek licenses from third parties, to pay on-going royalties, or to redesign its production process, or subject it to injunctions prohibiting the production and sale of its products or the use of technologies other than its self-developed technology. Protracted litigation could also result in its customers or potential customers deferring or limiting their purchase or use of its product until resolution of such dispute.

Risks relating to conducting business in Taiwan

Changes in Taiwan political and economic policies and conditions could adversely affect Sun Materials' business and prospects.

Sun Materials' primary production base is located in Taiwan. Political, economic and social factors in Taiwan may lead to adjustments of various reform measures. This refining and adjustment process may not necessarily have a positive effect on Sun Materials' operations and its future business development. The Target Group's business, prospects and results of operations may be materially and adversely affected by changes in the Taiwan economic and social conditions and by changes in the policies of the Taiwan government, such as measures to control inflation, changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

Restrictions on payment of dividends under applicable regulations may limit the Target Group's ability to remit dividend, which could affect its liquidity and financial position.

The Target Group's operations are currently conducted in Taiwan. The ability of the Target Group to make dividend and other distributions is therefore restricted by Taiwan law and regulations. These regulations may differ in many aspects from the Hong Kong Financial Reporting Standards, including the requirement for dividends to be paid only out of the net profit and thus restricts the amount of profit available for distribution.

Compliance with environmental and safety regulations is expensive, and non-compliance may result in adverse publicity and potentially significant monetary damages and fines or suspension of the Sun Materials' business operations.

Sun Materials is required to comply with all national and local regulations regarding protection of the environment. Compliance with environmental regulations is expensive. In addition, if more stringent regulations are adopted by the Taiwan government in the future, the costs of compliance with the Taiwan environmental protection regulations could increase. Upon the completion of the additional production plants in Taiwan, Sun Materials is subject to regulations and periodic monitoring by local environmental protection authorities and is required to comply with all Taiwan national and local environmental protection laws and regulations. Sun Materials must also register the hazardous chemicals to be used in the production process with the relevant authorities and to obtain safety permits, which include a permit for the storage and use of hazardous chemicals and a permit for the use of atmospheric pressure containers. There is no assurance that Sun Materials will be able to obtain these approvals and permits upon completion of its production plant or commencement of commercial production on a timely basis or at all. The relevant governmental authorities have the right to impose fines or deadlines to cure any non-compliance, or to order Sun Materials to cease construction or production if it fails to comply with these requirements. If Sun Materials fails to comply with present or future environmental regulations, it may be subject to substantial fines or damages or suspension of its business operations, and its reputation may be harmed.

The Enlarged Group will engage in the manufacture and sale of polycrystalline silicon. Set out below is an overview of the industry in which the Enlarged Group will operate.

Solar photovoltaic industry

Currently there are two major cell technologies applied in the solar photovoltaic industry, namely, the technology for crystalline silicon ("**c-Si**") solar cells and that for thin film solar cells. The latter is a recent introduction to the market place. According to the Technical Report, the ratio for the market share of c-Si technology to thin film technology is 80% to 20% and this ratio is expected by the industry to remain the same for the next five years. Previously thin film technology was expected by the market to have more favourable manufacturing cost structure compared to c-Si technology. As of early 2010, with a much lower cost of polycrystalline silicon base material and a lower than anticipated thin film solar cell efficiency, c-Si technology is a preferred option by final end customers. The shift to c-Si is further accelerating in 2011.

According to the CLSA Solar Sector Outlook report issued on September 2011, the global solar installations are expected to increase from 19.11 GW in 2010 to 20.55 GW in 2011, representing a growth of 8% year on year. The most notable increase was China's projection of solar installations which escalated from 520 MW in 2010 to 1,800 MW in 2011, signifying a remarkable growth of 246% year on year. After averaging growth of over 100% for the past three years, the global solar installations demand growth will slow down this year. As a result of further reductions in European subsidies, the expected CAGR for global solar installation from 2010 to 2013 is about 14%. The report attributes the decelerated growth rates to the current oversupply situation which will continue throughout 2012 but will remain optimistic that the installed capacity will grow at a CAGR of 28% for the next 10 years. This growth rate could be considered conservative given the acceleration of solar installations in regions such as China, the USA, India and Japan, which were traditionally not beneficiaries of meaningful government subsidies but are now receiving government subsidies.

Solarbuzz on 7 November 2011 forecast that the installed capacity in China will reach over 1.8 GW for 195 projects and will closely match the installed capacity in the US this year. More than half of the installed capacity will be located in the northwest region due to the

Qinghai 930 program and the unified national feed-in-tariff (FIT) policy in China. With the overall system price coming down, the report predicts that more self-consumption by industrial and commercial users will arise.

	Global Solar Installations (MW)					
	08A	**09A**	**10A**	**11CL**	**12CL**	**13CL**
Belgium	48	285	424	350	370	400
Czech Republic	51	398	1,490	150	140	150
France	46	219	719	1,080	1,290	1,550
Germany	1,500	3,806	7,408	6,670	4,000	3,200
Greece	11	36	150	230	340	370
Italy	258	717	4,800	4,080	2,860	3,000
Spain	2,511	17	369	350	390	420
Rest of Europe	78	141	365	470	610	790
Japan	230	483	990	1,190	2,380	3,330
USA	342	477	878	2,200	3,730	5,600
Canada	10	62	105	500	660	980
China	45	228	520	1,800	3,600	5,400
India	40	30	200	500	980	1,460
South Korea	274	167	131	140	160	320
Rest of the World	126	297	559	840	1,260	1,640
Global	5,570	7,363	19,108	20,550	22,770	28,610
Growth %	**132**	**32**	**160**	**8**	**11**	**26**

Source: CLSA Asia-Pacific Markets

	2008	**2009**	**2010**	**2011(E)**	**2012(E)**
	(Metric tons per annum)	*(Metric tons per annum)*	*(Metric tons per annum)*	*(Metric tons per annum)*	*(Metric tons per annum)*
Polycrystalline silicon demand for solar usage (including loss)	48,000	81,000	153,000	212,000	200,000
Polycrystalline silicon demand for electronics usage (including loss)	22,000	19,000	27,000	30,000	32,000
Polycrystalline silicon supply capacity for solar and electronics usage (including loss)	70,000	100,000	180,000	242,000	232,000

Source: Photon Consulting

Polycrystalline silicon is the primary raw material required for c-Si solar cells production and there was a modest over-supply of polycrystalline silicon in 2010. According to Photon Consulting, the estimated global production output of polycrystalline silicon in 2011 will be 242,000 metric tons, whilst the demand for polycrystalline silicon will be 212,000 metric tons and 30,000 metric tons for the solar and electronics industries respectively, a total demand of 242,000 metric tons. It is anticipated that this overall balance will continue in 2011 but the gap will widen in 2012 as substantial polycrystalline silicon capacity expansions come online.

Details of different processes used in the industry

The traditional "Siemens" process of manufacturing polycrystalline silicon is being associated with environmental risks and general safety concerns by the industry. A newer modified "Siemens" process and the fluidized bed reactor ("**FBR**") process are used by some manufacturers of polycrystalline silicon to address some of the environmental and safety issues of the older technology, but further innovation is being sought by the industry to make the entire solar energy product value chain more environmentally friendly with a lower carbon footprint and less costly.

(i) "Siemens" process

This refers to a process to manufacture high-purity silicon for the semiconductor or solar industry. It involves initially converting metallurgical silicon into trichlorosilane ("**TCS**") using gaseous hydrogen chloride. Following several distillation steps, the TCS is broken down thermally into silicon and chlorous gases through the addition of hydrogen in a so-called "CVD reactor" (Chemical Vapor Deposition reactor). "CVD reactor" is also known as the "Siemens" reactor. In this process high temperature polycrystalline silicon rods are put in a "Siemens" bell jar reactor with cold water-chilled walls. TCS gas is then passed over these rods and deposits of the silicon in the gas will be formed on the rods. When the rods reach the required size, they are extracted. The end product is in the form of chunks or rods of polycrystalline silicon.

(ii) Modified "Siemens" Process

This refers to a process to manufacture high-purity silicon for the semiconductor or solar industry. It involves initially converting metallurgical silicon into silane using gaseous hydrogen chloride. Following several distillation steps, the silane is broken down thermally into silicon and chlorous gases through the addition of hydrogen in a so-called "CVD reactor". "CVD reactor" is also known as the "Siemens" reactor. In this process high temperature polycrystalline silicon rods are put in a "Siemens" bell jar reactor with cold water-chilled walls. Silane gas (instead of TCS gas in the traditional "Siemens" Process) is then passed over these rods and deposits of the silicon in the gas will be formed on the rods. When the rods reach the required size, they are extracted. The end product is in the form of chunks or rods of polycrystalline silicon.

(iii) FBR Process

An FBR is a type of reactor device that can be used to carry out a variety of multiphase chemical reactions. In this type of reactor, a fluid (gas or liquid) is passed through a granular solid material (usually a catalyst possibly shaped as tiny spheres) at high enough velocities to suspend the solid and cause it to behave as though it were a fluid. This process, known as fluidization, imparts many important advantages to the FBR. As a result, the fluidized bed reactor is now used in many industrial applications, such as the photovoltaic industry. Silane or TCS is passed through the FBR in liquid form. A solid is then condensed under high velocity and energy in the FBR. The end product is in the form of granular polycrystalline silicon (instead of chunks or rods polycrystalline silicon produced from the "Siemens" type reactor).

Pricing of polycrystalline silicon

According to the Silicon Price Index published by Photon Consulting, the average spot prices for polycrystalline silicon had fallen from a high point of US$417/kg in August 2008 to US$219/kg in December 2008 due to adverse market condition caused by the financial crisis. The average spot prices further experienced a sharp fall in the first half of 2009 and reached US$72/kg by June 2009. The average spot prices for solar grade polycrystalline silicon continued to decline to the range of US$52-$55/kg in early 2010. Nonetheless, they have recovered since then and reached US$60-$90/kg in January 2011 due to increasing demand and lucrative support from governments in Europe and the United States for new solar project installations. In November 2011, according to CLSA reports, the spot price for solar grade polycrystalline silicon in the Greater China region has fallen below US$30 per kg as the oversupply situation of polycrystalline silicon persists. International polycrystalline silicon suppliers are able to command higher pricing as supported by Photon Consulting's current view.

Spot market prices can provide a meaningful comparison to the prices of Sun Materials' products because the solar grade polycrystalline silicon which Sun Materials is contracted to produce is of comparable specifications to the typical set of specifications used by the solar grade polycrystalline silicon industry, namely the "Wacker" solar grade specifications. Conversely, the pricing of electronic grade polycrystalline silicon of higher specifications and 5N-grade (or below) polycrystalline silicon of lower specifications are not in line with the spot pricing in the Silicon Price Index published by Photon Consulting or in the CLSA reports.

Although the average sales prices for certain marginal producers have fallen below cash costs, a cyclical recovery to exceed cash costs is expected across the value chain in 2012. Despite recent declines in the European demand, the Asian and the US demand are able to offset the decline. Polycrystalline silicon prices are at the bottom of the market. The current pricing levels are viewed by the market as a relatively welcome shock to weed out smaller and higher manufacturing cost producers and allow the industry to reset pricing in 2012 to a healthy level, which is expected to be in the mid to high US$30's.

Competitive Landscape

According to Photon Consulting, major polycrystalline silicon manufacturers include Hemlock, Wacker, GCL-Poly, OCI, REC, MEMC and Tokuyama. Both pure-play and integrated business models are employed by these polycrystalline silicon manufacturers. Out of these seven manufacturers, Hemlock is the largest polycrystalline silicon manufacturer in terms of its production capacity estimated for 2010.

Hemlock is a leading provider of polycrystalline silicon and other silicon-based products used in the manufacturing of semiconductor devices and passive solar cells and modules.

Wacker manufactures various chemical products, including silicon wafers for semiconductor manufacturers.

GCL-Poly is a Chinese power company that produces solar grade polycrystalline silicon and operates cogeneration plants and in China.

OCI is a global company which engages in the production and sale of polycrystalline silicon, inorganic and petrol chemicals and insulation materials.

REC is an integrated player involved in the production of solar-grade polycrystalline silicon, manufacture of multicrystalline and monocrystalline silicon wafers, and production of solar cells and modules.

MEMC engages in the production of polycrystalline silicon, development, manufacture, and sale of silicon wafers, and provision of solar energy services.

Tokuyama produces inorganic and organic industrial chemicals, polycrystalline silicon, synthetic resins, cement, and construction materials.

The production capacity and market share of each of the above polycrystalline silicon manufacturers are illustrated in the table below:

	Hemlock	**Wacker**	**GCL-Poly**	**REC**	**OCI**	**MEMC**	**Tokuyama**
Production capacity by end of 2011 *(metric tons)*	42,700	35,800	32,500	31,600	19,200	12,500	8,400
Market share	16.9%	14.2%	12.8%	12.5%	7.6%	4.9%	3.3%

Source: Photon Consulting

Market growth for polycrystalline silicon

The oversupply situation for polycrystalline silicon is expected to continue in 2012. According to Photon Consulting, the global polycrystalline silicon industry experienced a 34% increase in the production of polycrystalline silicon from 2010 to 2011. Up to two-thirds of the world's polycrystalline silicon producers will be forced to either merge or go out of business due to the increase of production. This projection is especially relevant to the Chinese polycrystalline silicon producers as many of them are facing production halts due to excessive supply in the market. Hence, only the most cost efficient producers can survive and continue to grow on a long-term basis. The Directors believe that Sun Materials incurs the lowest manufacturing cost when compared to Photon Consulting's list of major polycrystalline silicon manufacturers.

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 136)

Executive Directors:
Mr. Peter Temple Whitelam *(Chairman)*
Mr. Lo Yuen Wa Peter *(Managing Director)*
Mr. Eddie Woo
Mr. Suen Yick Lun Philip
Mr. Lau King Hang
Dr. Wu Yi-Shuen

Non-executive Director:
Dr. Chuang, Henry Yueheng *(Deputy-Chairman)*

Independent non-executive Directors:
Mr. Frank H. Miu
Dr. Agustin V. Que
Mr. Robert James Iaia II
Dr. Chien, Yung Nelly

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Hong Kong

19 December 2011

To the Shareholders

Dear Sir or Madam,

(1) GRANT OF SHARE OPTIONS AND CONNECTED TRANSACTION
(2) SPECIFIC MANDATE TO ISSUE OPTION SHARES
(3) SERVICE AGREEMENT WITH DR WU
(4) SPECIFIC MANDATE TO ISSUE CONVERSION SHARES
(5) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
AND
(6) NOTICE OF SGM

PART A – INTRODUCTION

On 29 August 2011, the Company announced that, among other things:

(i) it had entered into Option Deeds on 29 August 2011 with each of the Grantees pursuant to which the Company conditionally agreed to grant Share Options to the Grantees for up to 730,000,000 new Shares in aggregate;

(ii) it is seeking the approval of the Proposed Option Mandate to allot and issue up to 730,000,000 new Shares to be issued upon exercise of the Share Options; and

(iii) it had entered into the Service Agreement with Dr Wu.

On 4 October 2011, the Company announced that, among other things:

(i) following the expiration of the Existing Placing Mandate it is seeking the power under the Proposed Conversion Mandate to allot and issue up to 2,838,000,000 Conversion Shares on full conversion of the Convertible Bonds, or such other number of Conversion Shares into which the Convertible Bonds are convertible as results from adjustment to the Conversion Price from time to time in accordance with the Convertible Bond Documents as contemplated under the terms of their issue; and

(ii) it had entered into the Sale and Purchase Agreement with the Seller and Ms Hsieh on 12 September 2011 whereby the Company conditionally agreed to purchase from the Seller 49.9% of the issued shares of the Target for HK$2,500,000,000 in accordance with the terms of the Sale and Purchase Agreement.

The Option Deeds and the transactions contemplated thereunder are subject to, among other things, Shareholders' approval at the SGM under Chapter 15 of the Listing Rules. Dr Wu, Mr Lo, Mr Eddie Woo and Dr Chuang Henry Yueheng, are Grantees and Directors of the Company. Therefore, the transactions contemplated under the Option Deeds constitute connected transactions of the Company and are subject to, among other things, Independent Shareholders' approval at the SGM under Chapter 14A of the Listing Rules.

As the term of the Service Agreement exceeds three years, the Service Agreement is subject to the approval of the Independent Shareholders at the SGM under Rule 13.68 of the Listing Rules.

At the special general meeting of the Company held on 7 June 2011, the Existing Placing Mandate was granted to the Directors to allot, issue and deal with up to 9,550,000,000 Shares, including the Conversion Shares, so as to give effect to the transactions contemplated by the Placing Agreement and the Convertible Bond Documents. As at the Latest Practicable Date, Convertible Bonds in the aggregate principal amount of HK$1,419,000,000 remain outstanding.

The Existing Placing Mandate was granted to the Directors subject to the condition, among other things, that it shall lapse on 25 September 2011, being the date falling 110 days following the special general meeting of the Company held on 7 June 2011. The Existing Placing Mandate has therefore now lapsed. To allow the Directors to issue the Conversion Shares after the expiration of the Existing Placing Mandate on 25 September 2011, the Board seeks approval by the Shareholders of the Proposed Conversion Mandate to issue the Conversion Shares pursuant to the Convertible Bond Documents as contemplated under the terms of their issue. The Proposed Conversion Mandate is proposed pursuant to Rule 13.36(1)(a) of the Listing Rules, subject to conditions detailed under the paragraphs headed "2. The Proposed Conversion Mandate" in part D of the Letter from the Board in this circular.

Pursuant to the Sale and Purchase Agreement, the Consideration for the Acquisition shall be settled by the Company on Completion in the following manner: (i) as to HK$750,000,000 in cash; and (ii) as to HK$1,750,000,000 by the issue of the Consideration Bonds by the Company to the Seller (or its nominee). Completion is conditional on the satisfaction (or if applicable, waiver) of each Sale Condition. Upon Completion, the Target will become a wholly-owned subsidiary of the Company. The Sale and Purchase Agreement provides that upon Completion the Seller and Sun Materials will enter into the Standby Line of Credit Agreement, whereby the Seller will conditionally agree to make available the Standby Line of Credit of up to HK$500,000,000 to Sun Materials for the purpose of financing the general working capital requirements of Sun Materials.

The Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder are subject to, among other things, Shareholders' approval at the SGM under Chapters 14 and 14A of the Listing Rules.

The purpose of this circular is to provide Shareholders with:

(i) further information on the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Proposed Conversion Mandate, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under such documents;

(ii) the Board's recommendation to the Shareholders in relation to the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Proposed Conversion Mandate, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under such documents;

(iii) the advice and recommendation of the Independent Board Committee to the Independent Shareholders on the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under such documents;

(iv) the advice and recommendation from Vinco Capital to the Independent Board Committee and the Independent Shareholders on the Option Deeds, the Proposed Option Mandate, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under such documents;

(v) financial information and other information of the Group;

(vi) financial information of the Target Group;

(vii) pro forma financial information of the Enlarged Group;

(viii) the Calculation Report; and

(ix) the notice of the SGM at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Proposed Conversion Mandate, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under the abovesaid documents.

PART B – PROPOSED GRANT OF SHARE OPTIONS

1. The Option Deeds

The Board announced in the Share Option Announcement that on 29 August 2011, the Company had entered into, with each of the Grantees, their respective Option Deeds which are subject to the conditions listed under the paragraphs headed "c) Conditions" below. The key terms of each of the Option Deeds are as follows:

a) Number of Share Options granted

The Company agreed to grant each of the Grantees the following number of Share Options exercisable at the Exercise Price:

Grantee	Position	Share Options representing
Dr Wu	a Director and the Chairman and Chief Executive Officer of Sun Materials	450,000,000 Shares
Mr Eddie Woo	a Director and the President of Sun Materials	115,000,000 Shares
Dr Chuang Henry Yueheng	Non-Executive Director and the Deputy-Chairman of the Company	75,000,000 Shares
Mr William Eui Won Pak	Consultant of the Company	50,000,000 Shares
Mr Lo	a Director	10,000,000 Shares
Mr Cheng Lien-Huang	Vice President and Factory 1 Manager of Sun Materials	10,000,000 Shares

Grantee	**Position**	**Share Options representing**
Mr Hsieh Yung-Ming	Senior Vice President and Chief Operating Officer of Sun Materials	10,000,000 Shares
Mr Shen Gi-Chou	Senior Vice President and Financial Controller of Sun Materials	10,000,000 Shares

b) Consideration

The consideration payable by each of the Grantees for the grant of his Share Options is HK$1.00.

c) Conditions

The grant of the Share Options in each Option Deed is conditional on:

(i) the approval by the Stock Exchange of the grant of the Share Options, if required;

(ii) the grant by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Option Shares upon the exercise of the Share Options granted under the Option Deeds; and

(iii) the approval by the Independent Shareholders of the grant of the Share Options, together with the issue of the Option Shares upon exercise of the Share Options pursuant to the Option Deeds, if required.

Each of the Option Deeds shall automatically terminate and be of no effect and neither party shall have any claim against the other if the above conditions are not fulfilled by 31 October 2011, or such later date as the Company and the relevant Grantees may agree. The Company has subsequently agreed with each of the relevant Grantees to extend the deadline for satisfaction of such conditions to 31 January 2012, or such later date as the Company and the relevant Grantees may agree.

The Share Options to be granted pursuant to the Option Deeds have been conditionally granted in accordance with the requirements of Chapter 15 of the Listing Rules.

d) Vesting

The Share Options shall vest upon the following dates, unless otherwise agreed between the Company and the Grantee:

Timing of the vesting of the Share Options	Amount of Share Options to be vested
On the date which is **12 months** after the grant of the Share Options to a Grantee	25% of the Share Options granted to the Grantee
On the date which is **24 months** after the grant of the Share Options to a Grantee	A further 35% of the Share Options granted to the Grantee
On the date which is **36 months** after the grant of the Share Options to a Grantee	The remaining 40% of the Share Options granted to the Grantee

The Share Options which have vested shall be exercisable until the expiry of the Option Period.

Notwithstanding the above vesting schedule, the Share Options held by each of the Grantees shall automatically vest in full and become exercisable immediately upon the occurrence of any of the following events:

(i) an initial public offering with respect to the Target or Sun Materials on any stock exchange or in any place;

(ii) the Company ceasing to directly or indirectly control at least 50% of the Target or Sun Materials;

(iii) the Company and the Grantee agreeing that the Grantee's Share Options shall vest in full; or

(iv) if at any time after the Grant Date a person or entity acquires the legal and beneficial ownership of 30% or more of the issued and outstanding ordinary Shares of the Company.

The events giving rise to automatic vesting of the Share Options are considered in line with market expectations. The vesting arrangements are considered necessary in order to protect the value of the Share Options against certain changes to the Company and its business and to ensure that the Share Options continue to provide an appropriate incentive to Grantees.

In particular, when either event (ii) or event (iv) occurs, there is a "change of control" in either the Target/Sun Materials or the Company. In such situations, the value of the Share Options may be adversely affected by the actions of the new owners of the Target/Sun Materials or the Company, whichever is applicable. Given the main aim of the Share Options is to maintain the Grantees' commitment to the Company so as to retain the Grantees' expertise, contribution and full dedication, if a "change in control" occurs, the automatic vesting arrangement will be triggered and it will enable the value of the Share Options to be protected and hence will solidify the commitment of the Grantees to the Company. Furthermore, it is quite common for companies to include provisions for automatic vesting upon change of control in share option agreements similar to the Share Option Deeds. Therefore, the Directors (excluding the independent non-executive Directors who express their views independently in the letter from the Independent Board Committee in this circular after seeking advice from Vinco Capital) are of the view that the automatic vesting terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

e) Exercise Period

Upon vesting as described above, the Share Options may be exercised at any time until the expiration of the Option Period (subject to any restrictions under the Listing Rules or applicable law).

f) Exercise of the Share Options

Subject to the above conditions, the Share Options may be exercised during the Exercise Period by serving a Share Option exercise notice to the Company together with the Exercise Price payable.

g) The Exercise Price

The Exercise Price is HK$0.40 per Share. The Exercise Price was arrived at after arm's length negotiations with each of the Grantees. The Exercise Price was determined after consideration of a number of factors, including consideration of the price at which the most recent share placing was conducted by the Company, the recent trading price of the Shares, the appropriate reward to incentivize the Grantees to maintain their performance with or for the Group, and the potential enhancement in Shareholders' value and benefits to Shareholders of their continued employment or services provided to the Group given the expertise and experience each of them have.

The Exercise Price represents:

(i) a discount of approximately 3.61% to the closing price per Share of HK$0.415 as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 3.61% over the average closing price per Share of about HK$0.415 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;

(iii) a discount of approximately 6.87% over the average closing price per Share of about HK$0.4295 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and

(iv) a premium of approximately 96.08% to the closing price per Share of HK$0.2040 as quoted on the Stock Exchange on the Latest Practicable Date.

h) Option Shares

The Option Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with all other Shares in issue on the date of the issue and allotment of the Option Shares and will accordingly entitle each of the Grantees to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant day on which the Share Options are duly exercised other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor is before the relevant exercise date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant exercise date.

The Company's by-laws provide that dividends are payable to the persons registered as the holders of Shares as at the close of business on the record date specified in the resolution declaring such dividend. The Company will ensure that Grantees who duly exercise their Share Options are promptly registered as the holders of Option Shares on the relevant day on which the Share Options are duly exercised.

The Option Shares will be issued under the Proposed Option Mandate.

i) Completion

Subject to the fulfilment of the conditions as detailed above and the vesting and exercise of the Share Options by any of the Grantees within the Exercise Period, completion shall take place at the principal office of the Company in Hong Kong (or such other place as agreed between the Company and the relevant Grantee) on the date specified for completion in the exercise notice.

j) Lapse of Share Options

A Share Option shall lapse automatically (to the extent not already vested, or if vested but not exercised) on the earlier of:

(i) the expiry of the Option Period; or

(ii) the date on which the relevant Grantee employed by the Group resigns or terminates his employment with the Group other than for good reason; or

(iii) the date on which the Group terminates the employment of the relevant Grantee employed by the Group for cause.

"Good reason" in the above sub-paragraph (ii) means the occurrence of certain acts or defaults specified in the Option Deeds by the Company without the Grantees' prior written consent.

k) Rights to participate in distributions and/or offers of further securities

None of the Grantees has any right under their respective Option Deeds to participate in any distributions and/or offers of further securities made by the Company before the exercise of Share Options.

l) Transfer or transmission of the Share Options

The benefit of the Option Deeds (including but not limited to the Share Options) shall not be assignable in whole or in part.

m) Undertakings by the Company

The Company has undertaken with the Grantees that pending the Share Options being exercised in full or lapsing:

(i) the Company shall keep available for issue, free from pre-emptive rights, out of its authorized but unissued capital sufficient Shares to satisfy in full the Option Shares (to the extent that the Share Options shall not then already have been fully exercised) and all other rights for the time being outstanding of subscription for and conversion into Shares;

(ii) all Shares allotted and issued on exercise of the Share Options shall be credited as fully paid and rank pari passu in all respects with the fully paid Shares in issue on the relevant exercise date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant exercise date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the relevant exercise date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant exercise date;

(iii) the Company will use its reasonable endeavours to ensure that all Shares allotted and issued on exercise of the Share Options shall be admitted to listing and dealing on the Stock Exchange upon allotment and issue, provided that such obligations shall cease upon any privatization scheme as may be permitted under the Takeovers Code having become effective;

(iv) the Company will ensure that all Shares, when issued upon the exercise of the Share Options, are in compliance with the provisions of the Memorandum of Association and Articles of Association of the Company from time to time in force, will be duly and validly issued and fully paid, free and clear of all encumbrances and third party rights; and

(v) the Company will pay (if applicable) all Hong Kong stamp duties, registration fees or similar charges in respect of the execution of the Option Deed, the grant of the Share Options, the exercise of the subscription rights thereunder and the issue of Shares upon exercise of such subscription rights, in each case, as may be payable by the Company.

n) Winding up of the Company

If an effective resolution is passed during the Option Period for the voluntary winding-up of the Company, then:

(i) if such winding-up be for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the relevant Grantee as holder of the Share Options shall be a party or in conjunction with which a proposal is made to such Grantee, the terms of such scheme of arrangement or proposal (as the case may be) shall be binding on each of them if the scheme of arrangement or proposal is approved by the requisite majority of the relevant securities holders of the Company in accordance with any applicable laws, rules and/or regulations; and

(ii) in any other case, the relevant Grantee shall be entitled at any time within six weeks after the passing of such resolution for the voluntary winding-up of the Company by service of an exercise notice, together with payment of the exercise price, to elect to be treated as if it had, immediately prior to the commencement of such winding-up, exercised the Share Options to the extent specified in the exercise notice and had on such date been the holder of Shares to which he would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the relevant Grantee of the passing of any such resolution within seven days after the passing thereof and such notice shall contain a reminder to the relevant Grantee with respect to the Grantee's rights under this paragraph.

Subject to the foregoing, if the Company is voluntarily wound up, the Share Options, in so far as not exercised, shall lapse.

In case of a non-voluntary winding-up of the Company, the Share Options, in so far as not exercised, shall lapse on an order having been made by the court for winding-up of the Company.

o) Reorganization of capital structure

If and whenever the Shares, by reason of any consolidation or sub-division, become of a different nominal amount whilst any Share Option is able to be vested or remains exercisable, then (i) the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately prior thereto by the revised nominal amount and dividing the product by the former nominal amount and (ii) the number of Option Shares to be issued on the exercise of all outstanding Share Options shall be adjusted by multiplying the number of Option Shares that would be issued on exercise of all outstanding Share Options by the former nominal amount and dividing the product by the revised nominal amount, provided that no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

Save as provided above, there are no other adjustments which can be made to the Exercise Price or the number of Option Shares in the event of alteration in the capital structure of the Company.

2. Reasons for entering into the Option Deeds

As announced on 15 July 2011, the Company completed its acquisition of a 50.1% shareholding interest in Sun Materials. Sun Materials is in the process of commencing commercial production of polycrystalline silicon and plans to ramp up its production capacity aggressively to meet the market demand for solar grade polycrystalline silicon. The expansion of the polycrystalline silicon business requires the expertise, contribution and full dedication of the employees of Sun Materials, the executives of the Group, as well as the Group's consultants and strategic partners in the polycrystalline silicon business. In light of the expansion plan, the Board proposes to grant the Share Options to certain Directors and key employees of Sun Materials, and other key consultants of the Group. The Board believes that the continuing contribution of these Grantees is crucial to the expansion plan of Sun Materials and the success of the Group as a whole. The Board is of the view that the grant of the Share Options is an appropriate means to incentivize and reward these individuals and align their interests with those of the Group.

The Group has adopted a diversification strategy to broaden its long term sustainable income base. Sun Materials has been identified as a suitable investment to implement the Group's diversification strategy. To integrate Sun Materials into the Group requires (i) the successful acquisition of the controlling interest in Sun Materials and (ii) Sun Materials being able to commence commercial production and to ramp up its production capacity to fully capitalize on its innovative technology to produce solar grade polycrystalline silicon on a large scale and at a level of production cost substantially lower than that of competitors.

To achieve the above requires the collective effort and contribution from a number of key individuals who, while each having their individual area of expertise and therefore their own specific role to play, are collectively responsible for the overall success of the investment. These roles, and the identity of the key personnel assuming primary responsibility, are summarized as follows:

(i) From the perspective of the acquisition, Mr Eddie Woo has primary responsibility for negotiation of the acquisition, financial modeling and valuation matters as well as the related fund raising and investor relation initiatives; Dr Chuang Henry Yueheng participates in the marketing and investor activities with emphasis on large-scale and major investors as well as advising on current development in energy related industries; Mr William Eui Won Pak is primarily responsible for the legal, due diligence and the structuring and documentation matters in respect of the acquisition and related fund raising exercises; Mr Lo has the overall responsibility of ensuring that the acquisition and related fund raising exercises meet with the Group's strategy, objective and compliance obligations as well as participating in the marketing, investor relations and fund raising initiatives.

(ii) From the perspective of the targeted expansion of Sun Materials business, the key personnel involved are Dr Wu, Mr Eddie Woo, Mr Cheng Lien-Huang, Mr Hsieh Yung-Ming and Mr Shen Gi-Chou. Their respective roles are further described under the paragraphs headed "8. Reasons for the Acquisition – d) Management team" in Part E of this Letter from the Board.

Past contributions of the Grantees have already culminated in the successful completion of the Initial Acquisition and the placing of Shares pursuant to the Placing Agreement. Following the imminent full integration of Sun Materials into the Group, the Company's mission will be to build up the Group to becoming a key player in the photovoltaic industry, to capitalize on the technological advantages of Sun Materials' innovative technology and to fully explore the tremendous growth opportunity in the solar energy market. To accomplish this mission requires the continuing dedication and contribution from the abovementioned key personnel going forward.

The Board is therefore of the view that the abovementioned key personnel should be appropriately rewarded for both their past and future contribution as well as to be properly incentivized for their future dedication and to align their interests with the Company's mission. Accordingly they have been selected as the Grantees.

No performance targets have been set in the Options Deed. The Board believes that the purpose of setting performance targets in motivating the Grantees has already been incorporated in the Options Deeds. The monetary benefits of the Share Options to the Grantees will only crystallize upon favourable movements in the Company's Share price in the future which, in turn, is affected by the Group's future performance and results. Moreover, the Grantees will be motivated to stay longer because of the vesting schedule.

The Directors (excluding the independent non-executive Directors who express their views independently in the letter from the Independent Board Committee in this circular after seeking the advice of Vinco Capital) are of the view that the terms of the Option Deeds, in general and in particular the Exercise Price and the vesting arrangements, which were arrived at after arm's length negotiations between the Company and each of the Grantees, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Those Directors who are also Grantees have not participated in any discussion nor do they express any view in relation to the grant of the Share Options to themselves.

3. Use of proceeds

The full exercise of the Share Options would raise net proceeds in the amount of approximately HK$292 million (based on a net price per Share of HK$0.40), which is intended to be used for the general working capital of the Group.

4. Changes in shareholding structure

To the best of knowledge of the Directors, having made all reasonable enquiries and based on publicly available information, the illustrative shareholding structure of the Company immediately before and after the exercise of Share Options is as follows:

Name of Shareholder	**Existing Shareholding as at the Latest Practicable Date**		**Shareholding immediately after the exercise of the Share Options**(Note 1)	
	No. of Shares	*Approx. percentages of issued Shares*	*No. of Shares*	*Approx. percentages of issued Shares*
Directors				
Dr Wu	0	0%	450,000,000	8.50%
Mr Eddie Woo	0	0%	115,000,000	2.17%
Mr Lo	2,500,000	0.05%	12,500,000	0.24%
Dr Chuang Henry Yueheng	0	0%	75,000,000	1.42%
Employees				
Mr Cheng Lien-Huang	0	0%	10,000,000	0.19%
Mr Hsieh Yung-Ming	0	0%	10,000,000	0.19%
Mr Shen Gi-Chou	0	0%	10,000,000	0.19%
Consultant				
Mr William Eui Won Pak	0	0%	50,000,000	0.94%
Other Shareholders				
Shareholders	4,564,278,952	99.95%	4,564,278,952	86.16%
Total issued Shares	4,566,778,952	100.00%	5,296,778,952	100.00%

Note 1: Based on the issued share capital of the Company as at the Latest Practicable Date. These numbers relate to the total number of Shares that may be issued upon full exercise of the Share Options only and do not include Shares that may be issued upon exercise of the share options issued pursuant to the Share Option Scheme or the Conversion Shares that may be issued upon conversion of the Convertible Bonds.

As at the Latest Practicable Date, there are (i) outstanding share options issued pursuant to the Share Option Scheme which entitle the holders thereof to subscribe for 625,000 Shares at HK$0.40 per Share (subject to adjustment) and (ii) outstanding Convertible Bonds which entitle the holders thereof to be issued 2,838,000,000 Conversion Shares at a conversion price of HK$0.50 per Share (subject to adjustment).

5. Proposed Option Mandate to issue new Shares

Upon the exercise of the Share Options, a total of up to 730,000,000 new Shares, or such other number of Shares as results from adjustment to the Exercise Price from time to time in accordance with the Option Deeds, will be issued by the Company. At the SGM, the Independent Shareholders will be asked to consider and, if thought fit, approve, among other things, the grant of the Proposed Option Mandate to enable the Company to allot and issue up to 730,000,000 new Shares, or such other number of Shares as results from adjustment to the Exercise Price from time to time in accordance with the Option Deeds, upon exercise of the Share Options.

The Independent Shareholders will also be asked at the SGM to consider and, if thought fit, authorize the Board, on behalf of the Company, to determine and deal with, at its discretion and with full authority, matters relating to the Share Options.

The Proposed Option Mandate in respect of the Option Shares, if granted, will lapse on the date falling fourteen days after the end of the Exercise Period.

6. Application for listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Option Shares to be issued upon the exercise of Share Options under the Option Deeds.

7. Listing Rule implications

a) Under Chapter 15

The grant of the Share Options to the Grantees pursuant to the Option Deeds must comply with the requirements under Chapter 15 of the Listing Rules. Accordingly, the terms of the Option Deeds and the grant of the Share Options must be approved by the Stock Exchange and by Independent Shareholders in a general meeting, subject to the requirements under Chapter 15 of the Listing Rules.

b) Under Chapter 14A

Dr Wu, Mr Eddie Woo, Dr Chuang Henry Yueheng and Mr Lo are Directors and therefore are connected persons of the Company pursuant to Rule 14A.11(1) of the Listing Rules. Entering into the Option Deeds between such Directors and the Company thus constitutes connected transactions of the Company pursuant to Rule 14A.13(5) of the Listing Rules.

One or more of the applicable percentage ratios (as defined under the Listing Rules) for the entering into the Option Deeds will exceed 5% and the total consideration will exceed HK$10 million. Under Rule 14A.17 of the Listing Rules, entering into the Option Deeds, which is a connected transaction, is subject to reporting, announcement and Independent Shareholders' approval requirements.

At the SGM Independent Shareholders will be asked to consider and, if thought fit, to approve the terms of the Option Deeds and the transactions and matters contemplated thereunder. Grantees and their respective associates are required to abstain from voting at the SGM in respect of the resolution for approval of the Option Deeds. Mr Lo, who is a connected person and a Shareholder holding 2.5 million Shares of the Company, will abstain from voting at the SGM in respect of the resolution for approval of the Option Deeds, the transactions contemplated thereunder and the grant of the Proposed Option Mandate. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Grantees, other than Mr Lo, is a Shareholder.

Dr Wu, Mr Eddie Woo, Dr Chuang Henry Yueheng and Mr Lo, who are Directors having material interests in the Options Deeds and the transactions and matters contemplated thereunder, abstained from voting on the relevant board resolutions of the Company.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr Frank H. Miu, Dr Agustin V. Que, Mr Robert James Iaia II and Dr Chien Yung Nelly, has been established to advise the Independent Shareholders as to whether the terms and conditions of the Share Options, the grant of the Proposed Options Mandate and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from Vinco Capital appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

PART C – SERVICE AGREEMENT WITH DR WU

1. The Service Agreement

a) Introduction

As announced by the Company on 22 July 2011, Dr Wu was appointed by the Company as an executive Director on 22 July 2011. On 1 August 2011, the Company and Dr Wu subsequently entered into the Service Agreement pursuant to which Dr Wu is employed by the Company in the capacity of an executive Director. The Service Agreement will take effect on the Effective Date until 1 August 2016, unless terminated earlier in accordance with the terms of the Service Agreement.

Pursuant to the Service Agreement, Dr Wu will, among other things, be responsible for the day-to-day and overall management, strategic planning and development of the Group, including formulating policies and identifying potential clients.

b) Remuneration

Under the Service Agreement, Dr Wu's remuneration is US$300,000 per annum, payable in equal monthly instalments and subject to annual review. In addition, and in accordance with its constitutional documents, the Company may:

(i) grant share options to Dr Wu pursuant to the Share Option Scheme on such terms as determined by the Company, which shall include, subject to the terms of the Share Option Scheme, accelerated vesting of the share options issued pursuant to the Share Option Scheme upon termination of his employment; and

(ii) pay Dr Wu an annual discretionary bonus of up to US$2,000,000, based on his individual performance and overall profitability of the Company's business.

The remuneration of Dr Wu (including bonus arrangement) was determined after considering the factors leading to compensation of executives of similar stature and experience to Dr Wu, negotiations with Dr Wu, and Dr Wu's contributions to the Company previously and the expectation of his contribution going forward. Given that Dr Wu's experience and know-how is integral to the profitability and growth of the Company's business, the Directors consider his remuneration to be fair.

The bonus to Dr Wu is determined at the full discretion of the Company based on Dr Wu's annual individual performance and overall profitability of the Company's business. The Company will only award the annual discretionary bonus to Dr Wu should his performance contribute to the profitability of the Company's business.

Dr Wu's remuneration under the Service Agreement with the Company is essentially on the same terms as the CEO Service Agreement he had with Sun Materials save for the addition of the annual discretionary bonus which is at the full discretion of the Company and based on his individual performance and overall profitability of the Company's business.

The remuneration committee of the Company consists of Mr Frank H. Miu, Dr Agustin V. Que and Mr Robert James Iaia II, who are independent non-executive Directors. They consider that the terms of the Service Agreement are fair and reasonable and that the Service Agreement is in the interests of the Company and the Shareholders as a whole. They form their view based on the recommendation from Vinco Capital.

c) Termination

The Company is entitled to terminate the employment of Dr Wu immediately if Dr Wu:

(i) commits a material breach of any provision of the Service Agreement and Dr Wu fails to remedy such breach within such period as may be required by the Company or commits a further or continued breach of such obligation after warning by the Company;

(ii) in the opinion of the Company, commits any act of fraud or dishonesty;

(iii) vacates office as a Director under a provision of the Company's constituent documents;

(iv) is guilty of any misconduct or wilful neglect in the discharge of his duties;

(v) becomes of unsound mind or is placed under the involuntary control of any committee of office under any law relating to mental health;

(vi) is held guilty or convicted of any criminal offence involving his integrity or honesty or otherwise prohibited from performing his duties; and

(vii) acts or conducts himself in a manner which, in the opinion of the Company, brings himself, his office, the Company or any other member of the Group into disrepute or is otherwise prejudicial to the best interests of the Company or any other member of the Group.

Either party to the Service Agreement may terminate the employment of Dr Wu with or without cause by giving to the other party not less than six months' notice in writing or by paying to the other party six months' salary in lieu of such notice.

If Dr Wu's employment is terminated for any reason, the Company is required to:

(i) pay to Dr Wu his remuneration up to and including the date of termination;

(ii) pay to Dr Wu any amount due for accrued holiday pay and pro-rata holiday pay for an incomplete qualifying year; and

(iii) grant to Dr Wu any Share Options that have vested in accordance with the terms of the Option Deed to which he is a party as described under the paragraphs headed "1. The Option Deeds – d) Vesting" in part B of this Letter from the Board.

d) Condition

The Service Agreement is conditional upon the approval being obtained by the Shareholders in a general meeting (in which Dr Wu and his associates shall abstain from voting).

2. Background information on Dr Wu

Dr Wu, also known as Mark Wu, aged 51, received a Bachelor of Science degree with high honours in chemistry from the National Taiwan University in 1981 and a PhD in chemical physics from the California Institute of Technology ("**Caltech**") in 1992. Previously, Dr Wu had served as a lecturer at the IBM Europe Summer Institute in Switzerland, a scientific research staff at the Center for Concurrent Supercomputing Facility of Caltech, a project reviewer of the "U.S. High Performance Computing and Communications (HPCC): Grand Challenge Supercomputing Program" and a senior research fellow at the Center for Advanced Supercomputing of Caltech. He had also worked as consultant at various organizations, including the Jet Propulsion Laboratory of the National Aeronautics and Space Administration of the United States, IBM and San Diego Supercomputing Center. He currently serves as the chairman of the board of directors of Enerage, Inc, a company focused on the research and development of clean technology applications.

Dr Wu is also a Director, the chief executive officer, the chief technical officer and, with effect from 19 July 2011, the chairman of Sun Materials and is also a director of Lution. Save as disclosed above, Dr Wu does not hold any other positions in the Company and its subsidiaries and did not hold any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong and overseas in the three years prior to the Latest Practicable Date.

Save as disclosed herein, there are no other matters that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to the requirements of Rule 13.51(2) (a) to (v) of the Listing Rules in relation to the appointment of Dr Wu as the executive Director of the Company.

Reasons for entering into the Service Agreement

The Board believes that entering into the Service Agreement will enhance management efficiency of Dr Wu by providing him a better position in managing the strategic planning and the business development of the Company. Dr Wu has been serving the Group as a Director of the Company since 1 August 2011 and as a director of Sun Materials since its incorporation on 19 March 2007. The Board believes that the continuing contribution of Dr Wu is crucial to the expansion plan of Sun Materials and the success of the Group as a whole. The Board is of the view that entering into the Service Agreement is an appropriate means to incentivize and reward Dr Wu and align his interests with those of the Group. The Board is satisfied with Dr Wu's performance to date since he has provided valuable contribution to the Group's development in the past, specifically, that Dr Wu was the inventor of the Core Technology, which is an integral part of the full ramp-up commercialization of production.

In view of the above, the Directors (excluding the independent non-executive Directors who express their views independently in the letter from the Independent Board Committee in this circular after seeking the advice of Vinco Capital) consider that the terms of the Service Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Listing Rule implications

According to Rule 13.68 of the Listing Rules, the Service Agreement, which is for duration of more than three years, must be subject to the approval of the Shareholders in a general meeting. Dr Wu and his associates (to the extent they hold any Shares) must abstain from voting on the Service Agreement.

At the SGM the Independent Shareholders will be asked to consider and, if thought fit, to approve the terms of the Service Agreement. The Service Agreement has been considered by the Independent Board Committee, whose view is set out in the Letter from the Independent Board Committee in this circular.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders or any of their respective associates has a material interest in the Service Agreement.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr Frank H. Miu, Dr Agustin V. Que, Mr Robert James Iaia II and Dr Chien Yung Nelly, has been established to advise the Independent Shareholders as to whether the terms and conditions of the Service Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

PART D – PROPOSED SPECIFIC MANDATE TO ISSUE CONVERSION SHARES

1. The Existing Placing Mandate

At the special general meeting of the Company held on 7 June 2011, the Existing Placing Mandate was granted to the Directors to allot, issue and deal with up to 9,550,000,000 Shares, including the Conversion Shares, so as to give effect to the transactions contemplated by the Placing Agreement and the Convertible Bond Documents. As announced by the Company on 15 July 2011, Convertible Bonds in aggregate principal amount of HK$1,450,000,000 were issued by the Company on 14 July 2011 to not fewer than six subscribers who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Of the HK$1,450,000,000 Convertible Bonds issued by the Company on 14 July 2011, Convertible Bonds in aggregate principal amount of HK$31,000,000 were converted for 62,000,000 Conversion Shares on 24 August 2011 and HK$1,419,000,000 in aggregate principal amount of Convertible Bonds remains outstanding as at the Latest Practicable Date.

The Existing Placing Mandate was granted to the Directors subject to the condition, among other things, that it shall lapse on 25 September 2011 being the date falling 110 days following the special general meeting of the Company held on 7 June 2011. The Existing Placing Mandate has therefore now lapsed.

The Convertible Bonds entitle the holders thereof to convert their Convertible Bonds for Conversion Shares on the terms and subject to the conditions of the Convertible Bond Documents. These terms and conditions include that such conversion rights are exercisable by a bondholder at any time from and including the issue date of the Convertible Bonds until the seventh Business Day prior to the earlier of (i) the CB Maturity Date and (ii) if the Company has elected to redeem such Convertible Bonds, the applicable date of early redemption.

2. The Proposed Conversion Mandate

To allow the Directors to issue the Conversion Shares after the expiration of the Existing Placing Mandate on 25 September 2011, the Board seeks the approval from the Shareholders of the Proposed Conversion Mandate to enable the Company to issue the Conversion Shares pursuant to the Convertible Bond Documents as contemplated under the terms of their issue.

2,838,000,000 Conversion Shares would be issued on full conversion of the Convertible Bonds at the Conversion Price of HK$0.50 per Conversion Share. The issue of the Conversion Shares pursuant to the Convertible Bonds will not raise any new proceeds.

The Proposed Conversion Mandate is subject to Shareholders' approval at the SGM. The Proposed Conversion Mandate is proposed subject to all of the following conditions:

(i) The aggregate maximum number of Conversion Shares which can be allotted and issued pursuant to the Proposed Conversion Mandate shall be 2,838,000,000 Shares, or such other number of Conversion Shares as result from adjustment to the Conversion Price from time to time in accordance with the Convertible Bond Documents.

(ii) Any allotment and issue of Conversion Shares shall be made on the terms and conditions of the Convertible Bond Documents and such other terms and conditions as the Directors (or a duly authorized committee thereof) consider to be appropriate and in the best interests of the Company.

(iii) The Initial Conversion Price shall be HK$0.50, which shall be subject to adjustment in accordance with the Convertible Bond Documents.

(iv) Grant of listing of, and permission to deal in, any Conversion Shares to be allotted and issued pursuant to this ordinary resolution by the Listing Committee of the Stock Exchange.

The Acquisition and the Proposed Conversion Mandate are not inter-conditional.

3. The Convertible Bonds

The principal terms of the Convertible Bonds issued by the Company on 14 July 2011 are summarized as follows:

Aggregate Principal Amount	HK$1,450,000,000.
Issue Price	100% of the principal amount of the Convertible Bonds.
Maturity Date	14 July 2014, being 36 months from the date of issue of the Convertible Bonds ("**CB Maturity Date**").
Interest Rate	5% p.a., accruing daily and payable semi-annually.
Final Redemption	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each bond at the CB Redemption Price (as defined below) within 10 Business Days after the CB Maturity Date.
Early redemption at Company's option	The Company may redeem the Convertible Bonds in whole or in part, at the CB Redemption Price at any time before the CB Maturity Date by giving notice in writing to the bondholders ("**CB Company Early Redemption Notice**"). Redemption shall take place on the first Business Day falling 30 days after the date of the CB Company Early Redemption Notice ("**CB Company Early Redemption Date**").
Early redemption at bondholder's option	Each bondholder shall be entitled, upon giving written notice to the Company, to require the Company to redeem all (but not part only) of the Convertible Bonds at the CB Redemption Price within 30 days following (i) a change of control of the Issuer or (ii) a delisting of the Shares from the Stock Exchange. A "**change of control of the Issuer**" means an offer is made for all or substantially all of the Shares of the Company under the Takeovers Code and such offer becomes or is declared unconditional in all respects. Redemption shall take place on the 10th Business Day after such bondholder's notice.

	The bondholders shall not be entitled to require the early redemption of the Convertible Bonds under any other circumstances.
Redemption Price	The redemption price ("**CB Redemption Price**") shall be an amount in Hong Kong Dollars equal to: (a) 100% of the principal amount of the Convertible Bonds; plus (b) all interest accrued up to the date of redemption.
Conversion Option	Each bondholder shall have the right to convert the Convertible Bonds held by it into Shares in whole or in part at the Conversion Price on or before the date that is 7 Business Days prior to the earlier of (a) the CB Maturity Date and (b) the CB Company Early Redemption Date; provided, however, that no Convertible Bonds may be converted if any such conversion would either (i) result in any person being required to make a general offer for all or part of the Company's issued share capital under the Takeovers Code or (ii) result in the Company ceasing to satisfy the minimum public floatation requirement under the Listing Rules.
Conversion Price	HK$0.50, subject to adjustment in accordance with the Convertible Bond Documents.
Adjustment	Customary adjustment events relating to subdivision or consolidation of Shares, capital distributions, bonus issues, rights issues and other dilutive events.
Conversion Shares	Maximum number of Shares issuable upon full conversion of the Convertible Bonds is 2,900,000,000 (assuming such Convertible Bonds are fully converted at the Initial Conversion Price of HK$0.50).
Event of Default	Customary events of default for a transaction of this type, including cross default.

Transferability	Freely transferable.
Security	Unsecured.
Negative Pledge	So long as any of the Convertible Bonds remains outstanding, save for any security interests which have been created in favour of others and remain outstanding as at the date of issue of the Convertible Bonds, the Company will not, and will procure that none of its subsidiaries will, create or have outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its property or assets, present or future to secure any Relevant Indebtedness or any guarantee of or indemnity in respect of any such Relevant Indebtedness, in each case without the written consent of the bondholders holding 51% or more of the principal amount of Convertible Bonds outstanding, unless, at the same time or prior thereto the Company's obligations under the Convertible Bonds are secured equally and rateably therewith. Notwithstanding the foregoing, the Company is only required to notify bondholders in writing in advance in respect of any renewal or extension of any security interest for any Financial Indebtedness existing as at the date of issue of the Convertible Bonds and no prior consent of any of the bondholders is required in such cases.

"**Relevant Indebtedness**" means any future indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement). For the avoidance of doubt, Relevant Indebtedness shall not include any present indebtedness of the Company or any of its subsidiaries, any future indebtedness of the Company or any of its subsidiaries in the form of bank borrowings, trade debts, or other types of indebtedness incurred in the ordinary course of business of the Company or any of its subsidiaries.

"**Financial Indebtedness**" means any indebtedness for or in respect of moneys borrowed and debit balances with financial institutions.

Any material change to the terms and conditions of the Convertible Bonds and the Proposed Conversion Mandate will be subject to Shareholders' approval and re-compliance with the Listing Rules.

4. The Conversion Shares

2,838,000,000 Conversion Shares are issuable at the Initial Conversion Price of HK$0.50 upon full conversion of the Convertible Bonds. Such number of Conversion Shares represents (i) approximately 62.14% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 38.33% of the issued share capital of the Company as enlarged by the allotment and issue of 2,838,000,000 Conversion Shares (assuming such Convertible Bonds are fully converted at the Initial Conversion Price of HK$0.50).

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all issued Shares on the date of the allotment and issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the Proposed Conversion Mandate to be approved by the Shareholders at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

5. The Conversion Price

The Conversion Price is HK$0.50, subject to adjustment. The Initial Conversion Price represents:

(i) the closing price of the Shares of HK$0.50 per Share as quoted on the Stock Exchange on 6 July 2011, when the price determination agreement was entered into between the Company and Deutsche Bank AG, Hong Kong Branch to fix the Initial Conversion Price in accordance with the Placing Agreement;

(ii) a premium of approximately 4.17% to the closing price of the Shares of HK$0.48 per Share as quoted on the Stock Exchange on 14 July 2011, being the issue date of the Convertible Bonds; and

(iii) a premium of approximately 145.10% to the closing price of the Shares of HK$0.204 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

6. Fund raising activities of the Company for the past 12 months

The following table summarizes the capital raising activities of the Group for the 12 months immediately before the date of this circular:

Date of Initial Announcement	Description	Net Proceeds (Approximate)	Intended Use of Proceeds	Actual Use of Proceeds as at the Latest Practicable Date
19 January 2011	Issue of Shares to Improve Forever Investments Limited.	HK$141,000,000	Capital expenditure and working capital required for potential investments in the renewable energy related industry.	The subscription was completed on 28 January 2011. The proceeds were applied as to HK$108 million for acquisition of listed securities for trading purposes and as to the balance of HK$33 million for general working capital.
19 January 2011	Placing of 2,200,000,000 Shares and HK$1,450,000,000 in principal amount of Convertible Bonds to not fewer than six subscribers who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.	HK$2,240,371,000 of which HK$844,160,000 was from the placing of Shares and HK$1,396,211,000 was from the placing of Convertible Bonds.	To fund the Initial Acquisition as well as the capital expenditure, research and development costs and working capital required by the Target Group.	The placing of Shares and Convertible Bonds was completed on 15 July 2011. The proceeds were applied as to HK$1,170 million to fund the Initial Acquisition and as to the balance of HK$1,070 million for capital expenditure, research and development costs and working capital required by the Target Group.

Whilst the Directors sought and evaluated potential investments in the renewal energy related industry, part of the proceeds from the placing that was completed on 28 January 2011 was invested in liquid listed securities held for short term trading in view of the negligible interest which could have been earned had the funds been placed in bank deposits.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months before the Latest Practicable Date.

7. Effect on the shareholding structure

The following table sets out the effect of the issue of the Conversion Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon conversion of the Convertible Bonds (assuming that the Convertible Bonds are fully converted at the Initial Conversion Price):

	Existing Shareholding as at the Latest Practicable Date		**FOR ILLUSTRATIVE PURPOSE ONLY** **Shareholding upon full exercise of the Convertible Bonds** *(Note 2)*	
	No. of Shares	*Approx. % of issued Shares*	*No. of Shares*	*Approx. % of issued Shares*
Mr Lo Yuen Wa Peter *(Note 1)*	2,500,000	0.05	2,500,000	0.03
Mr Peter Temple Whitelam *(Note 1)*	1,250,000	0.03	1,250,000	0.02
Old Peak Limited	501,728,000	10.99	501,728,000	6.78
Kenson Investment Limited	500,000,000	10.95	500,000,000	6.75
Convertible Bondholders	–	–	2,838,000,000	38.33
Other Public Shareholders	3,561,300,952	77.98	3,561,300,952	48.09
Total	4,566,778,952	100.00	7,404,778,952	100.00

Note 1: Mr Lo Yuen Wa Peter and Mr Peter Temple Whitelam are Directors.

Note 2: Based on the issued share capital of the Company as at the Latest Practicable Date. These numbers relate to the total number of Shares that may be issued upon full exercise of the Convertible Bonds only and do not include Shares that may be issued upon exercise of the Share Options or upon exercise of the share options issued pursuant to the Share Option Scheme.

As at the Latest Practicable Date, there are (i) outstanding share options issued pursuant to the Share Option Scheme which entitle the holders thereof to subscribe for 625,000 Shares at HK$0.40 per Share (subject to adjustment) and (ii) outstanding Convertible Bonds which entitle the holders thereof to be issued up to 2,838,000,000 Conversion Shares at a conversion price of HK$0.50 per Share (subject to adjustment).

	Existing Shareholding as at the Latest Practicable Date		FOR ILLUSTRATIVE PURPOSE ONLY Shareholding upon full exercise of the Convertible Bonds (Note 2) and full exercise of the Share Options (Note 3)		
	No. of Shares	*Approx. % of issued Shares*	*Types of Shares*	*No. of Shares*	*Approx. % of issued Shares*
Mr Lo Yuen Wa Peter (Note 1)	2,500,000	0.05	Issued Shares	2,500,000	0.03
			Option Shares	10,000,000	0.12
Mr Peter Temple Whitelam (Note 1)	1,250,000	0.03	Issued Shares	1,250,000	0.01
Old Peak Limited	501,728,000	10.99	Issued Shares	501,728,000	6.17
Kenson Investment Limited	500,000,000	10.95	Issued Shares	500,000,000	6.15
Convertible Bondholders	–	–	Conversion Shares	2,838,000,000	34.89
Grantees (other than Mr Lo)	–	–	Options Shares	720,000,000	8.85
Other Public Shareholders	3,561,300,952	77.98		3,561,300,952	43.78
Total	4,566,778,952	100.00		8,134,778,952	100.00

Note 1: Mr Lo Yuen Wa Peter and Mr Peter Temple Whitelam are Directors.

Note 2: Based on the issued share capital of the Company as at the Latest Practicable Date. These numbers relate to the total number of Shares that may be issued upon full exercise of the Convertible Bonds only and do not include Shares that may be issued upon exercise of the Share Options or upon exercise of the share options issued pursuant to the Share Option Scheme.

As at the Latest Practicable Date, there are (i) outstanding share options issued pursuant to the Share Option Scheme which entitle the holders thereof to subscribe for 625,000 Shares at HK$0.40 per Share (subject to adjustment) and (ii) outstanding Convertible Bonds which entitle the holders thereof to be issued up to 2,838,000,000 Conversion Shares at a conversion price of HK$0.50 per Share (subject to adjustment).

Note 3: As at the Latest Practicable Date, there are outstanding share options issued pursuant to the Share Option Scheme which entitle the holders thereof to subscribe for 625,000 Shares at HK$0.40 per Share (subject to adjustment).

8. Application for Listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued pursuant to the Convertible Bond Documents.

9. Listing Rule implications

According to Rule 13.36(1)(a) of the Listing Rules, Shareholders' approval should be sought before the allotment and issue of the Conversion Shares.

At the SGM Shareholders will be asked to consider and, if thought fit, to approve the Proposed Conversion Mandate to enable the Company to allot and issue up to 2,838,000,000 Conversion Shares (subject to adjustment) upon exercise of the Convertible Bonds pursuant to the Convertible Bond Documents.

Holders of Convertible Bonds and their respective associates are required to abstain from voting at the SGM in respect of the resolution for approval of the Proposed Conversion Mandate. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders or any of their respective associates are holders of Convertible Bonds or have a material interest in the Proposed Conversion Mandate.

The Directors are of the view that the issue of Conversion Shares at the Initial Conversion Price is fair and reasonable and in the interest of the Company and Shareholders as a whole.

PART E – VERY SUBSTANTIAL ACQUISITION

1. The Sale and Purchase Agreement

The Board announced in the Acquisition Announcement that the Company had entered into the Sale and Purchase Agreement with the Seller to purchase the Sale Shares. Details of the Sale and Purchase Agreement are set out below.

a) Date

12 September 2011, as amended by a deed of amendment dated 15 December 2011

b) Parties

Buyer	The Company.
Seller	Quinella International Incorporated, being the owner of 49.9% of the allotted and issued shares of the Target.

Warrantor	The Seller and Ms Hsieh jointly and severally warrant to the Company that at the Signing Date each of the Seller's representations and warranties under the Sale and Purchase Agreement is true, accurate and not misleading and the Seller and Ms Hsieh severally warrant to the Company that immediately before Completion each of the Seller's representations and warranties under the Sale and Purchase Agreement is true, accurate and not misleading by reference to the facts and circumstances existing at that time. The aggregate liability of the Seller and Ms Hsieh for claims in respect of the Seller's representations and warranties under the Sale and Purchase Agreement is limited to HK$2,500,000,000.

Ms Hsieh is indirectly interested in the entire issued shares of the Seller. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller is a substantial shareholder of the Target (which is a non-wholly owned subsidiary of the Company) and thus a connected person of the Company. The principal business activity of the Seller is investment holding.

c) Background

On 15 July 2011, the Company completed the Initial Acquisition, which is related to the Acquisition. The Acquisition and the Initial Acquisition both concerned the purchase by the Company of shares in the Target from the Seller.

The Directors first contemplated the possibility of acquiring the Sale Shares in July 2010 during the negotiation of the Initial Acquisition, which is why the Call Option Agreement was entered into on 31 December 2010 to facilitate this. Given that the efficacy of Sun Materials' technology was uncertain, the Directors considered it prudent to limit the Company's exposure to Sun Materials by buying only a 50.1% interest in Sun Materials while giving the Company the opportunity to benefit from upside if the technology proved to be successful by taking the option to acquire the balance. Having become more comfortable with the likelihood of the technology being successful, the Directors believed it would make good commercial sense to accelerate the acquisition of the minority stake. Hence on 25 July 2011 the Directors decided to commence negotiation of the Acquisition and negotiations with the Seller began immediately.

The Sale and Purchase Agreement was entered into on 12 September 2011. The Sale and Purchase Agreement was subsequently amended on 15 December 2011 pursuant to a deed of amendment between the Company, the Seller and Ms Hsieh. The deed of amendment contains amendments to condition precedent number 8 of the Sale and Purchase Agreement so as to refer to the Service Agreement between Dr Wu and the Company rather than the CEO Service Agreement between Dr Wu and the Sun Materials, which was terminated at the same time as the entry into the Service Agreement. The deed of amendment contains no other amendment.

Negotiations in connection with the Acquisition did not start prior to publication of the Company's circular of 20 May 2011 in connection with the Initial Acquisition, nor had any decision to undertake the Acquisition been made prior to publication of that circular. Negotiations in connection with the Acquisition did not start prior to the Company's special general meeting for the Initial Acquisition held on 7 June 2011, nor had any decision to undertake the Acquisition been made by this date.

d) Assets to be acquired

The Company will acquire the Sale Shares, being 49.9% of the entire allotted and issued shares of the Target. Further information in relation to the Target is set out under the paragraphs headed "Information on the Target Group" in this part of the Letter from the Board below.

e) Consideration and payment

The Consideration of HK$2,500,000,000 will be settled by the Company in the following manner:

(i) as to HK$750,000,000 in cash upon Completion; and

(ii) as to HK$1,750,000,000 by the issue of the Consideration Bonds upon Completion.

The Company proposes to fund the cash portion of the Consideration from its available cash and the proceeds realizable from the sale of certain liquid securities currently held by the Company without the requirement for external financing. The Company plans to fund the repayment of the Consideration Bonds from cashflow.

f) Basis for determining the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Seller, taking into consideration (i) Sun Materials' plans to commence construction of five additional production plants, which will increase its production capacity from its current designed production capacity of 3,500 metric tons to up to 21,000 metric tons by 2013, (ii) the scarcity of technologies for reducing the production cost of solar grade polycrystalline silicon and the limited ability of current producers of polycrystalline silicon to further reduce costs, and (iii) anticipated future demand for solar grade polycrystalline silicon.

The original purchase cost of the Sale Shares to the Seller was approximately NT$449,100,000 (or equivalent to approximately HK$120,144,462), which is 49.9% of the amount of NT$900,000,000 (or equivalent to approximately HK$240,770,465) paid by the Target to acquire the total issued shares of Lution on 25 January 2011.

The Consideration represents approximately 11.9 times the net asset value of Sun Materials as attributable to the Sale Shares. The net asset value of Sun Materials as at 30 June 2011, as shown in the financial information of the Target Group set out in Appendix II to this circular, is NT$785,417,000 (or equivalent to approximately HK$210,116,907).

The Consideration represents a premium to the consideration paid for the Initial Acquisition. The basis for the premium is primarily due to an increase in the business enterprise value of Sun Materials. The Calculation Report indicates a business enterprise value of Sun Materials on an expansion scale in the amount of US$648,000,000. This business enterprise value is higher than that in the business valuation report prepared by the Valuer as disclosed in the previous circular of the Company dated 20 May 2011, which was US$306,000,000. Other reasons are discussed in the paragraphs headed under "8. Reasons for the Acquisition" set out in this part of the circular. All the abovesaid reasons add to the premium payable for the Sale Shares as compared with the consideration paid for the Initial Acquisition. For the foregoing reasons, the Directors believe that the Acquisition will add significant value to the Company.

The Board examined a number of alternative consideration structures for the Acquisition, however they were discounted in favour of the structure described above. In particular, the Board considered and discounted the issue of convertible bonds to the Seller in consideration for the Acquisition because the issue of conversion shares upon exercise of such convertible bonds would dilute the shareholdings of our existing Shareholders.

As stated in the Company's circular in respect of the Initial Acquisition on 20 May 2011, the consideration paid to the Seller for a 50.1% interest in the Target pursuant to the Initial Acquisition was US$150,000,000 (or equivalent to approximately HK$1,170,000,000). Since 31 December 2010, when the Company and the Seller agreed the terms of the sale and purchase agreement for the Initial Acquisition, including the amount of consideration to be paid to the Seller in respect thereof, Sun Materials made significant progress in improving the efficiency of its process and towards commercializing its technology through a major change in the design of the equipment and process for producing silicon tetrafluoride, the key input gas for the production of polycrystalline silicon, with a current view to starting commercial production in late December 2011. Sun Materials' strategic partner, Hareon, recently obtained its listing approval from the China Securities Regulatory Commission, elevating Hareon's profile as one of a select group of clean technology companies to list in China. On 20 June 2011, Sun Materials and Schott signed a four-year offtake agreement for the supply of polycrystalline silicon to Schott.

The Company has received confidential non-binding expressions of interest from certain participants in the photovoltaic industry to acquire the Company's entire interest in Sun Materials at indicative prices which support the Directors' valuation of the Sale Shares. The Company decided not to proceed with these discussions and has not entered into any agreement with such participants in connection with a sale of any interest in Sun Materials.

Taking into account these positive developments in the business prospects of the Target Group, the Directors (excluding the independent non-executive Directors who express their views independently in the letter from the Independent Board Committee in this circular after seeking the advice of Vinco Capital) consider that the Consideration (including the terms and conditions of the Consideration Bonds) is fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

The Company has engaged the Valuer to undertake a calculation of the business enterprise value of Sun Materials. The Calculation Report is set out in Appendix V to this circular.

The Board is aware that the EBITDA calculations and, consequentially, the calculations of the business enterprise values of Sun Materials as at 30 June 2011 under two scenarios: (i) the first full year operating result based on the existing plant of Sun Materials and (ii) the first full year operating result based on the existing plant and one new production plant of Sun Materials constitute profit forecasts under Rule 14.61 of the Listing Rules. The Directors have reviewed the principal assumptions upon which the abovesaid profit forecasts are based and are of the view that the profit forecasts have been made after due and careful enquiry. A letter from the Board relating to the profit forecasts is set out in Appendix VII to this circular. Pursuant to Rule 14.62 of the Listing Rules, the reporting accountants of the Company have examined the arithmetical accuracy of the calculations of the business enterprise value of Sun Materials as at 30 June 2011 under the abovesaid two scenarios set out in the Calculation Report. A report from the reporting accountants relating to the profit forecasts is set out in Appendix VI to this circular.

g) Conditions precedent

Completion of the Sale and Purchase Agreement is conditional on the following Sale Conditions being satisfied or waived in accordance with the Sale and Purchase Agreement by noon on the day which is the ninetieth (90th) Business Day after the Signing Date, or such later date as the Company and the Seller may agree:

(1) the Securities and Futures Commission not having indicated that any matter relating to the transactions contemplated under the Acquisition Documents shall give rise to any obligations under the Takeovers Code;

(2) no indication having been received from the Stock Exchange that the transactions contemplated under the Sale and Purchase Agreement will be treated as or, as the case may be, ruled by the Stock Exchange to be a reverse take-over under the Listing Rules, or that they may otherwise trigger mandatory general offer obligations under the Takeovers Code;

(3) the passing by shareholders of the Company at the SGM of a resolution to approve the Acquisition Documents and the transactions contemplated under the Acquisition Documents, in accordance with the Listing Rules and the Company's by-laws;

(4) the Company completing, to its satisfaction, a due diligence review of the Target Group, which shall include but not be limited to technical, legal, financial and operational aspects of the Target Group and its business and operations;

(5) the Seller's warranties under the Sale and Purchase Agreement being true, accurate and not misleading on the Completion Date;

(6) the Company's warranties under the Sale and Purchase Agreement being true, accurate and not misleading on the Completion Date;

(7) all necessary waivers, consents, licenses and approvals (as defined in the Sale and Purchase Agreement), as applicable, from government or regulatory authorities and other third parties for the Seller to sell the Sale Shares (including without limitation, the waiver of any first right of refusal from any existing shareholders of the Target) having been obtained;

(8) the Service Agreement being in full force and effect at Completion and no termination or material breach of the Service Agreement having occurred on or before Completion;

(9) all applicable permits (as defined in the Sale and Purchase Agreement) in respect of the Acquisition or any other transaction or matter contemplated by the Acquisition Documents having been obtained in terms satisfactory to the Company without requiring any modification to or attaching any condition, undertaking or obligation on the transactions contemplated by the Acquisition Documents; and

(10) no law or regulation being enacted or coming into force on or prior to the Completion Date which would require the Seller or any person acting in concert or deemed to be acting in concert with the Seller (as such phrase is integrated under the Hong Kong Code on Takeovers and Mergers) to make an offer to acquire shares in the Company.

Among the Sale Conditions, Sale Condition 10 cannot be waived by either the Company or the Seller unless the Company and Seller agree in writing. Sale Conditions 1 to 5 and 7 to 9 may be waived by the Company in whole or in part, and Sale Condition 6 may be waived by the Seller in whole or in part. The Sale Conditions expressed to be capable of being waived by the Company are capable of being waived in order to give the Company maximum flexibility to complete the Acquisition. As at the Latest Practicable Date, the Company has no intention to waive any Sale Conditions. The Company undertakes not to waive Sale Condition 3. The Directors will only exercise the discretion to waive a Sale Condition when it is in the best interests of the Company and the Shareholders as a whole to do so and to the extent that compliance with such Sale Condition is not a requirement of applicable law or the Listing Rules, having considered the cost, time and feasibility to have each relevant Sale Condition satisfied against the risks of waiving such Sale Condition in whole or in part.

h) Completion

Completion shall take place on the Completion Date.

The terms of the Sale and Purchase Agreement were determined after arm's length negotiations and on normal commercial terms. The Directors (excluding the independent non-executive Directors who express their views independently in the letter from the Independent Board Committee in this circular after seeking the advice of Vinco Capital) consider the terms and conditions of the Sale and Purchase Agreement to be on normal commercial terms, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. The Consideration Bonds

HK$1,750 million of the Consideration is to be satisfied by the issue of the Consideration Bonds by the Company to the Seller (or its nominees) upon Completion.

The principal terms of the Consideration Bonds are summarized as follows:

Issuer	The Company.
Bondholder(s)	The Seller (or its nominees).
Principal amount	HK$1,750 million.
Maturity Date	The second (2nd) anniversary of the issue date of the Consideration Bonds (the "**Scheduled Maturity Date**") or, if the Company elects in its discretion to extend the term of the Consideration Bonds, the seventh (7th) anniversary of the issue date of the Consideration Bonds (the "**Maturity Date**").
Interest	Interest shall accrue daily on the principal amount of the outstanding Consideration Bonds at 2.5% per annum in respect of the period up to and including the Scheduled Maturity Date and thereafter interest shall accrue daily on the principal amount of the outstanding Consideration Bonds at 12.5% per annum. Interest is payable quarterly in arrears.
Transferability	The Consideration Bonds will be freely transferable (in integral multiple of HK$1,000,000 or such lesser amount representing the entire outstanding principal amount of the Consideration Bonds).
Voting rights	The holders of Consideration Bonds are not entitled to attend or vote at any meetings of the Company.

Final redemption	Unless previously redeemed or purchased and cancelled, the Company shall redeem the Consideration Bonds at the Redemption Price on the Maturity Date.
Early redemption at Company's option	The Company may redeem the Consideration Bonds in whole or in part, at the Redemption Price at any time before the Maturity Date by giving notice in writing to the bondholders ("**Company Early Redemption Notice**"). Redemption shall take place on the first Business Day falling 30 days after the date of the Company Early Redemption Notice.
Early redemption at bondholder's option	Each bondholder shall be entitled, upon giving written notice to the Company, to require the Company to redeem all (but not part only) of the Consideration Bonds at the Redemption Price within 30 days following (i) a change of control of the Issuer or (ii) a delisting of the Shares from the Stock Exchange. A "**change of control of the Issuer**" means an offer is made for all or substantially all of the Shares of the Company under the Takeovers Code and such offer becomes or is declared unconditional in all respects. Redemption shall take place on the 10th Business Day after such bondholder's notice. The bondholders shall not be entitled to require the early redemption of the Consideration Bonds under any other circumstances.
Redemption price	The redemption price (the "**Redemption Price**") shall be an amount in Hong Kong Dollars equal to: (a) 100% of the principal amount of the Consideration Bonds; plus (b) all interest accrued up to the date of redemption.
Event of default	Customary events of default for a transaction of this type, including cross default.
Status	The Consideration Bonds, when issued, will constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company, except for obligations accorded preference by mandatory provisions of applicable law.

Application for listing	No application will be made for the listing of, or permission to deal in, the Consideration Bonds on the Stock Exchange, or any other stock exchange.
Negative pledge	So long as any of the Consideration Bonds remains outstanding, save for any security interests which have been created in favour of others and remain outstanding as at the date of issue of the Consideration Bonds, the Company will not, and will procure that none of its subsidiaries will, create or have outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its property or assets, present or future to secure any Relevant Indebtedness or any guarantee of or indemnity in respect of any such Relevant Indebtedness, in each case without the written consent of the bondholders holding 51% or more of the principal amount of Consideration Bonds outstanding, unless, at the same time or prior thereto the Company's obligations under the Consideration Bonds are secured equally and rateably therewith. Notwithstanding the foregoing, the Company is only required to notify bondholders in writing in advance in respect of any renewal or extension of any security interest for any Financial Indebtedness existing as at the date of issue of the Consideration Bonds and no prior consent of any of the bondholders is required in such cases. "**Relevant Indebtedness**" means any future indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement). For the avoidance of doubt, Relevant Indebtedness shall not include any present indebtedness of the Company or any of its subsidiaries, any future indebtedness of the Company or any of its subsidiaries in the form of bank borrowings, trade debts, or other types of indebtedness incurred in the ordinary course of business of the Company or any of its subsidiaries.

"**Financial Indebtedness**" means any indebtedness for or in respect of moneys borrowed and debit balances with financial institutions.

Assuming no material change in market conditions, the Company believes that the internally generated cash flow of the Enlarged Group will be sufficient to enable it to meet its repayment obligation on the Scheduled Maturity Date. The Company has no current intention to extend the Maturity Date. The Company also believes that after demonstrating successful commercialization and production ramp up, the Enlarged Group will have access to alternative sources of funding should refinancing of the Bonds be required or be considered advantageous. Even if there are insufficient funds available to redeem the Consideration Bonds in full on the Scheduled Maturity Date, the Maturity Date can be extended for a further five years at the Company's option. The ability to extend the Maturity Date gives the Company flexibility to defer repayment of the Consideration Bonds should market conditions adversely change. This gives the Company the flexibility to match the timing of redemption with its available resources at any time up to 7 years from the date of issue of the Consideration Bonds, particularly as redemption of them is at the Company's option and can be in whole or in part.

The interest rate of 2.5% per annum applicable prior to the Scheduled Maturity Date is considered to be extremely favourable compared to the base lending rate as at the Latest Practicable Date of 5.25%, particularly given that the Consideration Bonds are unsecured and do not carry any conversion rights. It is expected that the Consideration Bonds will be substantially, if not fully redeemed, on or before the Scheduled Maturity Date to minimize or avoid interest payments at the higher rate of 12.5% after such date. Given the option to extend the Maturity Date and redemption at any time in whole or in part (such options only available to the Company and not the bondholders), the Company considers the higher rate of 12.5% applicable after the Scheduled Maturity Date to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Any material change to the terms and conditions of the Consideration Bond will be subject to Shareholders' approval and re-compliance with the Listing Rules.

3. The Standby Line of Credit Agreement

The Sale and Purchase Agreement provides that upon Completion the Seller and Sun Materials will enter into the Standby Line of Credit Agreement, whereby the Seller will conditionally agree to make available the Standby Line of Credit of up to HK$500,000,000 to Sun Materials for the purpose of financing the general working capital requirements of Sun Materials. The terms of the Standby Line of Credit Agreement, including the applicable interest rate, were determined after arm's length negotiations between the Company, the Seller and Sun Materials, taking into consideration the Directors' view of current market terms for similar facilities. Set out below are the principal terms of the Standby Line of Credit Agreement:

Lender	The Seller.

Borrower	Sun Materials.
Facility Amount	HK$500,000,000 being the maximum amount of the Standby Line of Credit made available under the Standby Line of Credit Agreement.
Purpose	To finance the general working capital requirements of Sun Materials.
Tenor	12 months, with an option to renew the Standby Line of Credit upon agreement in writing between Sun Materials and Seller.
Interest	2.5% above the Hong Kong Prime Rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.
Security	The Standby Line of Credit shall be unsecured.

The Seller has advised the Company that loans to be made by the Seller to Sun Materials pursuant to the Standby Line of Credit will be funded either from the cash portion of the Consideration or from amounts borrowed by the Seller from banks in Taiwan. The Seller has advised the Company that any remittance of funds into Taiwan by the Seller for the disbursement of loans pursuant to the Standby Line of Credit will be made in accordance with applicable Taiwanese foreign investment regulations.

The Company believes that the Standby Line of Credit will provide the Enlarged Group with additional flexibility in financing its future investments and/or business development in a timely manner.

The Directors exercised due and careful consideration when evaluating financing alternatives available to the Enlarged Group. The Company considers that the Standby Line of Credit will provide an additional source of financing with a lower interest rate compared to current market rates applicable to unsecured commercial lending of a similar nature to that of the Standby Line of Credit. Furthermore, as the Standby Line of Credit is unsecured and includes only limit restrictive covenants relating to additional indebtedness and use of proceeds, it does not impose any material restriction on the business operations of the Enlarged Group. The Company has also considered other financing methods available to the Enlarged Group, including debt financing. Debt financing from commercial lenders would involve a greater interest burden on the Enlarged Group and may be subject to lengthy due diligence and negotiation with lenders and would be subject to the Enlarged Group's financial position, capital structure and prevailing stock market conditions. Alternatives also include equity financing, however, this would involve substantial costs and affect the existing capital structure of the Enlarged Group. Therefore, the Company considers that the Standby Line of Credit is an appropriate means to fund the Enlarged Group's future investments and/or business development.

The interest rate applicable to the Standby Line of Credit is considered to be favourable to the Company given that it is an unsecured working capital line of a significant amount being made available to a company without any track record of revenues and with only limited restrictive covenants on additional indebtedness and use of proceeds attached to it. The Standby Line of Credit will enable Sun Materials to access necessary capital outside the Group, and may help Sun Materials enhance its credit rating in order to draw on other financing alternatives in the future. The Company does not currently expect that Sun Materials will have a need to draw on the Standby Line of Credit, but has negotiated its availability with the Seller to address any concern about Sun Materials access to capital. Another benefit of ensuring that Sun Materials enhances its credit rating is that after launch of commercial production, it may have the credit backing to obtain additional financing for its further expansion.

4. The Shareholders' Agreement

Upon Completion, the Shareholders' Agreement entered into between the Company, the Seller, Ms Hsieh and the Target on 15 July 2011 will automatically terminate in accordance with the terms contained therein.

5. The Call Option Agreement

The Call Option Agreement was entered into between the Company and the Seller in connection with the Initial Acquisition to enable the Company to acquire the Sale Shares at a price to be agreed between the Company and the Seller or to be determined by reference to the business valuation of the Target Group at the time. The Call Option may only be exercised during the Call Option Period. The Directors propose to complete the Acquisition prior to the commencement of the Call Option Period. The Seller was prepared to enter into the Acquisition on a negotiated basis prior to the commencement of the Call Option Period. The Directors therefore propose to undertake the Acquisition outside the framework of the Call Option Agreement in accordance with the terms of the Sale and Purchase Agreement.

The Directors believe that there are a number of advantages in accelerating the Acquisition contemplated under the Call Option Agreement, including that Completion of the Acquisition would resolve market uncertainty as to whether the Company will exercise the Call Option and acquire the Sale Shares and thus making it easier for investors to value the Company. For further details please refer to the paragraphs headed under "8. Reasons for the Acquisition" in this part of the Letter from the Board below.

Upon Completion, the Call Option Agreement will automatically terminate in accordance with the terms contained in the Sale and Purchase Agreement.

6. The Seller's Disclosure Letter

The Seller's Disclosure Letter was issued by the Seller and Ms Hsieh to the Company on 31 December 2010 pursuant to the Initial Acquisition. On the Signing Date, the same letter was reissued to the Company. The Seller's Disclosure Letter is referred to in the Sale and Purchase Agreement and constitutes formal disclosure to the Company of the facts and circumstances which are or may be inconsistent with the Seller's warranties contained in the Sale and Purchase Agreement. The letter includes general disclosures, including in respect of public documents, constitutional document, licences, agreements, management accounts, and specific disclosures with cross reference to the Seller's warranties in the Sale and Purchase Agreement. The Company does not consider the disclosures made in the Seller's Disclosure Letter to be information requiring disclosure in this circular.

7. Information on the Target Group

a) The Target Group

The Target

Target is a limited liability company incorporated in the BVI. The Target's principal business is investment holding and it is the sole shareholder of Lution. At present 49.9% and 50.1% of the allotted and issued shares in the Target are owned by the Seller and the Company respectively.

Lution

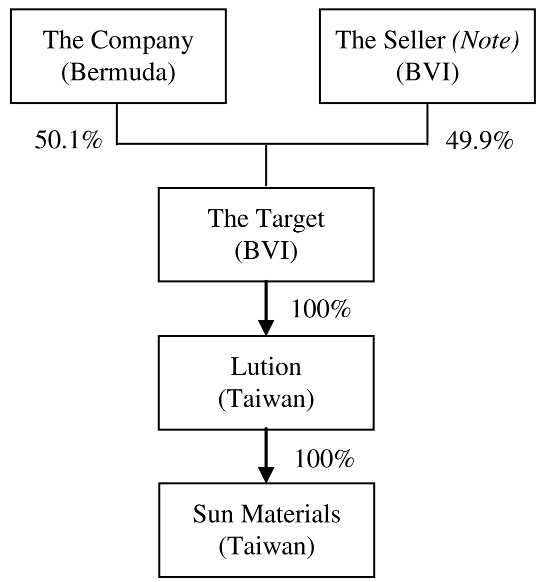
Lution is a limited liability company incorporated in Taiwan. Its principal business is investment holding. It is the sole shareholder of Sun Materials.

Sun Materials

Sun Materials is a limited liability company incorporated in Taiwan. It is the sole operating subsidiary of the Target Group. Its principal business is the manufacture of solar grade polycrystalline silicon.

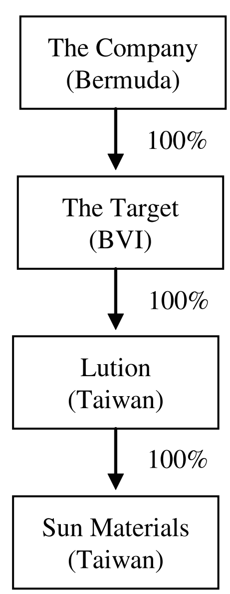
b) Shareholding structure of the Target Group

As at the Latest Practicable Date



Note: Ms Hsieh is indirectly interested in the entire issued share capital of the Seller.

Immediately after Completion



c) Sun Materials' technology

Sun Materials' principal business is the manufacture of solar grade polycrystalline silicon. Sun Materials developed a new and innovative technology and patented in the United States, Europe, Japan, Taiwan and China the key production reactor for such technology, with a view to significantly reducing the plant construction costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon.

Sun Materials completed the construction of its first production plant in Yi-Lan County, Taiwan in October 2010, which has a production capacity of up to 3,500 metric tons of polycrystalline silicon. It plans to commence construction of five additional production plants in 2012, which will increase its production capacity to up to 21,000 metric tons by 2013.

Polycrystalline silicon is a primary raw material used in the solar energy value chain. The traditional "Siemens" process of manufacturing polycrystalline silicon is being associated with environmental risks and general safety concerns by the industry. A newer modified "Siemens" process and the FBR process are used by some manufacturers of polycrystalline silicon to address some of the environmental and safety issues of the older technology, but further innovation is being sought by the industry to make the entire solar energy product value chain more environmentally friendly with a lower carbon footprint and less costly.

Compared to the traditional and modified "Siemens" processes and the FBR process, all of which are commonly used by manufacturers of solar grade polycrystalline silicon, Sun Materials considers the production process it utilizes to be innovative in that it uses modular production lines and is designed with a view to using lower cost feedstock while substantially reducing the consumption of electricity and water. Sun Materials believes that its technology will significantly assist in reducing the production cost and the adverse environmental effects of manufacturing polycrystalline silicon. This potentially translates into a lower cost of polycrystalline silicon procurement by downstream customers in the solar energy value chain which may allow them to deliver a product that can generate electricity at or below grid parity without the aid of subsidies. Sun Materials intends to compete with established polycrystalline silicon suppliers in the market. Most of these suppliers utilize a variant of the "Siemens" process and they dominate the polycrystalline silicon market in terms of production output.

The target customers of Sun Materials are downstream manufacturers of ingots, wafers, cells and modules and project developers in the global photovoltaic market. Sun Materials entered into fixed term purchase agreements with both domestic and international customers, which, unless terminated by the parties thereto, are effective until at least 2015. One of the customer contracts was extended to 2021. All of Sun Materials' production output until the end of 2012 will be attributable to the orders generated by these purchase agreements.

d) Sun Materials' production process

Unlike the "Siemens" process or the FBR process, which use silicon dioxide as their main raw material, Sun Materials uses sodium hexafluorosilicate (Na_2SiF_6) and water. Sodium hexafluorosilicate is a by-product in the manufacturing of phosphorous fertilizers and is readily available from fertilizer producers in China and India. The main feedstock required for Sun Materials' process is produced from sodium hexafluorosilicate after pyrolysis and other initial processes. Compared with the Siemens or FBR counterparts, the initial processes of Sun Materials' production are simplified, thus reducing the number of equipment, the space required for the plant and the energy consumption for manufacturing polycrystalline silicon.

The key production equipment in Sun Materials' production process is a patented self-propagating combustion cyclone reactor, which allows the production to be carried out in a closed loop system. Such closed loop configuration significantly reduces the consumption of water and waste product output through recycling.

Sun Materials' polycrystalline silicon production process is uniquely designed in a modular format that minimizes floor space and eliminates the bottleneck issues commonly found in the "Siemens" inline process, where the entire production line will be stalled if any of the inline components, especially in the production of trichlorosilane, breaks down.

With its production process simplified, Sun Materials' production plants are designed to use less factory space and equipment for the same production capacity. The initial capital expenditure for Sun Materials' production plants is estimated to be significantly lower than that for the "Siemens" and the FBR processes. Sun Materials' believes that even if it depreciates its equipment costs using the straight line depreciation method over ten years, its equipment depreciation costs in the long run will still be lower than that for manufacturers using the traditional and modified "Siemens" processes and the FBR process, which typically calculate their depreciation costs over a longer depreciation period.

Whilst the "Siemens" process or the modified "Siemens" process is capable of achieving solar grade and electronic grade polycrystalline silicon of high purity levels, the manufacturing costs and environmental impact of these processes are high. In contrast, Sun Materials' production process is designed to produce solar grade polycrystalline silicon of approximately 6N to 7N purity at competitive cost. The manufacturing cost of Sun Materials is estimated to be US$19.80/kg by the Technical Adviser, as compared to the average of US$24-30/kg of the top industry incumbents using the traditional and modified "Siemens" processes and the FBR process.

Set out below is a table comparing the processes of Sun Materials, against the "Siemens" process and the FBR process:

	"Siemens" (including the modified "Siemens") process & FBR process	**Sun Materials' technology**
Raw materials	Silicon dioxide	By-product of chemical fertilizers production
Use of feedstock	Requires more distillation steps and higher energy consumption	Cleaner
Production line	Higher energy consumption, "Bottleneck" issues	Closed-loop, thus consuming less water Modular
Capital expenditure	Higher, as more land and complex processing equipment is required	Lower, as less space is required and modular design is utilized
Overall effect	Higher purity product but with significantly higher energy consumption, danger of explosion and higher overall cost	Solar grade purity but environmentally friendlier and much lower hazardous elements and low overall cost

As far as the Directors are aware, the technologies generally used for manufacturing solar grade polycrystalline silicon in the market are the "Siemens" process, the FBR process, and the modified "Siemens" process, and these processes do not involve the Core Technology which Sun Materials will deploy on an industrial scale. Sun Materials' patented key production equipment is a crucial component of the production process for deploying this technology to manufacture solar grade polycrystalline silicon on an industrial scale. The Directors are not aware of other means to deploy this technology for the same application on an industrial scale.

e) Sun Materials' suppliers and customers

Supply of raw materials and production equipment

The main raw materials used by Sun Materials are sodium hexafluorosilicate (Na_2SiF_6) and water. Sodium hexafluorosilicate is a by-product in the manufacture of phosphorus fertilizers. It is generally treated as a waste product for disposal by phosphorus fertilizer producers and has minimal commercial value. Based on the information provided by Sun Materials, this raw material is available in China in quantities of up to 3,000,000 t.p.a. and is widely available in other phosphorus fertilizer producing region. As such, Sun Materials does not anticipate any supply constraint of the raw materials and thus no fixed term supply contracts are in place.

For its trial production, Sun Materials sourced its supply of sodium hexafluorosilicate from two independent suppliers and intends to enter into agreements with these suppliers for the supply of the raw materials in the long run.

In relation to its production equipment, Sun Materials has entered into the Equipment Procurement Agreement with an equipment manufacturer in relation to Sun Materials' procurement of a cyclone high temperature reactor and all relevant components from such equipment manufacturer.

Based on information provided by the Seller as at the Latest Practicable Date, Sun Materials is not aware of any adverse circumstances relating to the supply of sodium hexafluorosilicate or the procurement of production equipment under the Equipment Procurement Agreement, which would materially and adversely affect its polycrystalline silicon production.

Customers

The target customers of Sun Materials are downstream manufacturers of wafers, ingots and photovoltaic cells in the global clean technology market. Sun Materials has entered into fixed term purchase agreements with both domestic and international customers including Hareon, Tynsolar and SREAP, which, unless terminated by the parties thereto, are effective until at least 2015. The term of one of the customer contracts has been extended to 2020. After months of negotiation, product testing and diligence, on 20 June 2011 Sun Materials and Schott signed a four-year offtake agreement for the supply of polycrystalline silicon.

According to Sun Materials' estimation, the orders generated by these purchase agreements are likely to account for a significant amount of its projected production output until the end of 2020. Under these purchase agreements, Sun Materials will provide polycrystalline silicon according to its customers' specifications at a discount to the spot price quoted by Photon Consulting's Silicon Price Index of the relevant month in which an order is placed. The customers may, but are not obliged to, order polycrystalline silicon from Sun Materials. The specifications, payment terms and terms of the purchase agreements vary between customers. According to Sun Materials, it is common practice for polycrystalline silicon suppliers to enter into fixed term framework agreements with their customers with forecasts of purchase volumes and prices referenced against the prevailing polycrystalline silicon spot prices. The actual quantities, pricing and specifications, as well as penalties for breach, will be agreed by the parties when actual orders are placed and accepted. The Directors confirm that virtually all contracts in the polycrystalline silicon production industry are structured in a framework format allowing for the parties to renege on their delivery or acceptance commitments. This does not mean that there is no certainty in such framework agreements. Penalty terms are typically included to protect a party from the other's contractual failure in delivering or accepting the products. It is common for deposits to be paid by a customer to the producer. Out of Sun Materials' four purchase agreements, two have penalty and deposit terms which require monetary compensation to be paid by a party if it fails to meet its contractual obligations.

Information in relation to Hareon is set out in the paragraph headed under "f) Competitive strengths of the Target Group – Sun Materials has a strategic cooperation relationship with Hareon, one of the leading industry players" in this part of the Letter from the Board. Save as disclosed in this circular, neither Dr Wu nor the Enlarged Group has any other relationship with Samuel Yang and Hareon.

Tynsolar, a company listed on the Taiwan Stock Exchange, is principally engaged in the design, manufacture and distribution of solar battery modules, solar batteries and silicon wafers. It provides mainly 180 watt (W) monocrystalline and polycrystalline solar battery modules and other customer-tailored modules, and is also involved in the manufacture and distribution of solar batteries and silicon wafers, as well as the trading of related raw materials. Its products are applied in the manufacture of civil lightening products, road lamps, traffic lights, building roofs and power generation devices. Tynsolar is an independent third party of the Enlarged Group and Dr Wu.

SREAP is a silicon material trading company based in South Korea, which has a joint venture pilot plant for producing ingots and wafers. SREAP is an independent third party of the Enlarged Group and Dr Wu.

Schott, based in Germany, is a subsidiary of Schott AG, a privately held foundation. It is a leading European brand in photovoltaic technology and has over 53 years of experience in the industry. Schott's product line includes crystalline solar wafers, solar cells, solar power modules and a-Si thin film modules. Schott is a manufacturing partner of Hareon and is an independent third party of the Enlarged Group and Dr Wu.

Sun Materials believes that upon full commercial production at its first production plant, its polycrystalline silicon will be competitive in both pricing and product quality. On this basis and according to Sun Materials' estimate, the orders generated by the above purchase agreements are likely to account for a significant amount of its projected production output until the end of 2020. The aggregate maximum quantity of polycrystalline silicon that Sun Materials would supply under the existing purchase agreements and the designed production capacity in Taiwan only from 2010 to 2015 are as follows:

Year	**Maximum quantities under the purchase agreements** *(Note 1)*	**Designed Production Capacity** *(Note 2)*	**Approximate utilization of Production Capacity** *(Note 3)*
2010/2011	2,500 tons	3,500 t.p.a.	71%
2012	5,000 tons	15,000 t.p.a.	33%
2013	6,000 tons	21,000 t.p.a.	29%
2014	7,000 tons	21,000 t.p.a.	33%
2015	8,000 tons	21,000 t.p.a.	38%

Note 1: This represents the aggregate maximum quantities that Sun Materials is obliged to supply under the existing purchase agreements, and does not represent the minimum quantities that the customers are obliged to purchase from Sun Materials.

Note 2: The designed production capacity is based on Sun Materials' current expansion plan in Taiwan only, which may or may not materialize.

Note 3: This equals to the maximum quantity under column 2, as a percentage of the designed production capacity under column 3. Factoring in maintenance and downtime, the maximum utilization of a production plant, according to Sun Materials, is typically about 85%.

f) Competitive strengths of the Target Group

The Directors believe that the Target Group will be able to compete effectively and capitalize on anticipated long-term growth in the market for polycrystalline silicon in the solar energy industry due to the Target Group's and/or the Enlarged Group's competitive strengths described in the paragraphs below:

Sun Materials deploys a "disruptive" technology for manufacturing polycrystalline silicon

The technology deployed by Sun Materials for the production of solar grade polycrystalline silicon is considered as being "disruptive" in the industry, in that it is capable of significantly reducing the plant construction costs, production costs, production hazards and adverse environmental effects associated with the manufacturing process. Sun Materials has patented in the United States, Europe, Japan, Taiwan and China the key production equipment which, the Directors understand, is a crucial component of the production process for deploying this "disruptive" technology to manufacture solar grade polycrystalline silicon on an industrial scale. The Directors are not aware of other means to deploy this technology for the same application on an industrial scale. The Directors have observed prior entrants seeking other "low cost alternatives" for the production of polycrystalline silicon, such as UMG grade silicon, but the cost benefit and quality of polycrystalline silicon produced by the prior entrants appear not to have met market expectations. The Directors believe that Sun Materials' technological advantage will enable it to address the future trends of the solar energy market and capture a leading market position in the industry.

Sun Materials' production process helps to reduce production costs

The innovative technology deployed by Sun Materials can significantly reduce the production costs of polycrystalline silicon. The key savings in operation costs are a result of the reduction in electricity and water usage, made possible through the use of modular production lines. This has the added advantage of reducing the adverse environmental impact in the production of polycrystalline silicon. Compared with other polycrystalline silicon manufacturing processes, Sun Materials' production process uses a different feedstock at much lower cost. In addition, Sun Materials' production process adopts a "closed loop configuration" which allows part of the feedstock to be re-used in the process.

As stated in the Technical Report, the production cost of polycrystalline silicon is expected to be at the level of US$19.8/kg as compared to the average of US$24-$30/kg of the top industry incumbents using the traditional and modified "Siemens" processes and the FBR process. In the Technical Adviser's opinion, the production cost of lower than US$20/kg would represent a major breakthrough for the entire solar industry, assuming mass production can be achieved using Sun Materials' technology. The Directors believe that the cost advantage of Sun Materials will enable it to achieve strong profit margins and market competitiveness for its products.

The capital requirement for Sun Materials to enter into the polycrystalline silicon market was relatively low

Compared with the traditional and modified "Siemens" processes and the FBR process commonly used in the production of polycrystalline silicon, Sun Materials' innovative technology requires lower investment cost in that the plant size required for its production is relatively smaller. As a result, Sun Materials is able to achieve savings from building construction and production equipment. According to the Technical Report, the investment cost for each of Sun Materials' 3,500 metric ton production plants is estimated to be approximately US$95.9 million, whilst other Asian manufacturers which adopt the traditional and modified "Siemens" processes are estimated to generally require investment cost of between US$70 million to US$90 million for every 1,000 metric tons of polycrystalline silicon production capacity. The modular design of Sun Materials' production process also shortens the time for the replication of production lines. The Directors believe such technological advantages allow Sun Materials to achieve a higher efficiency in its capital deployment and more flexibility in capacity expansion.

Sun Materials has secured long term contracts with customers

Sun Materials has entered into fixed term purchase agreements with several domestic and international customers, including Hareon, Tynsolar and SREAP. All of them have agreed to purchase polycrystalline silicon produced by Sun Materials until at least 2015, with one of them having extended the term of the purchase agreement to 2020, subject to the terms of the purchase agreements. The Directors believe such orders represent meaningful quantities in the market and provide Sun Materials with a long-term customer base and stable cash flows.

Sun Materials has a strategic cooperation relationship with Hareon, one of the leading industry players

Pursuant to the Strategic Cooperation Agreement, Hareon agreed to use its best commercial efforts to assist Sun Materials in the development and manufacture of polycrystalline silicon at Sun Materials' production plant and cooperate through various means, including but not limited to:

- streamlining the existing production processes and creating new processes to further lower the cost of production;

- establishing a market for polycrystalline silicon manufactured using the reductive combustion process; and

- reciprocally staff personnel at the manufacturing and test facilities to aid in the cooperation process.

Headquartered in Jiangsu, China, Hareon is a rapidly growing, vertically integrated manufacturer of solar photovoltaic products including ingot, block, wafers, cells and modules. With its global customer base, Hareon is one of China's largest manufacturers of photovoltaic products. Hareon is led by Samuel Yang, its chief executive officer, who is the founder of NASDAQ-listed JA Solar Holdings Co., Ltd (NASDAQ: JASO) and co-founder of Suntech Power Holdings Co., Ltd. (NYSE: STP) and China Sunergy Holdings Co., Ltd. (NASDAQ: CSUN).

The Directors believe that the strategic cooperation with Hareon, one of the leading players in the solar industry, will assist Sun Materials in the rapid commercialization, future business development and mass production of polycrystalline silicon at Sun Materials' production plant, and will therefore be beneficial to Sun Materials and the Company.

The Enlarged Group combines technology expertise with commercial and financial experience to strengthen Sun Materials' foothold in the solar energy market

Dr Wu, a Director and the chief executive officer and chief technical officer of Sun Materials, has strong technological expertise in the research and development of clean technology applications. Coupled with the Company's diversified and experienced management team in the commercial and financial arenas, the Directors believe that Sun Materials will have a strong foothold in the polycrystalline silicon market.

Based on the above, the Directors are of the view that the competitive strengths of Sun Materials will enable the Enlarged Group to position itself favourably in the solar energy industry.

g) *Trial run and testing results*

Polycrystalline silicon is manufactured in different grades and Sun Materials seeks to produce and supply solar grade polycrystalline silicon to its customers. The table below summarizes the typical international polycrystalline silicon purity specifications for solar grade application and the Chinese Standard GB/T 25074-2010 for "Grade 1" polycrystalline silicon, as extracted from the Technical Report:

	Unit	Solar Grade	GB/T 25074-2010 Grade 1
Acceptors/Donors			
B (Acceptors)	ppba	<0.1	<0.5
P, As (Donors)	ppba	<1	<1.5
Carbon	ppma	<1	<0.5
Total Heavy Bulk Metals	ppbw	<15	<50

Note: The Chinese Standard GB/T 25074-2010 relates to solar grade polycrystalline silicon and was issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and Standardization Administration of the PRC, with effect from 1 April 2011.

The specifications of customers and target customers may be different from the above specifications and each other. The samples produced from the initial production trials of Sun Materials in November 2010 indicated that Sun Materials' product did not meet the typical international industrial specifications for solar grade as stated above or the product specifications as stated in the purchase agreements between Sun Materials and its customers. Notwithstanding this, Sun Materials indicated that two of its customers had confirmed the quality of the sample products as being acceptable. The international polycrystalline silicon purity specifications for solar grade application employed by the Technical Adviser in the Technical Report is a more stringent set of specifications than is required by Sun Materials' customers. To balance the cost effectiveness of the polycrystalline silicon products, Sun Materials' customers do not require conformity to that set of "solar grade" specifications, notwithstanding the product specifications stated in the purchase agreements. Customers acknowledge Sun Materials' polycrystalline silicon products to be of solar grade quality as measured against their own specifications. Furthermore, the samples taken from Sun Materials' initial production trials have met the Chinese Standard Grade 1 standard in GB/T 25074-2010 as stated above in their purity of donors and carbon. Please refer to the Technical Report for the test results on the samples from the trial production in November 2010.

Since November 2010, Sun Materials carried out further polycrystalline silicon production trials and the samples produced from such trials were tested independently by Hareon. In December 2010, Hareon indicated to Sun Materials and the Company that its qualification tests of the polycrystalline silicon samples from Sun Materials' production plant in Taiwan fulfilled Hareon's sampling requirements. On 13 January 2011, Hareon informed Sun Materials and the Company that its mass spectroscopy test data of samples produced in December 2010 and January 2011 revealed consistent results, that the key impurities for photovoltaic applications, boron and phosphorus, are within specifications, and the minority carrier lifetimes of the ingots and cell efficiency are within limits. The sampling and testing of Sun Materials' polycrystalline silicon is ongoing and the results continue to be consistent with the data received from Hareon in December 2010. Eddie Woo, a Director, observed the trial runs performed by Sun Materials in person and has been constantly monitoring the outcome of the trial runs. In March 2011, Schott conducted tests on samples from Sun Materials' trial production of polycrystalline silicon based on the "Wacker" solar grade specifications and confirmed that the samples are compliant with the "Wacker" solar grade specifications. Tests on samples taken from Sun Materials' production trials were completed by SREAP in April 2011 and SREAP confirmed that the test results met their standards. Hareon, SREAP and Schott all confirmed that they are satisfied with the progress of the trial runs. In view of the foregoing, the Company is pleased with the progress of the trial runs and testing and expects Sun Materials to commence commercial production of polycrystalline silicon in late December 2011.

The production trials were conducted primarily to test the quality of Sun Materials' product and for the purposes of fine-tuning the production process of Sun Materials. As such, Sun Materials did not consider whether the costs of the trials met its cost-saving targets.

Further testing of Sun Material's polycrystalline silicon by each customer is required to qualify the commercially operating plant 1. Once Sun Materials commences commercial production in late December 2011, revenue generating qualification samples will be shipped to each customer for crystallization runs. Customers generally have different qualification standards and processes that typically range for a requirement of between 2 to 5 metric tons of product for testing. The extent of the testing will also vary from customer to customer with a minimum of silicon and wafer level testing to a full range test that encompasses producing photovoltaic modules and related tests to those modules.

On a pre-production basis, the Sun Materials operations team indicates that production costs per kg of silicon fall within the expected range and upon scale-up to normal production levels, production costs will be within the range of the normalized cost per kg of US$15.5 on a fully depreciated basis.

h) Financial information of the Target Group

None of the Target, Lution or Sun Materials recorded any turnover or net profit for the periods since their respective dates of incorporation. The net asset values of Sun Mass, Lution and Sun Materials as at 30 June 2011, as shown in the financial information of the Target Group set out in Appendix II to this circular, are NT$829,726,000 (or equivalent to approximately HK$221,970,572), NT$892,787,000 (or equivalent to approximately HK$238,840,824) and NT$785,417,000 (or equivalent to approximately HK$210,116,907) respectively. The net asset value of Lution mainly represents its investment in Sun Materials.

The loss before taxation of the Target for the period from 17 May 2010 to 31 December 2010 and for the six months ended 30 June 2011 were nil and NT$70,274,000 (equivalently to approximately HK$18,799,893) respectively. The net loss of the Target for the period from 17 May 2010 to 31 December 2010 and for the six months ended 30 June 2011 were also nil and NT$70,274,000 (equivalently to approximately HK$18,799,893) respectively.

The loss before taxation of Lution for the period from 15 September 2009 to 31 December 2009, for the year ended 31 December 2010 and for the six months ended 30 June 2011 were NT$211,000 (equivalently to approximately HK$56,447), NT$395,000 (equivalently to approximately HK$105,671) and NT$95,000 (equivalently to approximately HK$25,415) respectively. The net loss of Lution for the period from 15 September 2009 to 31 December 2009, for the year ended 31 December 2010 and for the six months ended 30 June 2011 were also NT$211,000 (equivalently to approximately HK$56,447), NT$395,000 (equivalently to approximately HK$105,671) and NT$95,000 (equivalently to approximately HK$25,415) respectively.

The loss before taxation of Sun Materials for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011 were NT$24,324,000 (equivalently to approximately HK$6,507,223), NT$53,570,000 (equivalently to approximately HK$14,331,193), NT$71,048,000 (equivalently to approximately HK$19,006,956), and NT$70,150,000 (equivalently to approximately HK$18,766,720) respectively. The net loss of Sun Materials for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011 were also NT$24,324,000 (equivalently to approximately HK$6,507,223), NT$53,570,000 (equivalently to approximately HK$14,331,193), NT$71,048,000 (equivalently to approximately HK$19,006,956), and NT$70,150,000 (equivalently to approximately HK$18,766,720) respectively.

Financial Information on the Target Group prepared in compliance with the requirements of the Listing Rules is set out in Appendix II to this circular.

In addition to the abovesaid financial performance, Shareholders should note that the reporting accountants have expressed a qualified opinion in the accountants' report of Lution which is set out in Appendix II. The basis for such qualified opinion is also set out in the accountants' report.

The qualified opinion in the accountants' report on Lution relates to the fact that consolidated financial statements of Lution and its subsidiary have not been prepared. In the Company's first annual report after Completion, there will not be a separate requirement to prepare consolidated financial statements for Lution and its subsidiary. Instead, the financial statements will be consolidated into the Company's consolidated financial statements which will include the financial statements of all companies of the Enlarged Group and the qualified opinion will cease to be required.

i) Trading prospect of the Target Group

Polycrystalline silicon production

According to Photon Consulting, the market share of polycrystalline silicon production for the China region increased from 11.4% in 2008 to 31.4% in 2011 on an annual basis. Such growth was achieved largely at the expense of North American and Japanese manufacturers, whose market share have fallen from 45.7% to 25.6% and from 15.7% to 6.6% respectively during that period. Since 2009, leading Chinese manufacturers were noted to incur lower average production costs than those of western and Japanese manufacturers. The Directors believe that the profile of future manufacturing costs is increasingly weighted in favour of manufacturers in the China region. With lower cost basis, these manufacturers are expected to dominate the open global solar photovoltaic markets.

Market growth for photovoltaic silicon

According to the Photon Consulting, the market may see an increase in the demand for photovoltaic silicon from 100,000 metric tons in 2009 to 260,000 metric tons in 2015, representing a compound annual growth rate (CAGR) of 17.26%. These figures compare favourably to CLSA's long term 10-year 28% CAGR for photovoltaic installed capacity. Despite a challenging short term situation due to oversupply, CLSA remains optimistic over long term recovery for the polycrystalline silicon industry. This view is consistent with the Directors' view of a stable and long-term market for solar grade polycrystalline silicon, despite near-term volatility. The Directors also consider that other factors such as new production processes and technology could potentially lower the procurement costs of photovoltaic silicon for downstream customers in the solar energy value chain, which may in turn lead to a substantially larger demand for photovoltaic silicon produced by such new and/or more cost-competitive production processes.

Pricing of polycrystalline silicon

According to Photon Consulting, the spot prices for polycrystalline silicon had fallen from US$100-200/kg at the beginning of 2009 to US$52-55/kg in early 2010 and have recovered to US$60-90/kg in the beginning of 2011 due to increasing demand and lucrative support from governments in Europe and the United States of America for new solar project installations. However, as more and more production come on stream this year, the oversupply situation has forced the price down to US$30-40/kg. Given the decrease in spot prices, manufacturers of solar grade polycrystalline silicon are constantly looking at ways to reduce production costs in order to maintain and/or improve their profit margins.

Prospects of Sun Materials

The data above show that the demand for polycrystalline silicon will continue to increase in the next few years, and manufacturers of polycrystalline silicon will, in turn, increase capacity. With the overall supply being higher than the published general demand for polycrystalline silicon and the downward pressure on spot prices, there is competition among polycrystalline silicon manufacturers to control their manufacturing costs in order to sustain business. By reducing plant construction costs, the consumption of water and electricity and using a lower cost feedstock in the production processes, Sun Materials' technology gives the Target Group a significant cost advantage over other manufacturers of solar grade polycrystalline silicon. Sun Materials therefore believes that its products have the potential to provide downstream vendors with lower average costs and thus better profit margins. Demand forecast based on the production of polycrystalline silicon using the traditional processes may not be indicative of the demand for its products.

The Directors believe that the oversupply of the polycrystalline silicon in 2009 and 2010 will have limited implications for the Target Group's commercial production plan and its future expansion plan because the major competitive strength of Sun Materials is cost effectiveness. Since the Core Technology can significantly lower production costs of polycrystalline silicon, Sun Materials' products can be set at a price range below that of its competitors thus achieving a higher gross and net margin. While current spot and contract price levels drop below the manufacturing cost levels of a few tier-1 polycrystalline silicon producers and producers of all other tiers, Sun Materials can produce polycrystalline silicon at a cost level well below the existing spot and contract prices. The Directors believes that Sun Materials is, to a certain extent, protected from the market supply and demand dynamics because it is a price setter in the polycrystalline silicon production industry owing to its low cost basis. On the basis that Sun Materials' technology will significantly reduce plant construction costs, the consumption of water and electricity and use a lower cost feedstock in the production processes, the Directors believe that Sun Materials could potentially enjoy the best profit margins in the industry after achieving economies of scale, and at the same time maintain its cost-competitiveness.

j) Operation plan of Sun Materials

Sun Materials completed the construction of its first production plant in Yi-Lan County, Taiwan in October 2010, at a total construction cost of approximately US$17.1 million. In November 2010, Sun Materials commenced trial production at the plant for the purposes of fulfilling the qualification requirements of its customers. On 13 January 2011, Hareon, a customer of Sun Materials, announced that its mass spectroscopy test data of samples produced in December 2010 and January 2011 by Sun Materials revealed consistent results, that the key impurities for photovoltaic applications, boron and phosphorus, are within specifications, and the minority carrier lifetimes of the ingots and cell efficiency are within limits. Most milestones for the commencement of commercial production at the first production plant have been achieved, in particular, the critical link between the production of silicon tetrafluoride and the silicon reactor has been completed. Whole production system runs commenced on 1 December 2011 and sample production for customers is expected to commence shortly after. Sun Materials expects to commence commercial production of polycrystalline silicon at the first production plant in late December 2011.

Sun Materials' existing production plant in Taiwan has a design production capacity of up to 3,500 metric tons per annum. Sun Materials plans to commence construction of five additional production plants in Taiwan in 2012, which will increase its production capacity to up to 21,000 metric tons by 2013. Based on the information and estimates provided by the Target Group, the total capital expenditure and working capital required for the five additional production plants will be approximately US$275,000,000, which is significantly lower than those for traditional polycrystalline silicon production plants with similar production capabilities. Sun Materials believes that the cost basis for production and capital expenditure is currently the lowest in the industry at US$15.5 per kg on a fully depreciated basis and approximately US$17 million of capital expenditure per 1,000 metric tons of annual production, and Sun Materials expects to further lower its production costs going forward. Sun Materials' low cost of production provides downstream customers with confidence that they can achieve grid parity more easily with Sun Materials' more cost-effective products. Hence, the Directors have confidence in proceeding with the expansion plans. The Directors expect that such working capital and capital expenditure for the five additional production plants will be primarily funded by the Enlarged Group's internal resources. It is expected that existing resources in the form of cash and marketable securities will cover a portion of the funding requirements while cash flow from plant 1 in 2012 will cover the rest of it.

Sun Materials continues to examine the potential to construct a polycrystalline silicon production plant in the PRC. Sun Materials currently expects to make a final investment decision in relation to this development after commercial production has been achieved at its first production facility in Taiwan.

The Taiwan expansion timetable shifted backward as a result of the changes and improvements Sun Materials made to its key production equipment. The Directors believe that the improvements and efficiencies gained with the new equipment adequately offset any delay incurred to the expansion plans. The Directors further believe that in taking the time to make production improvements at an earlier stage of Sun Materials' development, it will be able to minimize future large scale delays during the construction of plants 2-6 in Taiwan.

Historically, Sun Materials has financed its production and business operations primarily through its internal funds, bank borrowings and capital contribution from equity holders. It is expected that over the next several years, a substantial portion of Sun Materials' cash flow will be used to finance its production and sales activities, the construction of new production plants and research and development. Sun Materials may need to obtain additional financing through bank borrowings or by accessing international capital markets in order to fund its business operations, production expansion and capital expenditures in the future.

The Director's current view is that Sun Materials' cash flow, its existing credit facilities, the Standby Line of Credit (if it is approved by Shareholders and entered into), and cash held by the Company indicate that, subject to Sun Materials achieving its ramp-up timetable for plant 1 and a stable pricing environment for polycrystalline silicon in 2012, adequate funding levels will exist for its expansion in Taiwan.

k) Intellectual property of the Target Group

Patents

Sun Materials is the registered owner of all of the following patents:

Title of Invention	Country	Patent No.	Inventor	Date of Patent *(DD-MM-YYYY)*
Self-Propagating Combustion Cyclone Reactor	European	EP2060536B1	Yi-Shuen Wu	21-07-2010
Self-Propagating Combustion Cyclone Reactor	United States	US7,704,466 B2	Yi-Shuen Wu	27-04-2010
Self-Propagating Combustion Cyclone Reactor	Taiwan	I 312301	吳以舜 (Yi-Shuen Wu)	21-07-2009
Self-Propagating Combustion Cyclone Reactor	Japan	4390819	吳以舜 (Yi-Shuen Wu)	16-10-2009
Self-Propagating Combustion Cyclone Reactor	China	ZL 2007 10090400.6	吳以舜 (Yi-Shuen Wu)	13-10-2010

The above patents relate to a self-propagating combustion cyclone reactor, which is a key process unit in Sun Materials' production line. Set out below is the description of the effects of the self-propagating combustion cyclone reactor as extracted from the patents:

"The effect of the self-propagating combustion cyclone reactor in accordance with the present invention is that a continuous self-propagating cyclonic combustion is carried out inside of reactor with reductant and oxidizer supplied thereto so as to enhance the purity of the reaction product without the need of repeated distillation and refining processes and thus the manufacturing process is simplified, the costs are reduced, and highly purified metals, alloys and semiconductor materials can be obtained."

and

"Another effect of the self-propagating combustion cyclone reactor in accordance with the present invention is that the self-propagating combustion is a continuous combustion reaction, which allows continuous generation of the reaction product, rather than a bath process, so that the manufacturing efficiency and the product quality of the metals, alloys and semiconductor materials so manufactured can be enhanced."

The extracts (in italics) are contained in the summary of invention, which forms part of the description of the registered patent. The description of the patent was provided by the applicant to the relevant patent registration authorities. Whilst the patent registration authorities would typically consider the description provided by each applicant as part of the substantive examination of the patent application, they do not verify or endorse the truth and accuracy of the description provided by the applicant.

The patented self-propagating combustion cyclone reactor, as applied to the process for manufacturing polycrystalline silicon, is designed to simplify the manufacturing process and reduce the required feedstock, thereby improving the efficiency for manufacturing polycrystalline silicon with high purity. It is therefore a crucial component in Sun Materials' production process for deploying this technology to manufacture solar grade polycrystalline silicon on an industrial scale. Whilst cyclone reactors that employ self-propagating combustion reaction are known "prior art", the Directors are not aware of other means to deploy this technology for the same application as Sun Materials on an industrial scale.

As registered proprietor of the above patents, Sun Materials may enforce its rights against any unlicensed third party for the manufacture, importation, sale or commercial use, in the member states of the European Union where the patents are registered, the United States, Taiwan, Japan and China, of a cyclone reactor with all the technical features specified in any of the claims of its patents.

Trademarks

Sun Materials is the registered owner of the following trademarks:

Mark	Country	Mark No.	Filing Date *(DD/MM/YYYY)*	Reg Date *(DD/MM/YYYY)*	Class	Goods
	Taiwan	01377303	22-01-2009	16-09-2009	1	Catalysts; deoxidizer; activator; activated agent; battery acid; electrode paste; adhesive; fluosilicic acid; sodium fluorosilicate; silicon
山陽	Taiwan	01377302	22-01-2009	16-09-2009	1	Catalysts; deoxidizer; activator; activated agent; battery acid; electrode paste; adhesive; fluosilicic acid; sodium fluorosilicate; silicon
Sun Materials (Remarks: disclaimer to "**Materials**")	Taiwan	01377301	22-01-2009	16-09-2009	1	Catalysts; deoxidizer; activator; activated agent; battery acid; electrode paste; adhesive; fluosilicic acid; sodium fluorosilicate; silicon
	Taiwan	01377772	22-01-2009	16-09-2009	9	Lithium battery; solar batteries; semiconductor substrates; silicon crystal; silicon chip; wafer
山陽	Taiwan	01377771	22-01-2009	16-09-2009	9	Lithium battery; solar batteries; semiconductor substrates; silicon crystal; silicon chip; wafer

Sun Materials, being the registered owner of its trademarks, is entitled to enforce its rights against infringement by third parties of these intellectual property rights in the countries stated above.

The Target Group is the only beneficial owner of the patents and trademarks and Dr Wu does not hold any rights or benefits in the patents or trademarks. To protect its know-how and technology, Sun Materials will continue to evaluate its proprietary rights protection measures, and if appropriate, file applications for registration of patents and trademarks in relevant jurisdictions.

l) Research and development

Sun Materials continues to refine its existing production technology in order to further lower the cost of production through realizing better efficiency in the process. Results to date include the more efficient production of silicon tetrafluoride through new production equipment of proprietary designs and plans to increase output from its silicon reactor through automating the product retrieval process. Sun Materials has a number of other on-going research and development projects that seek to further lower the cost of production.

In addition to Dr Wu, Sun Materials is currently building an in-house research and development team. Part of the research and development facilities includes the quality assurance and control laboratory, which was recently completed and is now staffed and operational. Historically, Dr Wu collaborated with Enerage for much of his research and development work but is now seeking to build a team within Sun Materials.

8. Reasons for the Acquisition

a) Significant progress towards commercialization

Since the Company's circular in respect of the Initial Acquisition was filed on 20 May 2011, Sun Materials has made significant progress in improving the efficiency of its process, potentially decreasing production costs further.

While Sun Materials was in a position to commence limited scale commercial production by June 2011, it considered that it was possible to introduce further enhancements in efficiency, resulting in significantly improved yield of silicon tetrafluoride from a key piece of intermediate production equipment in the manufacturing process. Sun Materials, in consultation with the Company, decided that the benefits derived from the enhancements in efficiency vastly outweighed any potential delay in the commencement of commercial production. Manufacturing costs related to this intermediate process are approximately 40% of overall manufacturing costs so any increase in efficiency presents a material change in the manufacturing cost of our polycrystalline silicon. The new improvements have been implemented, along with the installation of additional auxiliary equipment.

Sun Materials expects to commence commercial production with the new equipment configuration in late December 2011. All operating permits for the purpose of commercial production at the production plant have been obtained and there is no regulatory obstacle to commercial production.

b) Timing of the Acquisition

Given their increasing confidence in the likelihood of achieving commercial production of polycrystalline silicon by Sun Materials, the Directors believe that by agreeing on the Consideration payable for the Sale Shares before Sun Materials commences commercial production the amount of the Consideration is likely to be significantly less than would otherwise need to be paid. In addition, 100% of any increase in the valuation or revenues of the Target Group attributable to the commencement of commercial production will be retained by the Company rather than only 50.1% as is the case prior to the Acquisition.

c) Consolidation of control

The Directors are aware that the investment community as a whole has difficulty in valuing the Company. Although the Company currently maintains technical control of Sun Materials, through its 50.1% interest, the Directors believe that the market heavily discounts the Shares of the Company because the Company is perceived to lack clear control of Sun Materials. Investors have reported the concern that their effective interest in Sun Materials would be diluted below acceptable levels by future Share issues by the Company, including the issue of Shares upon exercise of conversion rights pursuant to the Company's outstanding convertible bonds and any Share issue in connection with potential future fund raisings. In addition, there has been market uncertainty as to whether the Company would exercise the Call Option and acquire the remaining 49.9% interest in Sun Materials and the consideration structure and amount payable for any such acquisition. The Directors believe that these factors have caused existing and potential investors to take a conservative view of the value of the Company. The Directors believe that acquiring 100% control of Sun Materials will help address these concerns.

As described above, Sun Materials requires capital to fund its current and future expansion plans, which are critical to maximizing its revenue and profitability. Sun Materials' access to capital is currently restricted by the Seller's limited financial resources available to commit to funding its pro-rata share of the capital needs of Sun Materials. The remittance of offshore funding into Taiwan may also require the Seller to spend a significant amount of management time and money complying with Taiwanese foreign investment regulations. The length of time required to obtain foreign investment approvals to remit funds onshore Taiwan may impair Sun Materials' ready access to capital from the Seller. While the Seller is prepared to overcome the procedural difficulties in complying with Taiwanese foreign investment regulations in relation to the limited number of remittances requires pursuant to the Standby Line of Credit the Seller considers it undesirable to do so in connection with its own on-going shareholder funding contributions. The Directors consider that the consolidation of ownership of Sun Materials under a single controlling shareholder will enable further equity investment and shareholder loans to Sun Materials to be made more easily, more quickly and at lower expense.

The Acquisition will give Sun Materials access to debt and equity markets that would not otherwise be available to Sun Materials if it were not indirectly wholly-owned by the Company. The Standby Line of Credit to be provided by the Seller to Sun Materials in connection with the Acquisition will also enhance the financial position of Sun Materials.

The Directors believe that investors and employees would respond favourably to the Company acquiring 100% control of the Target Group, demonstrating the Company's long-term commitment to the Target Group.

The Directors also believe that the acquisition of 100% control of the Target Group will create a clean shareholding structure which would enable the Company to engage in merger and acquisition activities and other related value enhancing activity.

The day-to-day business operations, fundraising and expansion of the business will be simplified by consolidating ownership of the Target Group in the Company. Internal corporate governance will also be greatly facilitated as a result of the Target becoming wholly-owned since minority protection rights that were agreed with the minority shareholder in the Target at the time of the Initial Acquisition will cease to apply upon Completion.

d) Management team

The Enlarged Group will continue to be managed by an experienced management team to oversee the operations of the Target Group. This team includes Dr Wu, a Director, the chairman and the chief executive officer of Sun Materials, and Mr Eddie Woo, a Director and the president of Sun Materials, whose previous experience in assisting companies within the clean technology value chain with financing and understanding of the business operations of companies in this sector will be invaluable for the management of the Target Group. Other personnel of the management team includes Mr Hsieh Yung-Ming, Mr Cheng Lien-Huang and Mr Shen Gi-Chou.

As stated in the Company's announcement of 29 August 2011, the Company has conditionally agreed to grant share options to certain senior management of the Company, including Dr Wu and Mr Eddie Woo, to further align their interests with those of the Company.

Dr Wu, a Director, the chairman and chief executive officer of Sun Materials and, pursuant to the Service Agreement, an executive Director of the Company since 1 August 2011, graduated from the National Taiwan University with a Bachelor of Science degree with high honours in chemistry in 1981. In 1992, he attained a PhD in chemical physics from the California Institute of Technology. Previously, he had served as (i) a lecturer at the IBM Europe Summer Institute in Switzerland; (ii) a scientific research staff at the Center for Concurrent Supercomputing Facility of Caltech; (iii) a project reviewer of the "U.S. High Performance Computing and Communications (HPCC): Grand Challenge Supercomputing Program"; (iv) a senior research fellow at the Center for Advanced Supercomputing of Caltech; and (v) consultants at various organizations, including the Jet Propulsion Laboratory of the National Aeronautics and Space Administration of the United States, IBM and San Diego Supercomputing Center. Leveraging his extensive experience in science related aspect, he is responsible for the day-to-day and overall management, strategic planning and development of the Enlarged Group, including formulating policies and identifying potential clients. Dr Wu is also responsible for Sun Material's expansion plans, leads and supervises its research and development team for developing new technology for polycrystalline silicon manufacturing and application.

Mr Eddie Woo, a Director and the president of Sun Materials and an executive Director of the Company, holds a Master of Business Administration degree from the University of San Francisco and a Bachelor of Arts degree from the University of California, Santa Cruz. Through working for the Asia investment banking group of Oppenheimer & Co. Inc., a North American investment bank with extensive operations and experience in the Greater China region, and its predecessor, Canadian Imperial Bank of Commerce, he gained extensive experience in financial activities, including initial public offerings, mergers and acquisitions, private placements and other related advisory work. He is responsible for the management of the corporate activity between the Company and Sun Materials. At Sun Materials, he oversees finance and accounting, sales, marketing and administration, complementing Dr Wu's role as head of operations and the research and development.

Mr Hsieh Yung-Ming, a senior vice president and chief operating officer of Sun Materials, graduated from International Taiwan University with a master degree on Material Science & Engineering. After graduation, he worked in several international companies including Winson Machinery Casting Co., Ltd in Taiwan and Semiconductor Manufacturing International Corporation in China and gained over 15-years of experience in diffusion and thin film engineering, especially on diffusion process in semiconductor. Accordingly, he is responsible for (i) leading team members, by liaising with Mr Woo and Dr Wu, to establish the manufacture system, safety system, quality system and developing production process and equipment; and (ii) provision of Sun Materials technical and operation strength to its investors and customers to reach its business goal.

Mr Cheng Lien-Huang, a vice president and first production plant manager of Sun Materials, graduated from Taiwan National Chung Hsing University with a Master degree in Material Engineering and has over 16-year experience in plasma engineering, especially in the plasma etching process in semiconductors. Mr Cheng is responsible for (i) leading team members of the first production plant, by liaising with Mr Woo and Dr Wu, to establish the manufacturing system, developing production processes and equipment and budget control and cost control for the entire plant; and (ii) provision of Sun Materials technical strength to its investors and customers to reach its business goal.

Mr Shen Gi-Chou, a senior vice president and financial controller of Sun Materials, graduated from National Cheng-Chi University with a Bachelor of Commerce degree in accounting and a Master of Arts in Accounting/Taxation from the State University of New York, Albany, and attained a license from The American Institute of Certified Public Accountants. He has 20-year finance and accounting experience, which were mainly responsible for dealing with financial reporting, analysis, cost and fixed asset control and management, accounts receivables, accounts payables, credit, profit center integration, treasury, budgeting, taxation, headquarters' reporting combination, stock affairs and coordination with government. Thus, he is familiar with the rules and regulation difference between the United States, Hungary, India and Taiwan, which will help assisting in financial reposting integration and annual budgeting and evaluation. Mr Shen is responsible for the corporate finance and accounting aspects of Sun Materials. He also acts as a part of the core team members to formulate the operational system for the ERP system. He will also be spearheading key finance initiatives in accordance to corporate strategy.

The balance of the senior team at Sun Materials consists of executive and senior level hires with significant experience working for prominent technology companies such as Intel, Taiwan Semiconductor Manufacturing Company, Semiconductor Manufacturing International Corporation, Foxconn, Applied Materials, TRW and Lam Research. The Directors expect that suitable candidates and advisors will continue to be appointed to provide management and technical support to the Enlarged Group after Completion.

e) Schott as significant customer

After months of negotiation, product testing and diligence, on 20 June 2011 Sun Materials and Schott signed a four-year offtake agreement for the supply of polycrystalline silicon.

f) Listing approval of Hareon

On 24 August 2011, Hareon, a strategic partner and key customer of Sun Materials, received conditional listing approval from the China Securities Regulatory Commission to list on the Shanghai Stock Exchange pursuant to a restructuring scheme involving Jiangsu Shenlong Hi Tech Group Co Ltd (600401.SS). The Directors believe that Hareon's listing will provide additional stability and credibility for its customers and partners, including Sun Materials, and allow Hareon to access the capital markets for its future financing requirements. Hareon's listed status will also enable a potential expansion of the existing cooperation framework with Sun Materials to include work along the rest of the photovoltaic value-chain, including photovoltaic development projects.

9. Proceeds of the Company

a) Use of proceeds from the Initial Acquisition

The Directors confirm that the actual use of proceeds from the issue of Shares and Convertible Bonds pursuant to the Placing Agreement is consistent with the proposed use as disclosed in the circular of the Company in respect of the Initial Acquisition dated 20 May 2010.

The gross proceeds from the placing of the 2.2 billion Shares were HK$880,000,000. The net proceeds from the placing of Shares were HK$844,160,000 after deduction of placing related expenses of HK$35,840,000.

The gross proceeds from the issuance of the Convertible Bonds were HK$1,450,000,000. The net proceeds from the issuance of the Convertible Bonds were HK$1,396,211,000 after deduction of placing related expenses of HK$53,789,000.

The total net proceeds from the issue of Shares and Convertible Bonds were HK$2,240,371,000.

Of the total net proceeds of HK$2,240,371,000 from the Initial Acquisition, HK$1,170,000,000 was used to pay the Consideration for a 50.1% interest of the Target, HK$80,000,000 was applied to fund the acquisition of property and HK$287,371,000 was used as working capital. The bank balance as at 30 September 2011 was HK$703,000,000.

b) Source of funding for the Acquisition and the operation plans

The Company has commenced liquidation of its investments in securities and the repayment of its loan receivables, the proceeds of which are expected to be available to the Company prior to completion of the Acquisition. Such proceeds plus the cash held by the Company are expected to be more than sufficient to settle the cash portion of the Consideration to be paid for the Acquisition. The remainder of such proceeds will be available as the working capital for the Company.

The Directors expect that the capital requirement for the expansion plan to build five additional production plants will be primarily funded by the Enlarged Group's internal resources. In determining the availability of funding for the expansion plan, the Directors have taken into consideration other capital requirements of the Enlarged Group including, but not limited to, funding the redemption of the Consideration Bonds and the Convertible Bonds and other working capital requirements. To assess the Company's ability to obtain sufficient funding to satisfy all the Enlarged Group's capital requirements, the Directors took into account the hypothetical EBITDA of Sun Materials for the first full year operation as stated in the Calculation Report, the cash flow generated from the operations of Sun Materials, interest payments on the Consideration Bonds and the Convertible Bonds, the timing and costs of redemption of the Consideration Bonds and the Convertible Bonds, taxes and other working capital requirements of the Enlarged Group.

Based on the information and estimates provided by the Target Group, the total capital expenditure and working capital required for the operation of the existing production plant and the construction of the five additional production plants for 2012, 2013 and 2014 will be approximately US$275,000,000, where US$85,000,000 will be required to fund the remaining capital expenditure of the existing factory and the construction costs of the first new production plant, and the remainder will be required in 2013 and 2014 in connection of the construction of the other four production plants.

The Directors note that the Scheduled Maturity Date of the Consideration Bonds will be at the end of 2013 and the CB Maturity Date of the Convertible Bonds will be in July 2014. Although the Company has the flexibility to extend the Maturity Date of the Consideration Bonds for a further five years, the Company does not see the need to do so and does not currently intend to extend the Maturity Date.

The Company estimates that the first full year sales volume under the expansion scenario would be approximately 6,300 metric tons which would be met by production at the existing production plant and the first new production plant. Such sales volume would result in the first full year EBITDA being approximately US$144,000,000. The cash flow from the Target Group for 2012 is expected to be sufficient for the Company to satisfy its operating and financial obligations.

The Company's estimate of the sales volume for 2013 and 2014 were based on a total plant capacity of 21,000 metric tons which would be met by production at the existing plant plus the five additional production plants expected to be completed by 2013. The Company estimates that the resulting cash flow from the Target Group for 2013 and 2014 will be sufficient for the Company to satisfy its operating and financial obligations.

Based on the foregoing the Company believes that it can satisfy its future funding needs through its internal resources. However, should Sun Materials require access to additional capital, the Standby Line of Credit of up to HK$500,000,000 has been made available to provide funding to it. The Company does not currently expect that Sun

Materials will have a need to draw on the Standby Line of Credit. Furthermore, the Company does not currently have any fund raising plan, including for the issuance of new Shares or convertible securities or raising further debt, save as disclosed in this circular.

10. Financial effects of the Acquisition

Upon Completion, the Target Group Companies will become wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma consolidated financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the results and assets and liabilities of the Enlarged Group is set out in Appendix III to this circular.

Earnings

As noted from the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma adjusted loss attributable to owners of the Company would increase by approximately 180% from HK$127.98 million to HK$358.07 million assuming Completion took place on 1 April 2009.

Assets

As noted from the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma adjusted net asset value attributable to owners of the Company would decrease by approximately 0.39% from HK$1,548.14 million to HK$1,542.14 million assuming Completion took place on 30 September 2011, being the latest date for the published results of the Company.

Liabilities

According to the audited consolidated balance sheet of the Company, as at 30 September 2011, the Group had a gearing ratio, calculated as total liabilities over total assets, of approximately 31.39%. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the gearing ratio of the Enlarged Group, calculated as total liabilities over total assets would increase to approximately 63.34%.

In addition to the abovesaid financial performance, Shareholders should note that the reporting accountants have expressed a qualified opinion in the unaudited pro forma consolidated financial information of the Enlarged Group which is set out in Appendix III. Basis for such qualified opinion is also set out in the accountants' report for the unaudited pro forma financial information.

The qualified opinion in the unaudited pro forma financial information of the Enlarged Group relates to the Company's inability to carry out the impairment test in respect of the Core Technology in accordance with HKAS 36. Taking into consideration the followings:

(i) as at the Latest Practicable Date, construction of the first production plant of Sun Materials with a production capacity of 3,500 metric tons has been completed and all the desired modifications and improvements to the key production equipment have been put in place;

(ii) commercial production of polycrystalline silicon at the first production plant is expected to commence in late December 2011;

(iii) construction of five additional production plants is targeted to commence in 2012 after commencement of commercial production at the first production plant is successfully achieved, which will increase Sun Materials' total production capacity to 21,000 metric tons by 2013; and

(iv) Sun Materials has secured purchase contracts from its customers and is expected to generate sales revenue in 2012 following commencement of commercial production,

the Directors believe that, in the preparation of the consolidated financial statements of the Enlarged Group for the first upcoming financial year end of the Company following Completion, they will be able to prepare an estimate of the future cash flow to be derived from the Core Technology for the purpose of the calculation of the recoverable amount of the intangible asset in accordance with the requirements of HKAS 36 and therefore they will be able to adequately address the subject matter leading to the present qualified opinion in the unaudited pro forma financial information of the Enlarged Group.

11. Financial and trading prospects of the Enlarged Group

The Company is an investment holding company incorporated in Bermuda as an exempted company with limited liability, the Shares of which have been listed on the Main Board of the Stock Exchange since 1997. Through its investment in the Target Group, the Group is engaged in the business of manufacturing solar grade polycrystalline silicon in Taiwan. The Group is also engaged in investment and trading of securities, provision of finance, property investment and manufacturing of accessories for photographic and multi-media products. The Group implemented a diversification strategy aimed at identifying suitable investment opportunities and wishes to expand its involvement in the renewable energy market.

As at the Latest Practicable Date, the Company intends to continue to be engaged in investment and trading of securities, provision of finance, property investment and manufacturing of accessories for photographic and multi-media products. The Company has no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) in respect of the disposal, termination or scaling-down of the foregoing business or the disposal of any assets related thereto.

The Directors are optimistic that Sun Materials' technology will give the Target Group a significant cost advantage over other manufacturers of solar grade polycrystalline silicon and therefore believe that the Target Group's products have the potential to provide downstream vendors with lower average costs and thus better profit margins. Also, the Directors are optimistic that Sun Materials' technology will significantly reduce plant construction costs, the consumption of water and electricity and use a lower cost feedstock in the production processes, and thus the Directors are of the view that the Target Group could potentially enjoy the best profit margins in the industry after achieving economies of scale, and at the same time maintain its cost competitiveness.

Furthermore, the Directors are of the view that the Acquisition will enhance the future income base and customer base of the Group, having considered the growth potential in the renewable energy market, especially the increased global demand in polycrystalline silicon and the recent increases in spot pricing for the product.

After completion of the Acquisition, the Enlarged Group will be substantially engaged in manufacturing and trading of polycrystalline silicon. It is expected the financial position of the Enlarged Group will be significantly enhanced by its expected sales volume which has been indicated by the number of customers whom are interested in our product. Furthermore, the net asset value will be further strengthened as there will be no other material stakeholders with minority interests sharing the results of the Enlarged Group. Therefore, the benefits generated from the Target Group will be fully consolidated into the Enlarged Group's results.

With a view to current market sentiment, it is believed that demand for green energy is still growing. The production capacity, the lower production costs and the Core Technology of the Target Group will enable the Enlarged Group to position itself as one of the world renowned manufacturers in the polycrystalline silicon industry. The Enlarged Group has one key competitive advantage that other players may not currently have, namely its lower production costs derived from the Core Technology compared to the costs required for the traditional "Siemens" process.

12. Legal and compliance

a) Compliance

The Target

The Target is an investment holding company duly incorporated in the BVI on 17 May 2010 with limited liability.

Lution

Lution is a company limited by shares established on 22 October 2009 and is duly incorporated and validly existing under the laws of Taiwan. Lution's business of holding shares and making investment in Sun Materials does not require any special approval or license under Taiwan law.

Sun Materials

Sun Materials is a company limited by shares established on 19 March 2007 and is duly incorporated and validly existing under the laws of Taiwan. Sun Materials' businesses of manufacturing and selling polycrystalline silicon do not require any special approval or license under Taiwan law.

Sun Materials is located in Letzer Industrial Zone, one of the industrial zones in Yi-Lan County, Taiwan. In order for Sun Materials to establish its office and factory in Letzer Industrial Zone and to commence operations, Sun Materials has complied with the relevant Taiwan laws and regulations by performing the following requirements of law:

(i) Sun Materials was approved by the Industrial Development Bureau on 20 April 2007 in accordance with relevant laws for its entry into Letzer Industrial Zone through signing a lease agreement with the MOEA, the land owner of Letzer Industrial Zone.

(ii) Sun Materials signed a lease agreement with the MOEA on 16 May 2007, in which the MOEA leased parcels of land to Sun Materials for Sun Materials' construction of office and factory buildings in Letzer Industrial Zone. The term of the lease is 20 years which is renewable by the parties.

(iii) Sun Materials obtained the building construction permit and the building usage permit from Yi-Lan County Government for the construction and usage of its office, warehouse and factory and completed the buildings registration with Yi-Lan County Government on 15 January 2010 in accordance with relevant laws.

(iv) Sun Materials obtained the relevant environmental approvals (as pre-requisites for obtaining the approval to complete the factory registration with local municipal government) and completed the factory registration with Yi-Lan County Government on 30 September 2010.

b) Legal framework in Taiwan

Below is a summary of material Taiwan laws and regulations governing the businesses of Lution and Sun Materials:

(i) Foreign ownership restrictions

Foreign ownership restrictions

Under the Statute for Investment by Foreign Nationals (外國人投資條例, "**SIFN**"), foreign investors are subject to prohibitions or restrictions on making investment in certain types of Taiwanese businesses. Pursuant to the Negative List for Investment by Overseas Chinese and Foreign Nationals promulgated by the Executive Yuan, last amended on 21 December 2010 (僑外投資負面表, the "**Negative List**"), industries of which foreign ownership is prohibited or restricted include, among others, agriculture, husbandry, fishing, forestry, telecommunications, television or radio broadcasting, and transportation. The businesses of manufacturing and selling polycrystalline silicon are not on the Negative List, and foreign investors are therefore not prohibited or restricted from making investment in a Taiwan company engaged in manufacturing and selling polycrystalline silicon.

Foreign investment application and approval

A foreign investor wishing to make a direct investment in a Taiwanese company is required to obtain prior approval from the Investment Commission ("**IC**") of the MOEA. After consummation of the investment, the foreign investor shall further apply to the IC for the verification of such consummation.

(ii) Environmental protection

Environmental impact assessment

According to the Environmental Impact Assessment Act (環境影響評估法), environmental impact assessment is required to be conducted for some development activities. The Guidelines on the Items and Scope of Development Act Required to Conduct Environmental Impact Assessment (開發行為應實施環境影響評估細目及範圍認定標準, the "**Guidelines**") set forth the requirements and degrees of development activities which are subject to environmental impact assessment. According to the Guidelines, establishment of a factory requires an environmental impact assessment if it meets the criteria provided under the Guidelines.

Sun Materials' operation and construction of its factory in the Letzer Industrial Zone is exempted from conducting an environmental impact assessment because it does not meet the criteria provided under the Guidelines. On 20 April 2007, the Industrial Development Bureau held a meeting to review Sun Materials' proposed operation in the Letzer Industrial Zone. The meeting confirmed that Sun Materials is exempted from conducting an environmental impact assessment for the operation and construction of its factory in the Letzer Industrial Zone.

Pollution prevention laws

The operation of any enterprise is required to comply with the relevant laws and regulations for preventing pollution, including Water Pollution Prevention Act (水污染防治法), Air Pollution Prevention Act (空氣污染防治法), Waste Disposal Act (廢棄物清理法), and others. Pursuant to the Water Pollution Prevention Act, the Waste Disposal Act, and regulations promulgated thereunder, and according to the Industrial Development Bureau's request, before Sun Materials can start its operation and complete the factory registration, Sun Materials must (a) submit a water pollution prevention plan to the Industrial Development Bureau and obtain approval of such plan; and (b) submit a waste disposal plan to the Yi-Lan County Government and obtain approval of such plan. Sun Materials obtained the relevant environmental approvals (as pre-requisites for obtaining the approval to complete the factory registration with local municipal government) and completed the factory registration with Yi-Lan County Government on 30 September 2010.

(iii) Labour laws

Labour Standards Act and Safety laws

The Labour Standards Act (勞動基準法, "**LSA**") is the basic labour law setting out the minimum standards for the terms provided by an employer to the employees; however, if the employment contract between the employer and the employee provides more generous terms, then such terms will prevail. The LSA does not require an employment contract to be made in writing. If there is no written contract, the provisions of the LSA and the general rules imposed by the company, to the extent not in violation of the labour related laws and regulations, will govern the employment relationship.

The operation of any enterprise must comply with the relevant safety laws, including Labour Safety and Health Act (勞工安全衛生法), Protection for Workers Incurring Occupational Accidents Act (職業災害勞工保護法), Factory Management Act (工廠管理輔導法), and others. Lution is a holding company and does not have any employees. As far as the Directors are aware, no litigation, claim or administrative proceedings of material importance was pending or threatened against Sun Materials with respect to any violation of the LSA and the safety laws as at the Latest Practicable Date.

National health insurance and labour insurance

Pursuant to the National Health Insurance Act (全民健康保險法), employers are obligated to carry National Health Insurance for their employees. If an employer fails to fulfil this obligation, it will be subject to a fine in an amount equivalent to twice the premiums payable to the National Health Bureau. Furthermore, employers are also required to carry Labour Insurance for their employees according to the Labour Insurance Act (勞工保險條例). If such an obligation is not fulfilled, employers will be fined in an amount equivalent to twice the payable premiums. Meanwhile, employers have to compensate any loss incurred by the employees arising from the employer's failure to carry such Labour Insurance.

Lution is a holding company and does not have any employees. As far as the Directors are aware, Sun Materials is in compliance with the National Insurance and Labour Insurance obligations for paying the relevant premiums for the benefit of all of its employees as at the Latest Practicable Date.

(iv) Enterprise income tax

According to Taiwan's Income Tax Law (所得稅法), every company must file an income tax return with the tax office by the end of the fifth month following the end of each fiscal year. The current enterprise income tax rate is 17%. In general, within two to three years from the date a company files its income tax return, the tax office will issue an assessment notice ("**Assessment Notice**") to the company indicating whether it is satisfied with the tax return filed. If it is not satisfied, the Assessment Notice will state which portions appear incorrect and how much additional tax the company needs to pay. If the company does not agree with the assessment, it may file for re-examination.

Both Lution and Sun Materials filed income tax returns in accordance with the law each year since incorporation. As at the Latest Practicable Date, Lution has received the Assessment Notice for fiscal year of 2009 and Sun Materials has received the Assessment Notices for fiscal years of 2007 to 2009. Neither Lution nor Sun Materials is required to pay additional income tax as indicated in the Assessment Notices that they received.

(v) Foreign exchange control

Pursuant to the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions (外匯收支或交易申報辦法), foreign exchange purchased or sold within one calendar year by a company with an accumulated amount exceeding US$50,000,000 requires prior approval from the Central Bank. Nonetheless, if the foreign exchange is made for the payment of the company's import/export of goods or services through international trade, such yearly limitation will not apply. Further, if the foreign shareholder of the company has acquired the approval from the IC for its investment in the Taiwan-invested company, neither such foreign shareholder's injection of capital into the company, nor the company's distribution of cash dividends to the foreign shareholder is subject to the yearly limitation on foreign exchange.

Therefore, (a) for the foreign exchange derived from Sun Materials' import/export of goods or services, including the sales of polycrystalline silicon, Sun Materials is not subject to any foreign exchange restrictions under Taiwan law; and (b) as the Target obtained the IC approval on 4 August 2010 for the acquisition of the entire issued shares of Lution, the distribution of cash dividends from Lution to the Target as well as the repatriation of the principal amount of the Target's equity investment in Lution and gains realized from investment by the Target in Lution will not be subject to any foreign exchange restriction under Taiwan law.

(vi) Import/export restrictions

According to the Trade Act (貿易法), a company can only engage in export/import business after it registers with the Bureau of Foreign Trade ("**BOFT**") as an exporter/importer. Sun Materials registered with the BOFT as an exporter/importer on 27 March 2007, and hence, is allowed to engage in export/import business under Taiwan law. There are no restrictions on the export of poly-crystal of silicon (as classified under Taiwan's commodities classification code) under Taiwan law, so Sun Materials is not restricted by Taiwan law to export poly-crystal of silicon.

(vii) Intellectual property right

There are no regulatory restrictions on the rights of using and the transferring or licensing of patents, trademarks or any other proprietary rights owned by Sun Materials to others under Taiwan law, provided, however, that according to the Regulations Governing Investment and Technology Cooperation in the Mainland China (在大陸地區從事投資或技術合作許可辦法), any licensing of an intellectual property right by a Taiwan company to a PRC citizen or legal entity requires a prior approval from the IC. As far as the Directors are aware, neither Lution nor Sun Materials has licensed any of its intellectual property right to any PRC citizen or legal entity as at the Latest Practicable Date.

As far as the Directors are aware, no litigation, claim or administrative proceedings of material importance was pending or threatened against, or engaged by any Target Group Company as at the Latest Practicable Date.

13. Listing Rules implications

a) Under Chapter 14

As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules.

b) Under Chapter 14A

Since the Seller is a substantial shareholder of the Target (which is a non-wholly owned subsidiary of the Company) and thus a connected person of the Company, the Acquisition constitutes a connected transaction of the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules.

The Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the SGM.

No Shareholder, except for the Seller and its associates (to the extent they hold any Shares), has a material interest in the Acquisition which is different from other Shareholders and is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its associates do not hold any Shares, options over or securities convertible into or exchangeable for Shares as at the date of this circular. The Seller and its associates would be required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder if any of them hold any Shares as at the date of the SGM.

As at the Latest Practicable Date, none of the Directors has a material interest in the Acquisition. The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr Frank H. Miu, Dr Agustin V. Que, Mr Robert James Iaia II and Dr Chien Yung Nelly, has been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of Vinco Capital appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

PART F – SGM

Set out on pages 303 to 307 is a notice convening the SGM to be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on 4 January 2012 at 9:00 a.m. at which resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Option Deeds and the grant of Share Options under them, the grant of the Proposed Option Mandate, the Service Agreement, the grant of the Proposed Conversion Mandate, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under the abovesaid documents.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Grantees, other than Mr Lo, is a Shareholder. As Mr Lo is interested in 2.5 million Shares of the Company and, given that his interest in the Option Deed to which he is a party would be materially different from the other Shareholders, he and his associates will abstain from voting at the SGM in respect of the resolution for approval of the Option Deeds, the transactions contemplated thereunder and the grant of the Proposed Option Mandate.

Dr Wu and his associates, having interests in the Service Agreement different from the Independent Shareholders, will (to the extent they hold any Shares) abstain from voting at the SGM in respect of the resolution for approval of the Service Agreement and the transactions contemplated thereunder.

The Seller is a substantial shareholder of the Target (which is a non wholly-owned subsidiary of the Company) and thus a connected person of the Company. The Seller and its associates, having interests in the Acquisition different from the Independent Shareholders, will (to the extent they hold any Shares) abstain from voting at the SGM in respect of the resolution for approval of the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder.

Save as mentioned above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is no other Shareholder having interests in the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them different from the Independent Shareholders, therefore no other Shareholder is required to abstain from voting at the SGM in relation to the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is no Shareholder having interests in the Proposed Conversion Mandate which are different from other Shareholders, therefore no Shareholder is required to abstain from voting at the SGM in relation to the Proposed Conversion Mandate.

A form of proxy is also enclosed herewith. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at 26/F, Tesbury

Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for holding of the SGM or any adjourned meeting. Completion of the form of proxy and its return will not preclude you from attending and voting in person at the SGM or any adjourned meeting, if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the SGM will be by poll.

PART G – RECOMMENDATION

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr Frank H. Miu, Dr Agustin V. Que, Mr Robert James Iaia II and Dr Chien, Yung Nelly has been formed to advise the Independent Shareholders in respect of the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them. Grand Vinco Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders and the Letter from Vinco Capital to the Independent Board Committee and the Independent Shareholders set out on pages 106 to 107 and pages 108 to 142 respectively of this circular. The Independent Board Committee, having taken into account the advice of Vinco Capital considers that the terms of the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions and agreements contemplated under them are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions and agreements contemplated under them at the SGM.

The Directors are of the view that the terms of the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Proposed Conversion Mandate, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders and/or the Shareholders (as the case may be) to vote in favour of ordinary resolutions 1 to 4 as set out in the notice of the SGM.

By order of the board of
Mascotte Holdings Limited
Lo Yuen Wa Peter
Managing Director

Hong Kong, 19 December 2011

The following is the text of the letter of recommendation to the Independent Shareholders from the Independent Board Committee regarding the terms of the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them for the purpose of incorporation in this circular.

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

Executive Directors:
Mr. Peter Temple Whitelam *(Chairman)*
Mr. Lo Yuen Wa Peter *(Managing Director)*
Mr. Eddie Woo
Mr. Suen Yick Lun Philip
Mr. Lau King Hang
Dr. Wu Yi-Shuen

Non-executive Director:
Dr. Chuang, Henry Yueheng *(Deputy-Chairman)*

Independent non-executive Directors:
Mr. Frank H. Miu
Dr. Agustin V. Que
Mr. Robert James Iaia II
Dr. Chien, Yung Nelly

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
1st Floor, Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

19 December 2011

To the Independent Shareholders

Dear Sirs,

THE OPTION DEEDS, THE PROPOSED OPTION MANDATE, THE SERVICE AGREEMENT, THE SALE AND PURCHASE AGREEMENT AND THE CONSIDERATION BOND DOCUMENTS

We refer to the circular dated 19 December 2011 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Grand Vinco Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 108 to 142 to this Circular.

Your attention is drawn to the Letter from the Board set out on pages 29 to 105 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them and the advice of Vinco Capital, we consider that the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Option Deeds, the Proposed Option Mandate, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated under them.

Yours faithfully,
Independent Board Committee of
Mascotte Holdings Limited
Mr Frank H. Miu, Dr Agustin V. Que, Mr Robert James Iaia II and Dr Chien, Yung Nelly
Independent Non-executive Directors

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:

VINCO 城高

Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

19 December 2011

To the Independent Board Committee and the Independent Shareholders of
Mascotte Holdings Limited

Dear Sirs,

THE OPTION DEEDS, THE SERVICE AGREEMENT, THE SALE AND PURCHASE AGREEMENT AND THE CONSIDERATION BOND DOCUMENTS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the terms of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" in the circular issued by the Company to the Shareholders dated 19 December 2011 (the "Circular"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Acquisition

On 12 September 2011, the Company entered into the Sale and Purchase Agreement with the Seller and Ms Hsieh, pursuant to which the Company has conditionally agreed to purchase from the Seller 49.9% of the issued shares of the Target for HK$2,500,000,000. The Consideration for the Acquisition shall be payable by the Company upon Completion in the following manner: (i) HK$750,000,000 in cash; and (ii) HK$1,750,000,000 by the issue of the Consideration Bonds.

As the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Since, the Seller is a substantial shareholder of the Target, which is non-wholly owned subsidiary of the Company, and thus a connected person of the Company, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder are therefore subject to the approval of the Independent Shareholders at the SGM by way of poll.

In view of the interests of the Seller and its associates (to the extent they hold any Shares), all of these parties will be required to abstain from voting at the resolution in relation to the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder at the SGM. Save for the above, none of the Directors or Shareholders have a material interest in the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder, as such, no other Directors or Shareholders will be required to abstain from voting on the relevant resolution at the SGM to approve the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder.

The Option Deeds

On 29 August 2011, the Company announced that it has entered into the Option Deeds with the Grantees pursuant to which the Company agreed to grant the Grantees the right to subscribe for up to 730,000,000 Shares in aggregate at HK$0.40 per Share on the date of exercise the relative Share Options.

Since Dr Wu, Mr Eddie Woo, Dr Chuang Henry Yueheng and Mr Lo are connected persons of the Company under Rule 14A.11 of the Listing Rules, the entering into the Option Deeds with the corresponding Grantees will constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. Such Option Deeds are therefore subject to the approval of the Independent Shareholders at the SGM by way of poll. Dr Wu, Mr Eddie Woo, Dr Chuang Henry Yueheng, Mr William Eui Won Pak, Mr Lo, Mr Cheng Lien-Huang, Mr Hsieh Yung-Ming, Mr Shen Gi-Chou and their respective associates are required to abstain from voting in respect of the proposed resolution to approve the terms of the Option Deeds and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr Lo holds 2,500,000 Shares, representing approximately 0.05% of the total issued share capital of the Company. Accordingly, Mr Lo and his associates are therefore required to abstain from voting in favour of the relevant resolution approving the grant of the Share Options at the SGM.

The Service Agreement with Dr Wu

On 1 August 2011, the Company and Dr Wu entered into the Service Agreement pursuant to which Dr Wu is employed by the Company in the capacity of an executive Director and will take effect on the Effective Date until 1 August 2016. According to Rule 13.68 of the Listing Rules, the Service Agreement, which is for a duration of more than three years, must be subject to the approval of the Shareholders in a general meeting. As at the Latest Practicable Date, save for Dr Wu, no other Shareholders or any of their respective associates have a material interest in the Service Agreement. Accordingly, Dr Wu and his associates are therefore required to abstain from voting in favour of the relevant resolution approving the Service Agreement at the SGM.

The Independent Board Committee, comprising Mr Frank H. Miu, Dr Agustin V. Que, Mr Robert James Iaia II and Dr Chien, Yung Nelly, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder. We have been appointed, and approved by the Independent Board Committees, as the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and transactions contemplated thereunder are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular despatch and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been withheld or omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Option Deeds, the Service Agreement and the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder, and except for its inclusion and reference to it in the Circular and any relevant announcements to the Shareholders and at the SGM, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in relation to the terms of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

A. The Acquisition

1. Background of the Acquisition

Information of the Group

The Company is an investment holding company incorporated in Bermuda as an exempted company with limited liability and the Group is engaged in the investment and trading of securities, provision of finance, property investment and manufacturing of accessories for photographic and multi-media products. Upon completion of the Initial Acquisition, the Group is also engaged in the business of manufacturing solar grade polycrystalline silicon in Taiwan through its investment in the Target Group. Based on the information set out in the interim results of the Company for the six months ended 30 September 2011 and in the Company's annual reports for the two years ended 31 March 2011, the financial results of the Company are summarised as below:

	For the six months ended 30 September	For the year ended 31 March	
	2011	2011	2010
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*
Turnover	57,128	103,373	241,871
(Loss)/Profit attributable to owners of the Company	(345,763)	(244,800)	108,631

	As at 30 September	As at 31 March	
	2011	2011	2010
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*
Total assets	3,942,949	810,187	699,090
Total liabilities	1,237,869	53,217	44,172
Equity attributable to owners of the Company	1,548,143	752,654	651,254
Bank balances and cash	702,538	16,805	75,720

From the table above, the turnover of the Group for the six months ended 30 September 2011 amounted to approximately HK$57.13 million, representing a decrease of approximately 24.78% from the same period of 2010 amounted to approximately HK$75.95 million. The decrease was mainly due to the negative turnover of HK$45.32 million derived from the trading of securities as compared to the negative turnover of HK$31.81 million recorded in the same period of 2010 and the decrease in revenue from manufacture and sales of accessories. Also, the Group recorded a loss attributable to the Shareholders for the six months ended 30 September 2011 as compared to that of the corresponding period of 2010. Such loss was amounted to approximately HK$345.76 million, as compared to a loss of HK$107.44 million in the same period of 2010. The decrease was mainly due to the increase in realized and unrealized losses of investments held for trading.

As shown in the table above, the turnover of the Group for the year ended 31 March 2011 amounted to approximately HK$103.37 million, representing a decrease of approximately 57.26% from the previous year, which amounted to approximately HK$241.87 million. The decrease was largely brought about by the negative turnover of HK$93.4 million derived from the trading of securities as compared to the positive turnover of HK$89.5 million last year, despite the increase in the turnover of the manufacturing division to HK$189.5 million in the financial year 2011 from HK$148.1 million for the previous year. Also, the Group recorded a loss attributable to the Shareholders for the year ended 31 March 2011 as compared to the profit for the previous year. Such loss was amounted to HK$244.80 million, as compared to a profit of HK$108.63 million in the financial year 2010. The turnaround results was due to the net unrealised holding loss on financial assets at fair value through profit or loss and the reversal of impairment loss for loan and interest receivables.

From the Company's annual report for the year ended 31 March 2010, we also noted that the Group recorded a turnover of approximately HK$241.87 million for the year ended 31 March 2010, representing an increase of approximately 79.33% as compared to that of the previous year (2009: approximately HK$134.87 million). The increase in turnover was largely brought about by the turnover of HK$88.1 million derived from the trading of securities for which a negative turnover of HK$86.2 million was recorded in the financial year 2009; such increase was partially offset by the decrease in sales of the manufacturing division to HK$148.0 million in the financial year 2010 from HK$186.2 million for the previous year. On the other hand, the profit attributable to the Shareholders for the year ended 31 March 2010 amounted to HK$108.63 million, as compared to a loss of HK$345.27 million in the financial year 2009, which was mainly due to the reversal of impairment loss for loan and interest receivables and the net unrealised holding gain on financial assets at fair value through profit and loss.

Information of the Target Group

The Target was incorporated in the BVI with limited liability and is an investment holding company. As at the Latest Practicable Date, the Company and the Seller own 50.1% and 49.9% of the issued share capital of the Target. Save for holding the entire issued share capital of Lution, the Target did not hold any other investments or engage in any business activities. On the other hand, the principal asset of Lution is the entire equity interest in Sun Materials. Sun Materials was established in Taiwan and is principally engaged in the manufacture of solar grade polycrystalline silicon.

Sun Materials, which is the sole operating subsidiary of the Target Group, has developed a new and innovative technology and patented in the United States, Europe, Japan, Taiwan and China the key production reactor for such technology, with a view to significantly reducing the plant construction costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon. In October 2010, Sun Materials completed the construction of its first production plant in Yi-Lan County, Taiwan, which has a production capacity of up to 3,500 metric tons of polycrystalline silicon. It plans to commence construction of five additional production plants in 2012, which will increase its production capacity to up to 21,000 metric tons by 2013. As per our discussion with the Directors, we understood that the timetable of the expansion plan of Sun Materials has been delayed as a result of the changes and improvements Sun Materials has been made in key production equipment. The Directors further elaborated that the improvements and efficiencies gained with the new equipment adequately offset any delay incurred with the expansion plan. Therefore, taking time in the production improvements at an earlier stage of the company's development, Sun Materials will be able to minimise future large scale delays during the commencement on construction of the five additional production plants in Taiwan. Having taken the above into consideration, we are of the view that the delay in commencement of commercial production of Sun Materials is acceptable.

Save for the above mentioned, each of the Target, Lution and Sun Materials does not engage in any other businesses. As notice from their relevant accountants' report in Appendix II to the Circular, their financial information is negligible. Set out below is the financial summary of the Target Group:

	For the six months ended 30 June 2011 *NT$'000* *(Audited)*
Loss and total comprehensive expense for the period	(70,274)

	As at 30 June 2011 *NT$'000* *(Audited)*
Net assets	829,726

Overview of the photovoltaic solar market

Photovoltaic, which is a key component of solar panel construction, is a method of generating electrical power by converting solar radiation into direct electricity. Polycrystalline silicon is one of the materials presently used for photovoltaic. According to an article dated 1 February 2011 from RenewableEnergyWorld.com, which articles released are conducted by renewable energy professionals, it stated that the global solar photovoltaic market is expanding rapidly, with photovoltaic installations growing by 57% in 2010 over 2009. Global solar photovoltaic installed capacity increased at a CAGR of 40.1% from 1,761 MW in 2001 and accumulated to 36,712 MW in 2010. As noted from other two articles from DIGITIMES, an information source for the supply side of the semiconductor, electronics, computer and communication industries, there will be a slowdown in the growth of supply in the photovoltaic market with suppliers digesting their inventory as well as cutting back on output, which helps the solar industry move toward a more balanced supply and demand situation in 2012. The fall in the inventory can also be supported by the market research conducted by Citigroup Global Market, the inventory was decreasing since the first quarter of 2009. With suppliers digesting their inventory as well as cutting back on output, a slowdown in the growth of supply is expected to help the solar market move toward a more balanced supply and demand situation. A turning point for the solar industry should be the first quarter of 2012 when demand is more likely to revive after several quarters of inventory digestion. As the oversupply problem has triggered a competition for solar products with high conversion efficiencies forcing less competitive firms to temporarily halt production or shut production altogether, it would also create a competitive advantage to the newcomers of the polycrystalline silicon manufacturers with strong financial capital, technology and low production costs.

In fact, the fall in the price of polycrystalline silicon would also benefit to the newcomers as financial pressure has been plaguing the solar industry. Many solar firms which have long-term supply agreements with upstream suppliers have seen their competitiveness crippled by the low product prices, which have left them with insufficient cash for daily operations, let alone capacity expansions. Newcomers are then equipped with the latest equipment without long-term supply contracts eating away financial strengths. Accordingly, we noted that the oversupply for photovoltaic industry is expected to release and newcomers may be benefit from the transformation of the industry, we thus believed that the photovoltaic solar industry would become a more balanced supply and demand situation and would be prosperous, especially to newcomers.

As discussed with the Directors, we noted that the principal base of Sun Materials' target customers are mainly engaged business in Shanghai, Taiwan, South Korea and Germany, as energy consumption is highly correlation to the economic growth and many countries are in the course to look for affordable and clean energy to fuel its economic growth, we therefore attempted to analyse the economy of these places which will result in bringing business opportunities. From the Shanghai Statistical Yearbook 2011, it recorded the nominal gross domestic product (the "GDP") an increase of approximately 8.2% and 10.3% in 2009 and 2010 respectively. With regard to the polycrystalline silicon industry in the PRC market, China Securities Journal online quoted that the Ministry of Industry and Information Technology of the People's Republic of China has a preliminary development plan on the reformation of polycrystalline silicon and the twelfth five-year plan will be launched a 15,000 kilowatt for the new photovoltaic installation. As such, we are of the view that the PRC government is supporting the development of photovoltaic industry as well as the polycrystalline silicon industry.

Regarding the economy of Taiwan, we noted from the Department of Statistics, Ministry of Economic Affairs of Taiwan that the GDP of Taiwan of 2010 was approximately US$430.1 billion, representing an increase of approximately 13.96% as compared to that of the previous year. While, the index of manufacturing industry was 128.47 in September 2011 (index bases in 2006: 100), representing an increase of approximately 3.83% as compared to that of the previous year. Accordingly, we understood that manufacturing industry in Taiwan is experiencing an economic recovery.

While according to data and statistics of the International Monetary Fund, the GDP of Korea and Germany raised approximately 6.16% and 3.56% in 2010. The increase in the GDP of both Korea and Germany is expected to record a positive percentage in the coming years. We have also reviewed the Germany market information of solar panel, which is made by polycrystalline silicon and noted the supportive government policies, especially feed-in-tariffs and investment subsidies have helped Western European nations, including Germany, to achieve tremendous increase in photovoltaic installations in 2010, thus driving resurgence in demand for solar panels. While Europe still accounts for a major share of demand for solar panels, other market such as the United States, Asia Pacific and even Latin America are expected to gather momentum, and even spearhead growth in the global market over the next few years. Accordingly, we are of the view that the demand for polycrystalline silicon is expected to increase in the coming years. Also, we have read an article from The Chosunilbo, a leading news reporter in Korea, regarding the polycrystalline silicon industry in Korea. Korean government plans to develop new and renewable energies such as solar energy. The Ministry of Knowledge Economy of Korean stated that the government will significantly increase its spending on research and development of new and alternative renewable energies, in particular the polycrystalline silicon.

In view of the robust economic growth in Shanghai, Taiwan, South Korea and Germany, we believe the rising demand for the photovoltaic solar industry and the gradual recovery of Shanghai, Taiwan, South Korea and Germany economies are the key drivers to the growth of polycrystalline silicon in the subject regions. As such, we are of the view that the polycrystalline silicon market in the subject region is prosperous.

Reasons for and benefits of the Acquisition

Upon completion of the Initial Acquisition, the Group has enlarged its business in the manufacturing solar grade polycrystalline silicon in Taiwan. As noted from the Letter from the Board, the Company and the Seller has entered into the Call Option Agreement in connection with the Initial Acquisition to enable the Company to acquire the Sale Shares at a price to be agreed between the Company and the Seller or to be determined by reference to the business valuation, which conducted by an independent valuer, of the Target Group at when the Call Options are being exercised. Given their increasing confidence in the likelihood of achieving commercial production of polycrystalline silicon by Sun Materials, the Directors recommend that they have become more comfortable with the likelihood of the technology being successful and it would make good commercial sense to accelerate the acquisition of the minority stake prior to the commencement of the Call Option Period. Taking into consideration that (i) the subscription price of the Call Option Shares is determined at the moment of exercise of the Call Options, which has no discrepancy in the purchase price of the Call Option Shares and the Consideration; and (ii) Sun Materials made significant progress in improving the efficiency of its process and towards commercializing its technology through a major change in the design of the equipment and process for producing silicon tetrafluoride, the key input gas for the production of polycrystalline silicon, with a current view to starting commercial production in late December 2011, we concur with the Directors' view that a separate negotiation for the Acquisition is justifiable.

As mentioned in the above paragraph headed "Information of the Target Group", Sun Materials has developed a new and innovative technology and patented in the United States, Europe, Japan, Taiwan and China the key production reactor for such technology, with a view to significantly reducing the plant construction costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon. Sun Materials' first production plant in Yi-Lan County, Taiwan was commenced in operation in October 2010 with a production capacity of up to 3,500 metric tons of polycrystalline silicon. It plans to commence construction of five additional production plants in 2012, which will increase its production capacity to up to 21,000 metric tons upon completion of such construction by 2013. Based on the discussion with the Directors, the technologies for manufacturing solar grade polycrystalline silicon are not the same as the new patented technology deployed by Sun Materials. The newly patented technology of Sun Materials would lower the plant construction costs, production cost, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon, and which can be proved by the commencement of trial production in November 2011. The trial production has been fulfilled the qualification requirements of Sun Materials' customers. The Directors also confirmed that the benefits derived from the further enhancements in efficiency vastly outweighed any potential delay in the commencement of commercial production. Any increase in efficiency presents a material change in the manufacturing cost of the polycrystalline silicon. With the new improvements have been implemented in this quarter, we are of the view that Sun Materials expects to commence commercial production of the first production plant in the fourth quarter of 2011 and plans to commence construction of five additional production plants in 2012, which will increase the production capacity to 21,000 metric tons by 2013, were prepared under due care and consideration of the Directors.

As set out in the Letter from the Board, Sun Materials made significant progress in improving the efficiency of its process, potentially decreasing production costs further upon completion of the Initial Acquisition, and now Sun Materials has introduced further enhancements in efficiency, resulting in significantly improved yield from a key piece of intermediate production equipment in the manufacturing process. Manufacturing costs related to this intermediate process are approximately 40% of overall manufacturing costs so any increase in efficiency presents a material change in the manufacturing cost of the polycrystalline silicon. With the new improvements has been implemented in the current quarter, along with the installation of additional auxiliary equipment. Pending regulatory approval of the remaining operating permits, Sun Materials expects to commence commercial production in late December 2011. As consulted with the Directors, Sun Materials have to obtain certain permits immediately before the commencement of commercial production. As at the Latest Practicable Date, there are two outstanding permits to be approved by Taiwan regulatory authorities, which are in respect of gas supply and compression system and general exhaust system for exhaust and waste gases. For the latest status of the application of the gas supply and compression system permit, the final inspection for such system was completed on 16 November 2011. After final inspection, Sun Materials has received verbal approval from the government inspector to commence usage of the system with receipt of the operating permit by 30 November 2011. While, the application for the general exhaust system will have final inspection from the Yi-Lan environmental authority and which operating permit is expected to be received in the first week of December 2011. Further confirmed by the Directors, we understood that Sun Materials will have no obstacles in obtaining these two permits.

As the Company will have a consolidation of control towards Sun Materials. Sun Materials' access to capital is currently restricted by the Seller's limited financial resources available to commit to funding its pro-rata share of the capital needs of Sun Materials. The remittance of offshore funding into Taiwan may also require the Seller to spend a significant amount of management time and money complying with Taiwanese foreign investment regulations. The length of time required to obtain foreign investment approvals to remit funds into Taiwan may impair Sun Materials' ready access to capital from the Seller. Upon Completion, although the Company would also encounter the similar regulatory restrictions on remittance of offshore funding into Taiwan, as confirmed by the Directors, as a listed company on the Stock Exchange, the Company has sufficient relationships with Taiwanese and offshore commercial and investment banks and legal advisers whose expertise would assist the Company in the routine matters of offshore remittance to Taiwan. This fund would be made either in the form of a Shareholder loan or in the form of a capital increase, while the Seller may find difficulty in handling on these, primarily due to foreign currency exchange restrictions. The Directors consider that the consolidation of ownership of Sun Materials in a single controlling shareholder would enable further equity investment and shareholder loans to Sun Materials to be made more easily, more quickly and at lower expense.

Pursuant to the Sale and Purchase Agreement, upon Completion, the Seller and Sun Materials will enter into the Standby Line of Credit Agreement, whereby the Seller would conditionally agree to make available the Standby Line of Credit of up to HK$500,000,000 to Sun Materials for the purpose of financing the general working capital requirements of Sun Materials. As mentioned the Seller may find difficulty in handling the offshore remittance into Taiwan, the Seller would encounter the limited number of remittances required under the Taiwanese foreign investment regulations under the Standby Line of Credit as the Seller considered it is undesirable to remit offshore funds in connection with its own on-going shareholder funding contributions. The Seller has advised the Company such loans will be funded either from the cash portion of the Consideration or from amounts borrowed by the Seller from banks in Taiwan and any remittance of funds into Taiwan by the Seller will be made in accordance with applicable Taiwanese foreign investment regulations. The terms of the Standby Line of Credit Agreement, including the applicable interest rate (i.e.: 2.5% above the Hong Kong Prime Rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time), were determined after arm's length negotiations among the Company, the Seller and Sun Materials, taking into consideration the Directors' view of current market terms for similar facilities. Given that the Standby Line of Credit is an unsecured working capital line of a significant amount being made available to a company without any track record of revenues and it does not impose any material restriction on the business operations of the Enlarged Group, the interest payable under the Standby Line of Credit, which is 2.5% over the Hong Kong Prime Rate, is considered to be fair and reasonable. As consulted with the Directors, the Company does not intend to have a need to draw on the Standby Line of Credit but an additional financial flexibility of the Company for funding its future investments and/or business development as and when the potential opportunities arise.

On the other hand, as discussed with the Directors, we noted that, on 20 June 2011 Sun Materials has entered into a four-year offtake agreement with Schott for the supply of polycrystalline silicon. The agreement entered into between Sun Materials and Schott would ensure the demand for Sun Materials' polycrystalline silicon. Also, one of Sun Materials' key customers, Hareon received conditional listing approval from the China Securities Regulatory Commission to list on the Shanghai Stock Exchange pursuant to a restructuring scheme involving Jiangsu Shenlong Hi Tech Group Co Ltd (600401.SS). The Directors believed that it will provide additional stability and credibility for its customers and partners, including Sun Materials, and allow Hareon to access the capital markets for its future financing requirements. Hareon's listed status will also enable a potential expansion of the existing cooperation framework with Sun Materials to include work along the rest of the photovoltaic value-chain, including photovoltaic development projects. We have made enquiries to the Directors and noted that Sun Materials has signed purchase agreement with its customers. Under those purchase agreement with the customers, the customers may, but are not obliged to, order polycrystalline silicon from Sun Materials. According to the Directors' explanation, we understood that all this kind of purchase agreements in the polycrystalline silicon industry is allowed for the relevant parties to renege on the delivery or acceptance commitments under the terms of the respective purchase agreements. However, in an event of breach in the purchase agreements, there will be penalties and in some cases are supported by deposits from the customer to the producer. As confirmed by the Directors, in Sun Materials' case, there are two out of four purchase agreements included in terms that supported by the penalties and deposits.

Having considered (i) the Acquisition is in line with the Group's strategy of business expansion; (ii) the increase in demand for the solar photovoltaic installations; (iii) the consolidation of control in Sun Materials; and (iv) the stable source of income expected to be derived from the Target Group upon the commencement in operation of Sun Materials, we concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

2. ***Principal terms of the Sale and Purchase Agreement***

Basis of the Consideration

As stated in the Letter from the Board, we noted that, upon Completion, the Consideration payable by the Company to the Seller will be settled (i) HK$750,000,000 by cash; and (ii) HK$1,750,000,000 by issue of the Consideration Bonds.

The Consideration was determined after arm's length negotiation between the Company and the Seller, taking into consideration (i) Sun Materials plans to commence construction of five additional production plants, which will increase its production capacity from its current designed production capacity of 3,500 metric tons to up to 21,000 metric tons by 2013; (ii) the scarcity of technologies for reducing the production cost of solar grade polycrystalline silicon and the limited ability of current producers of polycrystalline silicon to further reduce costs; and (iii) anticipated future demand for solar grade polycrystalline silicon. In order to assess the fairness and reasonableness of the Consideration, we have considered the following:

The Valuation

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiations between the Company and the Seller, taking into consideration (i) Sun Materials' plans to commence construction of five additional production plants, which will increase its production capacity from its current designed production capacity of 3,500 metric tons to up to 21,000 metric tons by 2013, (ii) the scarcity of technologies for reducing the production cost of solar grade polycrystalline silicon and the limited ability of current producers of polycrystalline silicon to further reduce costs, and (iii) anticipated future demand for solar grade polycrystalline silicon.

Regarding the significant increase in the Consideration as compared with the consideration of Initial Acquisition, the Valuer has considered that Sun Materials was in a position to commence limited scale commercial production by June 2011 and was possible to introduce further enhancements in efficiency, resulting in delay in the commencement of commercial production. After completion of the Initial Acquisition, Sun Materials made progress in improving the efficiency of its production process towards commercialization, through several steps, among others, re-design of the decomposition reactors, which resulted in a potential decrease in the production costs mainly on electricity consumption, raw material and consumable. According to our discussion with Sun Materials' management and based on the estimation from Sun Materials' management, the re-designed production plant of the first module is expected to commence commercial operation by late December 2011 and it will operate under full capacity by the end of first quarter of 2012. Having considered the status of Sun Materials' development plan has been commenced in limited scale with the new improvement on the patented technology, we are of the view that the significant increase in the Valuation is reasonable and acceptable.

According to the valuation report (the "Valuation Report") prepared by the Valuer, the business valuation of Sun Materials has been valued under two scenarios of Sun Materials' business expansion, which is (i) upon completion of the construction of its first production plant in Yi-Lan County, Taiwan in October 2010 which has a design production capacity of up to 3,500 metric tons per annum (the "Existing Plant"); and (ii) upon the completion of the construction of one additional production plant which would, together with the first production plant, meet the management's estimated sales volume of approximately 6,357 metric tons (the "Two Plants"), the business enterprise value of Sun Materials as of 30 June 2011 under the Existing Plant and Two Plants was US$235,000,000 and US$648,000,000 (equivalent to HK$1,833,000,000 and HK$5,054,400,000 under the exchange rate of US$1 = HK$7.8) (the "Valuation"), details can be referred to Appendix V to the Circular. As noted from the management of the Company, since the Company would have consolidated control of Sun Materials upon Completion, the effective fair value of the acquisition of 49.9% interest of Sun Materials under the Two Plants would be approximately US$323,352,000 (equivalent to HK$2,522,145,600 under the exchange rate of US$1 = HK$7.8). The Consideration represents a discount of approximately 0.88%.

In order to assess the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report and enquired into the Valuer on the methodologies adopted and assumptions made in arriving at the Valuation. As stated in the Valuation Report, the Valuer has considered three appraisal approaches commonly used in valuing the business of a company, namely market approach, cost approach and the income approach. We were advised by the Valuer that the Valuation has been evaluated by the market approach to assess the fair market value of the Sun Materials. Having discussed with the Valuer (a) the rationale of adopting the market approach rather than other valuation approaches, namely cost approach and income approach as the valuation methodology and (b) the bases and assumptions in arriving the Valuation using the market approach, we understood from the Valuer that in the cost approach, the value is established based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. The Valuer decided against the cost approach due to the innovation and uniqueness of the patented technology owned by Sun Materials, which may not be necessarily replicated by other market players' research and development activities. While, in the income approach, value is established based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefit (income) from the same or equivalent property with similar risk. The Valuer rejected the income approach because the high uncertainty on a long-term forward-looking financial forecast and underlying assumptions.

Given the stage of development of Sun Materials expecting to commence commercial production of the first production plant in late December 2011 and plans to commence construction of five additional production plants in late 2012 and other related information available, the Valuer considers the market approach to be the most appropriate valuation approach for the Valuation because it represents a more objective view and more weight relatively under fair value measurement hierarchy, hence we concur with the Valuer that given the lack of historical financial information of the Target, the adoption of an enterprise value ("EV") to earnings before interest, tax, depreciation and amortization expense ("EBITDA") multiple and cross-checked by the ratio of implied total equity value to its production capacity ("Equity Value to Capacity Ratio") for each of the transactions in the polycrystalline silicon manufacturing industry which were completed since January 2008, in deriving the Valuation is a reasonable approach for valuing the business of Sun Materials. While, EV is defined as market capitalization plus interest-bearing debt less cash plus non-controlling interest plus preferred stock, EV to EBITDA multiple is not affected by capital structure and is often chosen for calculation of capital intensive companies such as Sun Materials where the EBITDA is not affected by different depreciation policies adopted by comparable companies. Given that EBITDA is often regarded as an economic measure showing price discount and cost advantages or disadvantages due to different product or business mix engaged by business enterprise, we are of the opinion that the variance among business enterprises would eventually be reflected in trading prices and economic measures under the GCM method.

We were given to understand that in using the guideline company method under market approach, the Valuer has identified a number of market comparables (the "Comparables") which engaged in the same or similar line of business as that of Sun Materials (i.e. operating in the polycrystalline silicon manufacturing industry) and are actively traded in a public, free, and open market, either on the stock exchange or over-the-counter. We understood that Sun Materials' technology, production process and geographic location are different from the comparable transactions. Despite such difference, the end product, namely polycrystalline silicon, is a commodity commonly used in the photovoltaic industry as a key component for the production of solar cells. In other words, polycrystalline silicon prices are likely to be driven by demand and supply by the industry players. We also acknowledged that difference in technology applied and geographic location may affect the product's quality and manufacturing process efficiencies as well as manufacturing costs of business enterprises. However, this variance among business enterprises would eventually be reflected in the trading prices and economic measures such as EBITDA in the guideline companies. As such, we are of the view that it is fair and reasonable to derive the EV to EBITDA multiple from such comparable transactions. As consulted by the Valuer, in order to reflect the relative non-liquidity of the privately held shares in Sun Materials as opposed to publicly traded corporation, and the fact that Sun Materials was in an earlier stage of development and smaller size than the Comparables, a discount for lack of marketability ("DLOM") was applied to the shares in Sun Materials. Considering (i) the recognition of Sun Materials increases and its liquidity increases as well due to the Initial Acquisition; and (ii) several industry players who are interested in investment in Sun Materials, we are of the opinion that the DLOM adopted is fair and reasonable.

Additionally, the guideline transaction method ("GTM") under market approach was adopted as a cross-checking method, the Valuer has identified a number of transactions in the polycrystalline silicon manufacturing industry which were completed since January 2008. The Equity Value to Capacity Ratio was selected because (i) no historical financial result of the Company was available; and (ii) given the growing demand for alternate energy in the world, it was reasonably assumed that the economic benefit of a polycrystalline silicon manufacturer is proportional to the scale of its operation, which is reflected by the production capacity. Covering over three years prior to the date of Valuation, the comparable transactions were faced the changes in (i) market condition; (ii) the market prices of polycrystalline silicon; and (iii) gross margins. Therefore, an adjustment is applied to the Equity Value to Capacity Ratio on the basis of the difference of historical silicon price minus unit production cost (i.e. gross margin) between the transaction completion date and 30 June 2011, being the date of Valuation. As such, we are of the view that the GTM is fair and reasonable.

Details of the bases, assumptions and calculation of the Valuation are set out in the Appendix V to the Circular. Further to our discussion with the Valuer, based on our review and discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the methodologies adopted and the bases used in arriving at the Valuation. In light that (1) the GCM method has taken into account the difference between Sun Materials and comparable companies in (i) technology; (ii) production process; (iii) geographic location; and (iv) marketability; and (2) the GTM method has taken into account the time difference among the comparable transactions, we are satisfied that these two valuation methods under market approach are fair and representative and we are of the opinion that the Valuation may provide a valid benchmark for the Directors to assess the fairness and reasonableness of the Consideration.

The comparable analysis

In forming our opinion on the Consideration, we have considered the following comparable approaches, namely price-to-earning approach, dividend approach and price-to-book approach, which are commonly adopted in evaluation of a company.

(i) Price-to-earning Approach

As none of the Target, Lution or Sun Materials recorded any profit for the periods since their respective dates of incorporation. As such, we consider that the price-to-earning approach is not applicable for assessing the value of the Target Group.

(ii) Dividend Approach

The Target Group has not declared any dividend to its shareholders for the latest financial year. As such, there is no basis to assess the Consideration based on historical dividend yield, and thus, the dividend approach is not applicable.

(iii) Price-to-book Approach

The price-to-book ratio is to evaluate how much the market is willing to pay for the company above its tangible assets. However, as mentioned before the Target Group is engaged in the manufacture of solar grade polycrystalline silicon, which has hidden assets such as the new and innovative patented technology owned and developed by Sun Materials. As such, the price-to-book approach is not applicable to the valuation of the Target Group.

Since the above mentioned ratios are not applicable to analyse the value of the Target Group and taking into consideration of the stage of development of Sun Materials is not yet fully completed and which the Existing Plant scenario may not fully reflect the value of Sun Materials, we have made enquiries to the Directors and therefore, attempted to calculate the price-to-sales and price-to-EBITDA approaches by using the estimated 2012 revenue and EBITDA of the Target Group. Based on our discussion, we noted that the Target Group has only commenced limited scale commercial production since June 2011 and the technology to be introduced by Sun Materials would further enhance its efficiency, which significantly reduce the plant construction costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon. As such, the price-to-sales approach, without taking the production cost into consideration, is not applicable to Sun Materials' case.

In view of the latest status of the Target Group, we consider that price-to-EBITDA would be more appropriate to further assessing the Consideration of Sun Materials. In this regards, we have considered companies listed on the stock exchanges of Hong Kong, United States, Taiwan and Germany which, we have identified 7 companies, which is considered as an exhaustive list, are principally engaged in business similar to that of the Target Group (i.e.: manufacturing the solar grade polycrystalline silicon) (the "Comparables") and had market capitalization of not more than approximately US$500 million. In view that (i) the new technology developed and innovated by Sun Materials is unique in the market; (ii) the developing stage of the Target Group; (iii) the Comparables have been commencing in operation; and (iv) the principal base of the Target Group varies from that of the Comparables, Shareholders should note that the business, technology, production process and geographic location and prospect of the Target Group are not the same as the Comparables and we have not conducted any in-depth investigation into business and operations of the Comparables. However, given the solar grade polycrystalline silicon produced by the Target Group and the Comparables are a commonly traded component, the selling prices of polycrystalline silicon, which is subject to the demand and supply by the industry players, would eventually be reflected in the trading prices and economic measures such as EBITDA of the Comparables, thus, the Comparables are provided for Shareholder's general reference. Our relevant finding is summarized in table below:

Company name	**Place of listing**	**Share price as at 12 September 2011**		**Market capitalisation**	**Price-to-EBITDA** *(Note 1)*
		Currency		*US$ in million*	*Times*
Apollo Solar Energy Technology Holdings Ltd.	Hong Kong	HK$	0.16	282.40	1.92
Ascent Solar Technologies, Inc.	United States	US$	0.94	30.33	N/A
Canadian Solar Inc.	United States	US$	5.04	216.18	4.22
China Sunergy Co., Ltd.	United States	US$	1.15	307.38	N/A
JA Solar Holdings, Co., Ltd.	United States	US$	2.72	465.12	2.90
Neo Solar Power Corp	Taiwan	TWD	28.65	419.56	5.48
Q-cells SE	Germany	EUR	0.77	156.55	1.13
				Maximum	5.48
				Minimum	1.13
				Mean	3.13
The Target *(Note 2)*				158.53	4.70

Notes:

1. The price-to-EBITDA multiples of the Comparables are calculated by dividing the closing price of respective shares as at 12 September 2011, being the date of the Sale and Purchase Agreement, over the estimated 2012 EBITDA per shares, which is generated from the Bloomberg.

2. The implied equity value of the Target as at the year of 2012.

With reference to the Consideration of HK$2,500,000,000 for the Acquisition and the estimated 2012 EBITDA of the Target of approximately US$68.19 million (equivalent to HK$531.88 million under the exchange rate of US$1 = HK$7.8), which is calculated based on the acquisition of a 49.9% shareholding interest in the Target. The implied price-to-EBITDA of the Target is 4.70 times. The price-to-EBITDA of the Comparables ranges from approximately 1.13 times to approximately 5.48 times and the mean of it is 3.13 times. Thus, the implied price-to-EBITDA of the Target of approximately 4.70 times falls within the range but slightly higher than the mean of that of the Comparables. Having considered the factors mentioned in the paragraph headed "Reasons for and benefits of the Acquisition", in particular the production plans of Sun Materials are prepared by the Directors under due care and consideration, and the followings: (i) the stage of development of Sun Materials is still in progress; (ii) the five additional production plants of Sun Materials will commence in operation by 2013; (iii) in view of the future prospects of the solar photovoltaic industry; (iv) the anticipated future demand for solar grade polycrystalline silicon; (v) the implied price-to-EBITDA of the Target falls within the range of that of the Comparables; and (vi) the Consideration is supported by the Valuation Report, we therefore concur with the Directors' view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Bonds

As mentioned in the Letter from the Board, the Company will issue the Consideration Bonds to the Seller to satisfy part of the Consideration amounted to HK$1,750,000,000. The principal terms of the Consideration Bonds are summarised as follows:

Principal amount:	HK$1,750 million
Maturity date:	the second anniversary of the issue date of the Consideration Bonds or, if the Company elects in its discretion to extend the term of the Consideration Bonds, the seventh anniversary of the issue date of the Consideration Bonds
Interest rate:	2.5% per annum in respect of the period up to and including the Scheduled Maturity Date and thereafter at 12.5% per annum. Interest is payable quarterly in arrears
Issue date:	upon Completion

The Directors have taken into account the hypothetical EBITDA of Sun Materials for the first full year operation as stated in the Calculation Report, the cash flow generated from the operations of Sun Materials, interest payments on the Consideration Bonds and the Convertible Bonds, the timing and costs of redemption of the Consideration Bonds and the Convertible Bonds, taxes and other working capital requirements of the Enlarged Group.

Assuming no material change in market conditions, the Company is expected that the Consideration Bonds will be repaid by means of funds generated from the Enlarged Group's internal resources when due in second anniversary of the issue date of the Consideration Bonds. As confirmed by the Directors, the Company believed that internally generated cash flow of the Enlarged Group will be sufficient to enable it to meet its repayment obligation on the Scheduled Maturity Date, and therefore the Company has no intention to extend the Scheduled Maturity Date. Based on our discussion with the Directors in respect of the production plants of Sun Materials, we noted that Sun Materials has already commenced the trial production in November 2011 and which fulfilled the qualification requirements of Sun Materials' customers. Upon the outstanding permits to be obtained by Sun Materials at the first week of December 2011, Sun Materials will implement commercial production with the enhanced patented technology. As Sun Materials has already entered into purchase agreements with its customers, there will be a guaranteed cash inflow in Sun Materials and as a result, Sun Materials would be able to self finance and generate income to the Enlarged Group. After the existing plant has been operated successfully, Sun Materials would commence the construction of the five additional plants phrase by phrase. As stated in the Letter from the Board, construction of five additional production plants is targeted to commence in 2012 after commencement of commercial production at the first production plant is successfully achieved, which will increase Sun Materials' total production capacity from 3,500 metric tons to 21,000 metric tons by 2013. According to our understanding, construction working of the additional plants will be roll out by stages and the expansion costs of any new plant will be funded by internal resources and cash flow generated from plants previously commenced operation. Since Sun Materials has gained the experience in operation of the existing production plant, the five additional plants will not have any material obstacles against it in operation and will not incur substantial expansion costs for setting up the five additional plants.

On the other hand, as mentioned before, the patented technology would significantly reduce the plant construction costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon, we therefore have reviewed on the sales and manufacturing components, including but with not limited to selling price, unit manufacturing cost and other operating expenses estimated by the Company, and we concur with the Directors' view that cash flow to be generated by the Enlarged Group will be sufficient to meet its repayment obligation.

We note that, as at the Latest Practicable Date, the Hong Kong dollars best lending rate of the Hongkong and Shanghai Banking Corporation Limited is 5% per annum (the "Best Lending Rate"). Since the Best Lending Rate represents the fair cost of capital at which companies may obtain bank loans, the interest rate of the Consideration Bonds of 2.5% per annum in respect of the period up to and including the Scheduled Maturity Date, an amount which is below the Best Lending Rate, is favourable to the Company.

In our discussion with the management of the Group, we have learnt that it has also considered other financing alternatives for the Acquisition such as equity financing or other types of debt financing such as bank borrowings. For equity financing, the Directors however consider that equity financing would incur substantial costs in form of legal costs and underwriting commission. The Company may also not be able procure favourable terms in commercial underwriting. The Directors confirmed that they would exercise due and careful consideration when choosing the financing method available to the Group and would adopt the method which serves the best interest of the Group.

For other debt financing such bank borrowings, we have already mentioned earlier that the Best Lending Rate is 5% per annum, an amount which is higher than the interest rate of the Consideration Bonds of 2.5% per annum. Accordingly, the Group's management expects that any bank borrowings that may be obtained by the Group would incur significantly higher interest expenses for the Group given its loss financial position. Furthermore, bank borrowings are generally subject to lengthy due diligence which would also lengthen the time at which the Group would receive the required funding to finance the remaining portion of the Consideration.

According to the Letter from the Board, in the event that the Company has insufficient funds to redeem the Consideration Bonds in full upon the Scheduled Maturity Date, the Maturity Date can be extended for a further five years at the Company's option, while, at such extension period the interest payable will increase to 12.5% per annum, which is above the Best Lending Rate. However, considering that (i) the Company has no intention to extend the Scheduled Maturity Date; (ii) the Consideration Bonds, when issued, will constitute unsecured obligation of the Company; (iii) the difficulties in negotiation with banks with terms favourable to the Group for a substantial amount of loan without pledged deposits and/ or corporate guarantee under the current loss financial position of the Group; (iv) the option to extended the Maturity Date is given to the Company as a financial flexibility in case of insufficient funds to redeem the Consideration Bonds in full upon the Scheduled Maturity Date; and (v) upon Completion and after demonstrating successful commercialization and production ramp up, the Group will open up avenues to alternative sources of funding or banking facilities for refinancing of the Consideration Bonds which be required or be considered advantageous, we therefore considered that the interest payables of 2.5% per annum in respect of the period up to and including the Scheduled Maturity Date and thereafter at 12.5% per annum is fair and reasonable and the Consideration Bonds is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Other terms of the Sale and Purchase Agreement

We have also reviewed the other major terms of the Sale and Purchase Agreement and are not aware of any terms which are uncommon. It is fair and reasonable to infer that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effects of the transactions on the Group

Net asset value

According to the Appendix III to this Circular, the unaudited consolidated net asset value of the Group as at 30 September 2011 was approximately HK$2,705.08 million. The unaudited net asset value per Share as at 30 September 2011, based on the entire issued share capital of 4,566,778,952 Shares as at the Latest Practicable Date, was approximately HK$0.59.

While, assuming the Completion had taken place, the pro forma net assets value of the Enlarged Group would have been approximately HK$1,547.41 million, while the pro forma net assets value per Share would then be decreased to HK$0.34.

Working capital

According to the Appendix III to this Circular, the unaudited net current assets of the Group as at 30 September 2011 was approximately HK$1,288.63 million.

Assuming the Completion had taken place, the pro forma net current assets of the Enlarged Group would have been approximately HK$532.63 million. Current ratio, calculated based on current assets divided by current liabilities, is approximately 16.16 times for the existing Group as at 30 September 2011 and 4.84 times for the Enlarged Group according to the pro forma balance sheet stated in Appendix III to this Circular.

Based on the above, both cash and bank balances and working capital of the Group would be decreased upon Completion. Current ratio of the Group before and after the Completion would both stay at above 1. We consider that a current ratio of 1 or above generally indicates that relevant company is in a healthy financial position as it indicates that the company's current assets are supposed to be able to cover the obligations arising out of the current liabilities as they become due.

It is also noted from Appendix I to this Circular, the Directors, after due and careful enquiry, are of the opinion that, taking into account the Enlarged Group's (i) internal financial resources; (ii) present margin facilities; (iii) the loan to be made available to Sun Materials of a maximum of HK$500 million pursuant to the

Standby Line of Credit Agreement; (iv) net cash outflow arising on the Acquisition; (v) cash flows expected to be generated from the operating activities of the Group and the Target Group following the expected commencement of its commercial production in late December 2011; and (vi) the total capital expenditure and working capital requirement planned to be incurred for the construction of the additional production plants of the Target Group based on liquid funds available from time to time, the Enlarged Group has sufficient working capital for its present requirements in the next 12 months from the date of the Circular.

Net profit

According to the Appendix III to this Circular, the net loss of the Group as at 30 September 2011 was approximately HK$137.56 million.

Assuming the Completion had taken place, the pro forma net loss of the Enlarged Group would have been approximately HK$357.85 million. Since the Target Group is still in the development stage and Sun Materials has not commenced any significant commercial production other than the commencement of the trial production, the Directors consider that the aforementioned negative effect of the Acquisition on the Group's earning was temporary and they believe that the Acquisition will have contribution to the Group's earnings in long run given the anticipated development of the Target Group. Taking into account the future prospect of the Target Group as anticipated by the Directors, the Directors expected that the Acquisition would likely to have a positive impact on the future earning of the Enlarged Group as the Company will be able to further consolidate the financial results of the Target into its consolidated financial statements upon completion of the Acquisition.

It should be noted that the pro forma financial information is prepared based on the historical financial figures of the Target Group. Therefore, there is no assurance that the performance of the Group upon Completion will be similar to those historical figures as reported in the pro forma financial information.

Gearing

According to the Appendix III of the Circular, the Group's gearing level (being calculated as total interest-bearing borrowings divided by total equity) was approximately 40.47% as at 30 September 2011, based on the calculation of total interest-bearing borrowings of HK$1,094.75 million divided by total equity of HK$2,705.08 million. Upon Completion, the total interest-bearing borrowings of the Enlarged Group would be approximately HK$2,477.24 million while the Enlarged Group's total equity is expected to be approximately HK$1,547.58 million. Therefore, the Enlarged Group's gearing level is expected to raise to 160.09%.

Based on the above analysis on financial effects of the Sale and Purchase Agreement on the Group, which is according to the unaudited pro forma financial statement set out in the Appendix III to the Circular, the unaudited pro forma financial statement contains the qualified opinion that it is based on the judgments and assumptions of the Directors and the new technology developed and innovated by Sun Materials can be successfully to carry out the commercial production and launch the product. Since our basis of analysis of forming our view on the financial effects on the Acquisition is based on discussion with and representation from the Directors as well as the expansion plan of Sun Materials will be commenced in 2013, we are of the opinion that there would not have any impact on the analysis of the financial effects of the Acquisition. From the above financial analysis, upon Completion, we noted that (i) the net assets value of the Group will be weaken; (ii) the pro forma net assets value per Share would decrease from approximately HK$0.59 as at 30 September 2011 to approximately HK$0.34; (iii) the working capital of the Group will be weaken; and (iv) the gearing level of the Group will be increased. Having considered the reasons for the Acquisition as discussed in section headed "Reasons for and benefits of the Acquisition" of this letter, we consider such increase in gearing to be acceptable.

As noted from the above analyses, the Acquisition shall have a temporary negative impact on the Group's earnings while the position of assets and liabilities, liquidity and gearing ratio of the Group shall be adversely impacted. Having considered the positive outlook of the Target Group and the potential future benefit of the Acquisition to be brought to the Group, we are of the view that the negative financial impact of the Acquisition on the Group's short-term earnings, cashflow and net asset value attributable to owners of the Company is commercially justifiable.

Although the Sale and Purchase Agreement will weaken the financial effects of the Enlarged Group, having taking into consideration of the above paragraphs headed "Reasons for and benefits of the Acquisition" and "Principal terms of the Sale and Purchase Agreement" and the stage of development of Sun Materials, we consider that it is a fair expectation that the Acquisition will have a positive impact on the earnings position of the Group in long run and therefore are of the view that the Sale and Purchase Agreement is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

B. The Option Deeds

1. Background of and reasons for the Option Deeds

The Group is principally engaged in loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment. As the Company's circular dated 20 May 2011 and announcement dated 15 July 2011, the Group has completed an acquisition of 50.1% shareholding interest in Sun Materials. Sun Materials deploys a new and innovative technology developed by Dr Wu with a view to significantly reducing the plant construction costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon. Sun Materials has patented the key production equipment for such technology in the United States, Europe, Japan, Taiwan and China. The Directors consider that such technology would grant the Group the expertise required to expand and be successful in the polycrystalline silicon production sector. The Company believes that Sun Materials will have a significant growth potential and would be a significant contributor to the Group in the future.

We noted from the Directors that the Group plans to diversify its business into polycrystalline silicon production besides its core businesses. Since the polycrystalline silicon production is new business scope to the Company, the Directors consider that apart from substantial capital investment, the expansion into such sector requires expertise, contribution and full dedication of the employees of Sun Materials, the executives of the Group, as well as the Group's consultants and strategic partners in this area. Given that the Grantees have substantial experience in such sector, the Directors believe that the Grantees would assist the Group's development in its polycrystalline silicon production business.

As referred to the Letter from the Board, Dr Wu has been appointed as an executive Director with effect from the Effective Date until 1 August 2016, unless terminated earlier in accordance with the terms of the Service Agreement. Dr Wu is also the director, chairman and chief executive officer of Sun Materials. Other than the intention of leveraging Dr Wu's expertise in polycrystalline silicon business, the Directors also require the contribution and full dedication of the employees of Sun Materials, the executives of the Group, as well as the Group's consultants and strategic partners in such business. Thus, the Board intends to grant the Share Options, subject to the conditions precedent of the Option Deeds, to the Grantees as an incentive and award to motivate them to strive for the future development and expansion of the Group.

In light of the expansion of the Group's polycrystalline silicon business, the Company will mainly rely on the expertise, contribution and full dedication of the Grantees. The Directors believe that the continuing contribution of these Grantees is crucial for the Group to expand and be successful in the polycrystalline silicon sector. We therefore have a review on the information furnished by the Company regarding the background and working experience of the Grantees (details of which can be referred to the Circular) and noted that the Grantees' academic qualification and extensive experience in relation to the Group's development of polycrystalline silicon business would contribute to the Group's expansion plan.

Dr Wu, a director, chairman and chief executive officer of Sun Materials and, pursuant to the Service Agreement, an executive Director of the Company since 1 August 2011, is a Philosophiae Doctor holder in chemical physics from the California Institute of Technology. His previous working experience equipped him to be successful in polycrystalline silicon and soon after he developed a new and innovative technology with a view to significantly reduce the plant construction costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon. Leveraging his extensive experience in science related aspect, he will continuously to be responsible for managing and operating the five additional plants, leading and supervising the Company's research and development team for developing new technology for polycrystalline silicon manufacturing and application. Pursuant to the Service Agreement, he will also be responsible for the day-to-day and overall management, strategic planning and development of the Group, including formulating policies and identifying potential clients.

Mr Eddie Woo ("Mr Woo"), a director and president of Sun Materials and an executive Director of the Company, is a Master Degree holder of business administration from the University of California, Santa Cruz. Through working in the investment banking sector, he gained extensive experience in financial activities, including initial public offerings, mergers and acquisitions, private placements and other related financial advisory work. According to such experience, he will be responsible for (i) the management of the corporate exercises related to the memorandum and articles of association activity between the Company and Sun Materials; and (ii) overseeing Sun Materials' finance and accounting, sales, marketing and administration, complementing Dr Wu's role in Sun Materials.

Dr Chuang Henry Yueheng ("Dr Chuang"), a non-executive Director and deputy-chairman of the Company, is a Honorary Doctorate degree in Dubna University of Russia in order to recognize his achievements in the field of petroleum engineering in 2007. Also, through studying under one of the foremost experts in the field of petroleum engineering, and being his assistant for many years, Dr Chuang has in-depth knowledge and substantial experience in the energy industry. Dr Chuang will be responsible for advising the chairman of the Company on the current developments in the energy related industries. As noted from the Directors, he has over 18 years of experience in corporate finance and development as well and therefore he will also be responsible for (i) participating in the marketing and investor relations activities of the Company with an emphasis on large scale or major investors; and (ii) advising the Company on the current development in the energy related industries.

Mr William Eui Won Pak ("Mr Pak"), a consultant of the Company, is an attorney licensed by the New York State Bar and is a member of the New York State Bar Association and the American Bar Association. Also, he holds a Master of Laws degree in U.S. taxation from the University of Washington School of Law, a Juris Doctor's degree from the University of British Columbia Faculty of Law and an Economics and Commerce degree from the University of British Columbia Faculty of Arts. Through working in a well-known law firm, he gained substantive experience in the provision of legal advisory services in relation to the financial industry. Accordingly, Mr Pak will be responsible for expansion of the Group's polycrystalline silicon business with respect to structuring and legal matters, including diligent maintenance of documentation, structuring, future fundraising and other related matters.

Mr Lo, an executive Director, is a member of (i) the Institute of Chartered Accountants in England and Wales; and (ii) the Hong Kong Institute of Certified Public Accountants. He has 25 years experience in auditing, accounting, investment and financial management. In light of his accounting and finance experience, Mr Lo will be responsible for the Target Group's overall corporate objective and development strategy so as to ensure that is in line with the Group. Mr Lo will also be responsible for participating in the marketing, investor relations and fund raising activities of the Company.

Mr Cheng Lien-Huang ("Mr Cheng"), a vice president and first production plant manager of Sun Materials, is a Master Degree holder of Material Engineering faculty from Taiwan National Chung Hsing University and has over 16 years experience in the field of engineering. Mr Cheng joined Hareon in March 2011 as a research and development director and was assigned to work on strategic polycrystalline silicon project with Sun Materials team. Mr Cheng will continuously to be responsible for (i) leading team members of first production plant, by liaising with Dr Wu and Mr Woo, to establish the manufacture system, to develop production process and equipment, budget control and cost control for the entire plant; and (ii) provision of Sun Materials technical strength to its investors and customers to reach its business goal.

Mr Hsieh Yung-Ming ("Mr Hsieh"), a senior vice president and chief operating officer of Sun Materials, graduated from International Taiwan University with a master degree on Material Science & Engineering. After graduation, he has been working in such field. Mr Hsieh has over 15 years experience in diffusion and thin film engineering, especially on diffusion process in semiconductor. He will be responsible for (i) leading team members, by liaising with Dr Wu and Mr Woo, to establish the manufacture system, safety system, quality system; (ii) developing production process and equipment; and (iii) provision of Sun Materials technical and operation strength to its investors and customers to reach its business goal.

Mr Shen Gi-Chou, a senior vice president and financial controller of Sun Materials, studied accounting and graduated from National Cheng-Chi University. Mr Shen is a qualified accountant of The American Institute of Certified Public Accountants. Having 20 years experience in the field of accounting and finance, he is familiar with the accounting rules and regulation difference between the United States, Hungary, India and Taiwan, which will help assisting in financial reporting integration, annual budgeting and evaluation. Mr Shen will be responsible for the corporate finance and accounting aspects of Sun Materials. He also acts as a part of the core team members to formulate the operational system for the ERP system. He will also be spearheading key finance initiatives in accordance to corporate strategy.

As per the discussion with the Directors and considering the above, we understood that the Grantees have extensive working experience in the polycrystalline silicon and related industries and are key members of the management team of the Company and Sun Materials, which is crucial to the Group's expansion plan in polycrystalline silicon. We thus concur with the Directors' view that it will be in the interests of the Company to be able to continue to capitalize on the expertise, experience and knowledge of the Grantees in the future development of the Group and it is important for the Company to retain and motivate the Grantees and to appoint Dr Wu as an executive Director, who are the key persons to the development of the Company, by entering into of the Option Deeds.

2. *Principal terms of the Share Options*

As mentioned in the Letter from the Board, the Company conditionally agreed to grant Share Options to the Grantees for up to 730,000,000 Shares in aggregate at HK$0.40 per Share. The Exercise Price was arrived at after arm's length negotiations with each of the Grantees with reference to (i) the consideration of the price at which the most recent share placing was conducted by the Company; (ii) the recent trading price of the Shares; (iii) the appropriate reward to incentivize the Grantees to maintain their performance with or for the Group; and (iv) the potential enhancement in Shareholders' value and benefits to Shareholders of their continued employment or services provided to the Group given the expertise and experience each of them have (the "Factors"). The following shows the number of Share Options to be granted to each of the Grantees:

Grantee	Position	Share Options representing
Dr Wu	A director and the chairman and chief executive officer of Sun Materials	450,000,000 Shares
Mr Eddie Woo	A director and the president of Sun Materials	115,000,000 Shares
Dr Chuang Henry Yueheng	A non-executive Director and the deputy chairman of the Company	75,000,000 Shares
Mr William Eui Won Pak	A consultant of the Company	50,000,000 Shares
Mr Lo	A Director	10,000,000 Shares
Mr Cheng Lien-Huang	A vice president and factory 1 manager of Sun Materials	10,000,000 Shares
Mr Hsieh Yung-Ming	A senior vice president and chief operating officer of Sun Materials	10,000,000 Shares
Mr Shen Gi-Chou	A senior vice president and financial controller of Sun Materials	10,000,000 Shares

Having considered that the Group has acquired Sun Materials for developing the polycrystalline silicon business, which requires the expertise, contribution and full dedication of the employees of Sun Materials, the executives of the Group, as well as the Group's consultants and strategic partners in the polycrystalline silicon business, we are of the view that the basis of determining the Exercise Price with reference to the above Factors is fair and reasonable.

Exercise Price

The Exercise Price represents:

(i) a discount of approximately 3.61% to the closing price per Share of HK$0.415 as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 3.61% over the average closing price per Share of about HK$0.415 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;

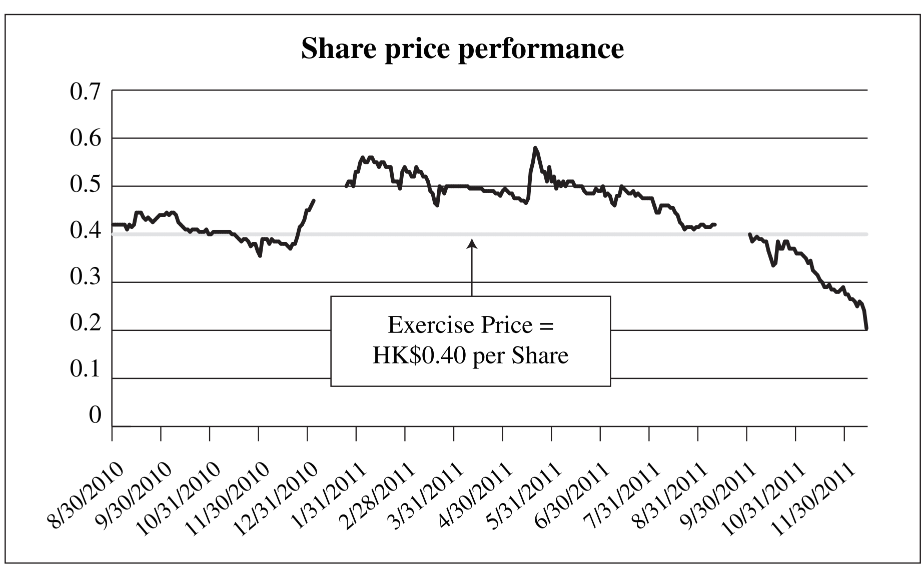
(iii) a discount of approximately 6.87% over the average closing price per Share of about HK$0.4295 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and

(iv) a premium discount of approximately 96.08% over the closing price per Share of HK$0.204 as quoted on the Stock Exchange on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Exercise Price, we compared the Exercise Price with reference to (i) the recent price performance of the Shares; and (ii) the net asset value per Share as at 31 March 2011, being the date of the financial year ended, as following:

(i) Reference to recent price performance of the Shares

We have reviewed the closing prices of the Shares traded on the Stock Exchange during the twelve-month period preceding the date of the Option Deeds up to and including the Latest Practicable Date. The following chart depicts the daily closing prices of the Shares from 30 August 2010 (approximately twelve months prior to the date of the Option Deeds) up to the Latest Practicable Date (the "Review Period") as quoted on the Stock Exchange:



Source: The Stock Exchange

Note: The trading of Shares was suspended from 3 January 2011 to 19 January 2011 (both dates inclusive) and from 14 September 2011 to 4 October 2011 (both dates inclusive).

As reference to the chart above, during the Review Period, the daily closing price of the Shares was fluctuated from HK$0.20 per Share (which recorded on 15 December 2011) to HK$0.580 per Share (which recorded on 24 May 2011) and the Exercise Price represents a discount to the closing prices of the Shares during most of the time in the Review Period and also represents a premium over the closing prices of the Shares as at the Latest Practicable Date.

As mentioned above, the principal purpose of granting the Share Options is an appreciate means to incentivise and reward the Grantees and align their interests with those of the Group. It is reasonable to grant the Share Options to the Grantees at the Exercise Price with a discount to the recent market price of the Shares. We also concur with the Directors view that the discount factor is one of the essential aspects of granting the Share Options under the Option Deeds in order to achieve the effect of retaining and motivating the Grantees to strive for the future development of the Group.

(ii) Reference to the net asset value

The Exercise Price represents a discount of approximately 32.20% to the unaudited consolidated net asset value per Share of approximately HK$0.59 as at 30 September 2011 based on the unaudited consolidated net asset value as set out in the Company's interim result announcement for the six months ended 30 September 2011 of HK$2,705.08 million and the total number of 4,566,778,952 Shares in issue as at the Latest Practicable Date.

In balance and after taken into consideration that (i) the Exercise Price represents a moderate discount to the market price of the Shares on the date of grant, and that the discount factor is one of the essential aspects of granting the Share Options under the Option Deeds to incentivise and reward the Grantees and align their interest with those of the Group; (ii) the Exercise Price represents a premium to the closing prices of the Shares as at the Latest Practicable Date; (iii) a discount to the unaudited consolidated net asset value of the Company as at 30 September 2011; and (iv) the Exercise Price is subject to a lock-up period which can incentivise the Grantees for their continuous contribution to the Company, we are of the view that the Exercise Price is fair and reasonable.

Vesting

According to the Letter from the Board, the Share Option shall vest upon the following dates, unless otherwise agreed between the Company and the Grantees:

Timing of the vesting of the Share Options	**Amount of Share Options to be vested**
On the date which is 12 months after the grant of the Share Options to a Grantees	25% of the Share Options granted to the Grantees

Timing of the vesting of the Share Options	Amount of Share Options to be vested
On the date which is 24 months after the grant of the Share Options to a Grantees	A further 35% of the Share Options granted to the Grantees
On the date which is 36 months after the grant of the Share Options to a Grantees	The remaining 40% of the Share Options granted to the Grantees

Notwithstanding the above vesting schedule, the Share Options held by each of the Grantees shall automatically vest in full and become exercisable immediately upon the occurrence of (i) an initial public offering with respect to the Target or Sun Materials on any stock exchange or in any place; (ii) the Company ceasing to directly or indirectly control at least 50% of the Target or Sun Materials; (iii) the Company and the Grantee agreeing that the Grantee's Share Options shall vest in full; or (iv) if at any time after the Grant Date a person or entity acquires the legal and beneficial ownership of 30% or more of the issued and outstanding ordinary Shares of the Company. In order to assess the automatic vesting of Share Options, we have taken into account (i) the automatic vesting of the Share Options is in line with the market practice; and (ii) the expansion of the polycrystalline silicon business requires the expertise, contribution and full dedication of the Grantees, we are of the view that the automatic vesting of Share Options would ensure the Grantees' contribution to the Enlarged Group if there is any material changes in shareholding structure of the Enlarged Group and would further motivate and incentivize the Grantees to continuously contribute to the Group.

Exercise Period

As referred to in the Letter from the Board, the Grantees are entitled to exercise the Option at any time until the expiration of the Option Period. As spoke to the Directors, we noted that the Grantees will be responsible for the decision making and day-to-day management of the enlarged Group. The Company considers that granting the Share Options to Grantees help tying the interests of the Grantees in line with those of the Group. Given that the Share Options will only be exercised when the Grantees are still employed by the Group under the service contracts, we consider that the Exercise Period is fair and reasonable.

Taking into account the factors stated above in this section headed "Principal term of the Share Options", we are of the view that the terms of the Option Deeds and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. Potential dilution effects of the existing shareholdings

Pursuant to the Share Option Agreement, 730,000,000 Option Shares will be issued upon the exercise of the Share Options, which represents approximately 15.99% of the existing share capital of the Company as at the Latest Practicable Date and approximately 13.78% of the issued share capital of the Company as enlarged by the issue of the Option Shares upon the exercise of the Share Options.

Name of Shareholder	Existing shareholding as at the Latest Practicable Date		Shareholding immediately after the exercise of the Share Options (note)	
	No. of Shares	*Approx. % of issued Shares*	*No. of Shares*	*Approx. % of issued Shares*
Directors				
Dr Wu	–	–	450,000,000	8.50
Mr Eddie Woo	–	–	115,000,000	2.17
Mr Lo	2,500,000	0.05	12,500,000	0.23
Dr Chuang Henry Yueheng	–	–	75,000,000	1.42
Employees				
Mr Cheng Lien-Huang	–	–	10,000,000	0.19
Mr Hsieh Yung-Ming	–	–	10,000,000	0.19
Mr Shen Gi-Chou	–	–	10,000,000	0.19
Consultant				
Mr William Eui Won Pak	–	–	50,000,000	0.94
Other Shareholders				
Public Shareholders	4,564,278,952	99.95	4,564,278,952	86.17
Total issued Shares	4,566,778,952	100	5,296,778,952	100

Note: Based on the issued share capital of the Company as at the Latest Practicable Date. These numbers relate to the total number of Shares that may be issued upon full exercise of the Share Options only and do not include the Shares that may be issued upon exercise of the share options issued pursuant to the Share Option Scheme or the Conversion Shares that may be issued upon conversion of the Convertible Bonds.

As at the Latest Practicable Date, there are (i) outstanding share options issued pursuant to the Share Option Scheme which entitle the holders thereof to subscribe for 625,000 Shares at HK$0.40 per Share (subject to adjustment); and (ii) outstanding Convertible Bonds which entitle the holders thereof to be issued 2,838,000,000 Conversion Shares at a conversion price of HK$0.50 per Share (subject to adjustment).

The aggregate shareholding of the other public Shareholders will decrease from approximately 99.95% to approximately 86.17% upon full exercise of the Share Options (assuming full exercise of all other outstanding share options and convertible bonds). Having considered the purpose of granting the Share Options, which has been mentioned in the above paragraph headed "Background of and reasons for the Option Deeds", the Share Options may motivate the Grantees in making more contribution to the Company. As the Directors believe that the continuing contribution of the Grantees is crucial to the expansion plan of Sun Materials and the success of the Group as a whole, we therefore consider that the dilution effect on the percentage shareholding of existing Shareholders in the Company as a result of the issue of Option Shares under the Option Deeds is acceptable.

C. The Service Agreement with Dr Wu

1. Background of and reasons for the entering into of the Service Agreements

Dr Wu was appointed by the Company as an executive Director on 22 July 2011. On 1 August 2011, the Company and Dr Wu subsequently entered into the Service Agreement, pursuant to which Dr Wu is employed by the Company in the capacity of an executive Director. The Service Agreement will take effect on the Effective Date until 1 August 2016, unless terminated earlier in accordance with the terms of the Service Agreement.

2. Principal term of the Service Agreement

Regarding the terms of the Service Agreement, we summarised the terms as below:

Term:	1 August 2011 to 1 August 2016
Remuneration:	US$300,000 per annum
Share Options Scheme:	grant share options to Dr Wu pursuant to the Option Deeds entered into between the Company and Dr Wu
Bonus:	An annual discretionary bonus of up to US$2,000,000, based on his individual performance and overall profitability of the Company's business

After discussing with Directors, we understood that the remuneration of Dr Wu (including bonus) was reviewed by the remuneration committee of the Company and was made after consideration of factors leading to compensation of executives of similar stature and experience to Dr Wu, negotiations with Dr Wu, and Dr Wu's contributions to the Company previously and the expectation of his contribution going forward. The bonus to be payable by the Company to Dr Wu is determined at the full discretion of the Company based on Dr Wu's annual individual performance and overall profitability of the

Company's business. In order to assess the fairness and reasonableness of the remuneration package offered by the Company to Dr Wu, we have reviewed 8 announcements (the "Announcements") published by companies listed on the Main Board and GEM of the Stock Exchange during the year of 2011, in this regard and noted that the remuneration package offered by those companies to their directors are similar to that of the Company's offer. Considering the period of the Announcements covers the date of the Services Agreement and which may reflect the prevailing market practice of the remuneration package offered to the directors of the companies listed in the Stock Exchange, we consider the remuneration package is fair and reasonable to the Company and the Independent Shareholders as a whole. Taking into account the factors stated above in the section headed "Background of and reasons for the Option Deeds" and the remuneration package to Dr Wu is under normal commercial term, we therefore concur with the views of the Directors that it is reasonable to believe that (i) with Dr Wu's renowned reputation in the science and technology industry, Dr Wu will be able to continue to exploit his current relationships with other potential customers and lead the Company in developing new technology; and (ii) Dr Wu's experience and know-how is integral to the profitability and growth of the Company's business. As such, we are in line with the Directors' view that the remuneration and bonus payable by the Company to Dr Wu is fair and reasonable.

In accordance with the terms of the Service Agreement, the duration of the appointment of Dr Wu would be more than three years term. As noted from the Announcements, the duration of the services agreement entered into between the Company and the proposed director varies case by case. However, given the Group's current lack of substantial management experience in the polycrystalline silicon business and considered the background information of Dr Wu, particularly (i) his extensive experience and knowledge in polycrystalline silicon; (ii) the patented technology of Sun Materials is innovated by him; and (iii) his responsibilities in the Enlarged Group, including, but without limitations, management and operating the five additional plants, leading and supervising the Company's research and development team for developing new technology for polycrystalline silicon manufacturing and application, which is crucial to the expansion plan of the Company's polycrystalline silicon business, as set out in "Background of and reasons for the Option Deeds", the appointment duration of over three years is crucial to the expansion plan of Sun Materials and the success of the Group as a whole, we are of the view that, it is important to appoint Dr Wu on the Board to capitalize on his expertise, experience, knowledge and connections in the future development of the Group. Since Dr Wu will be one of the key persons to lead the Group to the expand into the polycrystalline silicon business, we are of the view that the duration over three years term of the Service Agreement is fair and reasonable so far as the Company and the Shareholders concerned. In addition, we have taken in consideration that it is a common practice for listed companies to enter into service agreements and/or services contracts with senior officers to set out and fix the relevant terms and benefits for their respective appointment, we are of the view that the terms of the Service Agreement are based on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the principal factors and reasons set out above, we are of the view that (i) the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Company; (ii) the Option Deeds, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole; and (iii) the Service Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Option Deeds, the Service Agreement, the Sale and Purchase Agreement, the Consideration Bond Documents and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 MARCH 2011

The audited consolidated financial statements of the Group for (i) the year ended 31 March 2011 are disclosed on pages 28 to 110 of the annual report of the Company for the year ended 31 March 2011 published on 22 July 2011; (ii) the year ended 31 March 2010 are disclosed on pages 24 to 102 of the annual report of the Company for the year ended 31 March 2010 published on 20 July 2010; and (iii) the year ended 31 March 2009 are disclosed on pages 24 to 94 of the annual report of the Company for the year ended 31 March 2009 published on 30 July 2009. Each of the annual reports of the Company referred to above is available on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (http://www.irasia.com/listco/hk/mascotte/index.htm).

2. ACQUISITION SUBSEQUENT TO THE LATEST AUDITED FINANCIAL REPORT

On 15 July 2011, the Company completed the Initial Acquisition in which the Company acquired a 50.1% interest in the Target from the Seller for a consideration of US$150,000,000 payable in cash. The principal business of the Target Group is the manufacture of solar grade polycrystalline silicon. The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Target Group remain the same upon the completion of the Initial Acquisition. Details of the financial information of the Target Group and the pro forma financial information of the Enlarged Group upon the completion of Initial Acquisition are set out in Appendices II and III on the circular of the Company dated 20 May 2011.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2011, being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the publication of this circular, the Enlarged Group had (i) Convertible Bonds outstanding with liability component of approximately HK$1,062,000,000, (ii) an outstanding balance of approximately HK$507,000 drawn under a margin facility of approximately HK$11,688,000 granted by a regulated securities broker to Enlarged Group in respect of which financial assets with carrying amount of approximately HK$25,974,000 have been pledged to the securities broker as collateral for the facility granted; (iii) an outstanding bank borrowing amounted to NT$160,000,000 (or equivalent to approximately HK$42,803,638) which was secured by buildings of the Target Group with a carrying amount of approximately HK$83,009,631 (approximately NT$310,290,000); and (iv) a secured bank loan of HK$30,000,000 which was secured by a fixed charge over a commercial property located at Hong Kong with a carrying value of approximately HK$82,900,000 and a corporate guarantee given by the Company of HK$30,000,000.

Saved as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 October 2011.

4. WORKING CAPITAL

After taking into account the Enlarged Group's:

(i) internal financial resources;

(ii) present margin facilities;

(iii) the loan to be made available to the Target of a maximum of HK$500 million pursuant to the Standby Line of Credit Agreement;

(iv) net cash outflow arising on the Acquisition;

(v) cash flows expected to be generated from the operating activities of the Group and the Target Group following the expected commencement of its commercial production in late December 2011; and

(vi) the total capital expenditure and working capital requirement planned to be incurred for the construction of the additional production plants of the Target Group based on liquid funds available from time to time,

the Directors are of the opinion that the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular to meet its present requirements in the absence of unforeseen circumstances.

Deloitte.
德勤

19 December 2011

The Directors
Mascotte Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding Sun Mass Energy Limited (previously known as Trifecta International Incorporated) ("**Sun Mass**") and its subsidiaries (hereinafter referred to as the "**Sun Mass Group**") for the period from 17 May 2010 (date of incorporation) to 31 December 2010 and the six months ended 30 June 2011 (the "**Relevant Periods**"), for inclusion in the circular of Mascotte Holdings Limited (the "**Company**") dated 19 December 2011 in connection with the very substantial acquisition relating to the proposed acquisition of an additional 49.9% interests in Sun Mass for a consideration of HK$2,500,000,000 (the "**Circular**").

Sun Mass was incorporated with limited liability in the British Virgin Islands ("**BVI**") on 17 May 2010. It is an investment holding company. The address of Sun Mass is Nemours Chamber, Road Town, Tortola, BVI.

The financial year end date of Sun Mass is 31 December. No audited financial statements have been prepared for Sun Mass since its date of incorporation as it is incorporated in a country where there is no such statutory requirement.

On 25 January 2011, Sun Mass acquired 50,000,000 shares representing the entire issued share capital in Lution International Holdings Co., Ltd. ("**Lution**") for the total sum of NT$900,000,000 and became the holding company of Sun Mass Group. At the end of each reporting period and at the date of this report, Sun Mass has the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Class of shares held	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company as at						Principal activities
				31 December 2010		30 June 2011		Date of this report		
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Lution	Taiwan 15 September 2009	Ordinary	NT$500,000,000	–	–	100%	–	100%	–	Investment holding
Sun Materials Technology Co., Ltd. ("**Sun Materials**")	Taiwan 19 March 2007	Ordinary	NT$1,000,000,000	–	–	–	100%	–	100%	Manufacture of solar grade polycrystalline silicon

For the purpose of this report, the directors of Sun Mass have prepared the consolidated financial statements of Sun Mass for the Relevant Periods in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**Underlying Financial Statements**"). Deloitte and Touche, 勤業眾信會計師事務所, certified public accountants registered in Taiwan, have audited the Underlying Financial Statements in accordance with International Standards on Auditing.

We 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 Sun Mass for the Relevant Periods set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards based on the Underlying Financial Statements. No adjustments has been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Sun Mass who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, 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 Sun Mass Group as at 31 December 2010 and 30 June 2011 and of the consolidated results and consolidated cash flows of the Sun Mass Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	**17 May 2010 (date of incorporation) to 31 December 2010** *NT$'000*	**1 January 2011 to 30 June 2011** *NT$'000*
Other income	*4*	–	3,486
Administrative expenses		–	(16,463)
Other expenses		–	(55,283)
Finance costs	*5*	–	(2,014)
Loss before taxation		–	(70,274)
Taxation	*7*	–	–
Loss and total comprehensive expense for the period	*6*	–	(70,274)
Attributable to owners of the Company		–	(70,274)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	**As at 31 December 2010** *NT$'000*	**As at 30 June 2011** *NT$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	–	851,523
Intangible asset	*11*	–	64,442
Deposit paid for acquisition of property, plant and equipment		–	13,820
Rental deposit		–	2,023
Restricted bank deposit	*12*	–	21,009
		–	952,817
CURRENT ASSETS			
Other receivables and prepayments	*13*	–	2,839
Bank balances and cash	*14*	30	339,943
		30	342,782
CURRENT LIABILITIES			
Other payables and accruals	*15*	–	5,873
Amount due to a shareholder	*16*	30	–
Other borrowing	*17*	–	300,000
Bank borrowings – due within one year	*18*	–	6,061
		30	311,934
NET CURRENT ASSETS		–	30,848
TOTAL ASSETS LESS CURRENT LIABILITIES		–	983,665
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	*18*	–	153,939
NET ASSETS		–	829,726
CAPITAL AND RESERVES			
Share capital	*19*	–	–
Reserves		–	829,726
TOTAL EQUITY		–	829,726

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	**Capital contribution**	**Accumulated loss**	**Total**
	NT$'000	*NT$'000* *(Note)*	*NT$'000*	*NT$'000*
At 17 May 2010 (date of incorporation)	–	–	–	–
Issue of shares *(note 19)*	–	–	–	–
Loss and total comprehensive expense for the period	–	–	–	–
At 31 December 2010	–	–	–	–
Capital contribution	–	900,000	–	900,000
Loss and total comprehensive expense for the period	–	–	(70,274)	(70,274)
At 30 June 2011	–	900,000	(70,274)	829,726

Note: In January 2011, the sole shareholder contributed NT$900,000,000 to the Company to finance the acquisition of assets as set out in note 20.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	17 May 2010 (date of incorporation) to 31 December 2010 *NT$'000*	1 January 2011 to 30 June 2011 *NT$'000*
OPERATING ACTIVITIES			
Loss before tax		–	(70,274)
Adjustments for:			
Interest expenses		–	2,014
Interest income		–	(660)
Depreciation of property, plant and equipment		–	40,348
Operating cash flows before movements in working capital		–	(28,572)
Increase in rental deposits		–	(2,023)
Decrease in other receivables and prepayments		–	20,787
Decrease in other payables and accruals		–	(42,840)
NET CASH USED IN OPERATING ACTIVITIES		–	(52,648)
INVESTING ACTIVITIES			
Additions of property, plant and equipment		–	(11,661)
Deposit paid for acquisition of property, plant and equipment		–	(5,795)
Acquisition of assets	*20*	–	(788,599)
Interest received		–	660
NET CASH USED IN INVESTING ACTIVITIES		–	(805,395)
FINANCING ACTIVITIES			
Advance from (repayment to) a shareholder		30	(30)
Capital contribution from a shareholder		–	900,000
Increase in other borrowing		–	300,000
Interest paid		–	(2,014)
NET CASH FROM FINANCING ACTIVITIES		30	1,197,956
NET INCREASE IN CASH AND CASH EQUIVALENTS		30	339,913
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		–	30
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash		30	339,943

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Sun Mass is a private limited company incorporated in the BVI on 17 May 2010 which was wholly owned by Quinella International Incorporated ("**Quinella**"), a company incorporated in BVI with limited liability, since 26 July 2010. On 15 July 2011, Mascotte Holdings Limited acquired 50.1% interest in Sun Mass and became the ultimate holding company accordingly. The address of the registered office and principal place of business of Sun Mass are Nemours Chambers, Road Town, Tortola, BVI and No. 15, Ligong Second Road, Wujie Township, Yilan County 26643, Taiwan, respectively.

The Financial Information is presented in New Taiwan Dollar ("**NT$**"), which is the functional currency of Sun Mass and its subsidiaries.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Sun Mass Group consistently applied HKFRSs that are effective for annual accounting periods beginning on 1 January 2011 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new or revised standards and amendments which are not yet effective and not early applied by the Sun Mass Group.

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[1]
HKFRS 7 (Amendments)	Disclosures – transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
HK (IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

The directors of Sun Mass anticipate that the application of these new or revised standards and amendments will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below which conform with HKFRSs.

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 (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial information incorporate the financial statements of Sun Mass and entities controlled by Sun Mass (its subsidiaries). Control is achieved where Sun Mass 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 period are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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 Sun Mass Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Sun Mass Group and the amount of revenue can be measured reliably. 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 administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include directly attributable costs and, for qualifying assets, borrowing costs capitalized in accordance with the Sun Mass Group's accounting policy. Such construction in progress is classified to the appropriate categories 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.

An item of property, plant and equipment is derecognized 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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing

Leasing is classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Sun Mass Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as expenses in the period they are incurred.

Intangible assets

Intangible assets with finite useful lives are carried at cost less subsequent accumulated amortization and any accumulated impairment losses. The amortization of intangible assets commences when the Sun Mass Group starts commercial production and is calculated on a straight-line basis over their estimated useful lives from the date of commercial production.

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss in the period when the asset is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized 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 recognized 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 recognized, 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 amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment on tangible assets and intangible assets

At the end of each reporting period, the directors of Sun Mass reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication 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 the 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 recognized 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 the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. A reversal of an impairment loss is recognized as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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 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 recognized 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Sun Mass Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or loses already incurred or for the purpose of giving immediate financial support to the Sun Mass Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expense when employees have rendered service 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 for the period. 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 period and it further excludes items that are never taxable or deductible. The liability of the Sun Mass Group for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such assets and liabilities are not recognized 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Sun Mass Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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 assets or 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 acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The financial assets of the Sun Mass Group are mainly loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized 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 amortized 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 form 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 recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposits, restricted bank deposit, other receivables and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loan and receivables 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 impacted.

For loans and receivables, 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-organization.

For financial assets carried at amortized cost, an impairment loss is recognized 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 all loans and receivables is reduced by the impairment loss directly.

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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Sun Mass Group 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 Sun Mass Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized 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 recognized on an effective interest basis.

Financial liabilities

The financial liabilities of the Sun Mass Group (including other payables, amount due to a shareholder, other borrowing and bank borrowings) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by Sun Mass are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Sun Mass Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. OTHER INCOME

	17 May 2010 (date of incorporation) to 31 December 2010	**1 January 2011 to 30 June 2011**
	NT$'000	*NT$'000*
Bank interest income	–	660
Government grant *(note)*	–	2,822
Others	–	4
	–	3,486

Note: Government grant represents the subsidies from local government regarding the land lease in Yilan County and recruitment of new graduates.

5. FINANCE COSTS

	17 May 2010 (date of incorporation) to 31 December 2010	**1 January 2011 to 30 June 2011**
	NT$'000	*NT$'000*
Interest on bank borrowings wholly repayable after five years	–	2,014

6. LOSS FOR THE PERIOD

	17 May 2010 (date of incorporation) to 31 December 2010 *NT$'000*	1 January 2011 to 30 June 2011 *NT$'000*
Loss for the period has been arrived at after charging:		
Auditor's remuneration	–	320
Directors' emolument	–	–
Staff costs		
Salaries and other staff benefits	–	9,624
Retirement benefit scheme contributions	–	260
	–	9,884
Depreciation of property, plant and equipment	–	40,348

7. TAXATION

No provision for Hong Kong Profits Tax has been made as the Sun Mass Group does not operate in Hong Kong.

Pursuant to relevant Taiwan Income Tax Law, Lution and Sun Materials are subject to corporate income tax rate of 17% during the Relevant Periods.

No provision for Taiwan Income Tax has been made in the Financial Information as the Sun Mass Group has no assessable profit for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the loss before taxation for the period per the consolidated statements of comprehensive income as follows:

	17 May 2010 (date of incorporation) to 31 December 2010 *NT$'000*	1 January 2011 to 30 June 2011 *NT$'000*
Loss before taxation	–	(70,274)
Tax at corporate income tax rate of 17%	–	(11,947)
Tax effect of expenses not deductible for tax purpose	–	1,901
Tax effect of tax losses not recognized	–	10,046
Tax charge for the period	–	–

At 30 June 2011, the Sun Mass Group had unused tax losses of approximately NT$163,100,000 available for offset against future profits. No deferred tax asset has been recognized in respect of unused tax losses as the tax losses estimated by the Sun Mass Group will be subject to the approval from local tax authority when the Sun Mass Group commences its operation in future.

8. EMPLOYEES' EMOLUMENTS

Employees

Of the five highest paid individuals of the Sun Mass Group for the Relevant Periods, all of them are employees, details are as follows:

	17 May 2010 (date of incorporation) to 31 December 2010	**1 January 2011 to 30 June 2011**
	NT$'000	*NT$'000*
Directors	–	–
Employees	–	4,526
	–	4,526

The remuneration of the five highest paid individuals for the Relevant Periods are as follows:

	17 May 2010 (date of incorporation) to 31 December 2010	**1 January 2011 to 30 June 2011**
	NT$'000	*NT$'000*
Salaries and other allowances	–	4,423
Retirement benefit scheme contributions	–	103
	–	4,526

Note: The emolument of each of the above employees is below NT$4,000,000 (approximately HK$1,000,000).

During the Relevant Periods, no emoluments were paid by the Sun Mass Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Sun Mass Group or as compensation for loss of office. None of the directors of Sun Mass has waived any emoluments during the Relevant Periods.

9. DIVIDENDS

No dividend has been paid or declared by Sun Mass since its date of incorporation.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
COST						
At 17 May 2010 (date of incorporation) and 31 December 2010	–	–	–	–	–	–
Acquisition of assets *(note 20)*	317,281	96,787	876	8,086	–	423,030
Additions	112	457,289	1,090	2,531	7,819	468,841
At 30 June 2011	317,393	554,076	1,966	10,617	7,819	891,871
DEPRECIATION						
At 17 May 2010 (date of incorporation) and 31 December 2010	–	–	–	–	–	–
Provided for the period	7,830	31,335	220	963	–	40,348
At 30 June 2011	7,830	31,335	220	963	–	40,348
CARRYING VALUES						
At 31 December 2010	–	–	–	–	–	–
At 31 December 2011	309,563	522,741	1,746	9,654	7,819	851,523

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	5%
Plant and machinery	12.5% – 33%
Motor vehicles	20%
Furniture, fixtures and equipment	20% – 33%

11. INTANGIBLE ASSET

	Patented and related technology
	NT$'000
COST	
At 17 May 2010 (date of incorporation) and 31 December 2010	–
Acquisition of assets *(note 20)*	64,442
At 30 June 2011	64,442

No amortization has been recognized during the Relevant Periods because production was not yet commenced.

Sun Materials, the major operating subsidiary of Sun Mass, is engaged in the manufacture of solar grade polycrystalline silicon. Sun Materials developed a new and innovative technology ("**Core Technology**") that reduces the significant cost of production as compared with the traditional Siemens processes. The intangible asset represents the Core Technology being acquired through the acquisition of assets on 25 January 2011 as set out in note 20.

Impairment testing on intangible asset

For the purpose of impairment testing, the Core Technology with definite useful live is allocated to the sole cash generating unit of the Sun Mass Group, namely production of polycrystalline silicon. Management of the Sun Mass Group determines that there is no impairment of its intangible asset at 30 June 2011. The basis of the recoverable amount of the sole cash generating unit and the major underlying assumptions are summarized below:

The recoverable amount of the cash generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on existing production capacity and financial budgets approved by management covering a three-year period and a discount rate of 16%. The financial budgets covers a three-year period only because there is high uncertainty on a long-term forward looking financial forecast and underlying assumptions. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, gross margin and operating expenses. Such estimations are based on management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of intangible asset of approximately NT$64,442,000 as at 30 June 2011 to exceed the recoverable amount of the cash generating unit.

12. RESTRICTED BANK DEPOSIT

The amount represents restricted bank deposit placed to secure the lease of certain land at No. 186-46, 186-47, 186-48, 186-49, 186-50, 186-51, 186-52, 186-53 of Ligong Road, Lizhe Industrial Centre, Yilan County, Taiwan (see note 21). The restricted bank deposit would be released after the sixth year of the lease term upon termination or cancellation of lease. The lease term of the land commenced in 2007, accordingly, the restricted bank deposit are classified as non-current asset as at 30 June 2011.

All the restricted bank deposit is denominated in NT$, the functional currency of respective group entity.

The restricted bank deposit carried interest at the interest rate ranged from 0.20% to 0.48% per annum at 30 June 2011.

13. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2010	**As at 30 June 2011**
	NT$'000	*NT$'000*
Prepayments	–	878
Rental deposits	–	8
Other tax receivables	–	1,953
	–	2,839

14. BANK BALANCES AND CASH

As at 31 December 2010, the bank balances of the Sun Mass Group are all denominated in NT$, the functional currency of respective group entities. As at 30 June 2011, other than bank balances of approximately NT$32,655,000, which is denominated in United States Dollar ("**US$**"), all other bank balances are denominated in NT$.

The bank balances carry interest at the following interest rate range:

	As at 31 December 2010 *NT$'000*	**As at 30 June 2011** *NT$'000*
Floating interest rates per annum	0.13% – 0.15%	0.13% – 0.16%
Fixed interest rates per annum	–	0.17% – 0.87%

15. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2010 *NT$'000*	**As at 30 June 2011** *NT$'000*
Accruals	–	5,153
Payables for acquisition of plant and equipment	–	58
Others	–	662
	–	5,873

16. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, non-interest bearing and fully settled during the six months ended 30 June 2011.

17. OTHER BORROWING

The amount represents loan of NT$300,000,000 from a former shareholder of Sun Materials which is unsecured, non-interest bearing and repayable within twelve months from 30 June 2011. The loan was fully settled as at the date of this report.

18. BANK BORROWINGS

	As at 31 December 2010 *NT$'000*	**As at 30 June 2011** *NT$'000*
The secured bank borrowings amounts are repayable as follows:		
Within one year	–	6,061
Between one and two years	–	14,545
Between two and five years	–	43,636
Over five years	–	95,758
	–	160,000
Amount due within one year under current liabilities	–	(6,061)
Amount due after one year	–	153,939

The effective interest rates (which are also equal to contracted interest rate) of the borrowings are as follows:

	As at 31 December 2010	**As at 30 June 2011**
Variable-rate borrowings *(Note)*	–	P+0.57% to P+1.3%

Note: P represents the local bank interest rate (當時定儲指數利率).

The bank borrowings at 30 June 2011 was secured by the buildings of the Sun Mass Group at carrying amount of NT$309,563,000 as disclosed in notes 10 and 25.

19. SHARE CAPITAL

Authorized number of share with no par value	
On 17 May 2010 (date of incorporation), at 31 December 2010 and 30 June 2011	100,000,000
Issued number of share with no par value	
On 17 May 2010 (date of incorporation)	–
Issue of shares	10,000,000
Cancellation of shares	(10,000,000)
Issue of shares	10,000,000
At 31 December 2010 and 30 June 2011	10,000,000

	NT$'000
Issued share capital	
On 17 May 2010 (date of incorporation), at 31 December 2010 and 30 June 2011	–

Sun Mass is authorized to issue 100,000,000 shares of no par value at date of its incorporation. On 25 June 2010, 2,000,000 shares of no par value and 8,000,000 shares of no par value in Sun Mass were issued to Double Resources Limited and Radiance Resources Limited.

On 26 July 2010, all of these 10,000,000 shares were cancelled by Sun Mass, and 10,000,000 new shares of no par value in Sun Mass were issued to Quinella. Quinella became the sole shareholder of Sun Mass and also the holding company of Sun Mass since 26 July 2010.

In January 2011, Quinella contributed a total amount of NT$900,000,000 as capital and is recorded as capital contribution in the consolidated statement of changes in equity.

20. ACQUISITION OF ASSETS

On 25 January 2011, Sun Mass entered into an agreement with shareholders of Lution to which Sun Mass purchased 50,000,000 shares representing the entire issued and outstanding shares in Lution for the total cash consideration of NT$900,000,000. The transaction was completed on 25 January 2011. The principal assets of Sun Materials are the property, plant and equipment and intangible asset for manufacturing of solar grade polycrystalline silicon. As Sun Materials did not commence its production as at 25 January 2011, the transaction was accounted for as acquisition of assets.

	NT$'000
Cash consideration	900,000
Assets recognized and liabilities assumed at date of acquisition:	
Property, plant and equipment	423,030
Intangible asset	64,442
Deposit paid for acquisition of property, plant and equipment	465,205
Restricted bank deposit	21,009
Other receivables and prepayments	23,626
Bank balances and cash	111,401
Other payables and accruals	(48,713)
Bank borrowings	(160,000)
NET ASSETS ACQUIRED	900,000
Net cash outflow on acquisition of assets	
Cash consideration paid	900,000
Less: Cash and cash equivalents acquired	(111,401)
	788,599

21. OPERATING LEASE ARRANGEMENTS

The Sun Mass Group as lessee

Minimum lease payments paid under operating leases during the Relevant Periods are as follows:

	For the period from 17 May 2010 (date of incorporation) to 31 December 2010 *NT$'000*	**Six months ended 30 June 2011** *NT$'000*
Office premises	–	483
Office equipments	–	18
Land	–	11,181
Motor vehicle	–	221
	–	11,903

The Sun Mass Group had commitments for future minimum lease payments in relation to office premises, equipment and motor vehicle under non-cancellable leases which fall due as follows:

	As at 31 December 2010	As at 30 June 2011
	NT$'000	*NT$'000*
Within one year	–	6,103
In the second to fifth years inclusive	–	17,560
	–	23,663

Leases are negotiated for terms of one to three years and rentals are fixed during the lease period except for the operating lease commitments for the land are for non-cancellable terms of the first six years from year 2007.

Sun Materials and Economic Department of Taiwan entered into a lease agreement ("**Land Lease Agreement**") regarding the land located at No. 186-46, 186-47, 186-48, 186-49, 186-50, 186-51, 186-52, 186-53 of Ligong Road, Lizhe Industrial Centre, Yilan County, Taiwan for 20 years lease period from 16 May 2007 to 15 May 2027.

Pursuant to the Land Lease Agreement, the first two years are rent-free. The rental after the second year is calculated by reference to an adjusted annual rental rate ("**Adjusted Rent**") on a semi-annual basis. The adjusted annual rental is (i) adjusted twice every year in accordance with the long term loan interest rate published by the relevant government authority and (ii) adjusted annually in accordance with the consumer index published by relevant government authority.

For the third and fourth year of the lease term, the rental expense to be paid by Sun Materials is 60% of the Adjusted Rent for the third and fourth year.

For the fifth and sixth year of the lease term, the rental expense to be paid by Sun Materials is 80% of the Adjusted Rent for the fifth and sixth year.

Starting from the seventh year and until the termination of the lease, the rental expense to be paid by Sun Materials is 100% of the Adjusted Rent for the relevant years.

22. SHARE OPTIONS SCHEME OF A SUBSIDIARY

A share option scheme was adopted by a subsidiary, Sun Materials, pursuant to a resolution passed on 10 December 2007 (the "**2007 Scheme**"). Under the 2007 Scheme, the board of directors of Sun Materials may grant options to directors or any employees of Sun Materials.

The 2007 Scheme was set up for issue of share option with the primary purpose to attract, retain and motivate talented participants to strive for future developments and expansion of Sun Materials and to provide Sun Materials with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the participants.

During the Relevant Periods, no options were granted or outstanding.

As at 31 December 2010 and 30 June 2011, there was no outstanding share options held by any directors or employee of Sun Materials.

23. RETIREMENT BENEFIT PLAN

The employees employed in the Taiwan are members of the state-managed retirement benefit scheme operated by the Taiwan government. The Sun Mass Group is required to contribute certain percentage of the employees' payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Sun Mass Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

24. RELATED PARTY DISCLOSURES

Compensation of key management personnel

No emolument has been paid to the directors of Sun Mass who are also identified as members of key management of the Sun Mass Group during the Relevant Periods as set out in note 6.

25. PLEDGE OF ASSETS

There was no pledged asset as at 31 December 2010. As at 30 June 2011, buildings with carrying amount of NT$309,563,000 were pledged to a bank to secure the bank borrowings. In addition, as required by the Taiwan local government, the Sun Mass Group had pledged fixed deposit of NT$21,009,000 to secure the obligation under operating lease for the land.

26. CAPITAL RISK MANAGEMENT

The Sun Mass Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Sun Mass Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Sun Mass Group consists cash and cash equivalents, borrowings and reserves comprising issued share capital, share premium and accumulated loss.

The directors of Sun Mass review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on recommendations of the directors, the Sun Mass Group will balance its overall capital structure through raising of new capital and the issue and redemption of debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2010	As at 30 June 2011
	NT$'000	*NT$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	30	362,983
Financial liabilities		
Amortized cost	30	460,720

(b) Financial risk management objectives and policies

The Sun Mass Group's major financial instruments include rental deposits, restricted bank deposit, other receivables, bank balances and cash, other payables, amount due to a shareholder, other borrowing and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate credit risks, liquidity risks and market risks are set out below. The directors of Sun Mass manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

There has been no change to the Sun Mass Group's exposure to interest rate risk or the manner in which it manages and measures the risk throughout the Relevant Periods.

The Sun Mass Group is exposed to fair value interest rate risk in relation to fixed rate bank deposits.

The Sun Mass Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Sun Mass Group's bank borrowings, restricted bank deposit and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings and bank balances at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period was outstanding for the whole period. A 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 30 June 2011, if interest rates had been 10 basis points higher/lower, and all other variables were held constant, the Sun Mass Group's loss for the six months ended 30 June 2011 would be decreased/increased by approximately NT$1,000. The directors of Sun Mass consider that the interest rate risk as at 31 December 2010 is not significant, accordingly, no sensitivity analysis has been presented.

Currency risk

The Sun Mass Group's foreign currency risk is limited to bank balances denominated in currency other than the functional currency of respective group entities. The Sun Mass Group currently does not have a foreign currency hedging policy. However, the management of Sun Mass Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 30 June 2011, the carrying amount of the only monetary assets denominated in US$ is approximately NT$32,655,000.

Sensitivity analysis

5% represents the 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 end of the reporting period for a 5% change in foreign currency exchange rates.

As at 30 June 2011, if the US$ strengthen/weaken against NT$, with all other variables were held constant, the loss for the six months ended 30 June 2011 would be decreased/increased by approximately NT$1,633,000.

Credit risk

At the end of each reporting period, the Sun Mass Group's maximum exposure to credit risk which will cause a financial loss to it due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk, the directors of Sun Mass review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

The Sun Mass Group is exposed to liquidity risk of being unable to finance its future working capital and financial obligations when they fall due upon the commencement of full commercial production. In managing the liquidity risk, the directors of Sun Mass monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Sun Mass Group's operation and mitigate the effects of fluctuations in cash flows. The directors of Sun Mass are also actively looking for investors to provide funding for its future operations and expansion plans.

In the opinion of the directors, the Sun Mass Group will be able to mitigate its liquidity risk through the above measures.

The following tables detail remaining contractual maturity of the Sun Mass Group for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Sun Mass Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 months or on demand	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
At 31 December 2010								
Amount due to a shareholder	–	30	–	–	–	–	30	30

	Weighted average effective interest rate	Less than 1 months or on demand	1–3 months	3 months to 1 year	1 –5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
At 30 June 2011								
Other payables	–	513	207	–	–	–	720	720
Other borrowing	–	–	250,000	50,000	–	–	300,000	300,000
Bank borrowings	1.72	–	–	7,111	66,211	100,865	174,187	160,000
		513	250,207	57,111	66,211	100,865	474,907	460,720

(c) Fair value

The fair value of financial assets and financial liabilities of Sun Mass Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of Sun Mass consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated statements of financial position approximate their fair values.

B. DIRECTORS' REMUNERATION

No remuneration was paid or is payable by Sun Mass or any of its subsidiaries to its directors during the Relevant Periods.

C. SUBSEQUENT EVENT

No significant event took place subsequent to 30 June 2011.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Sun Mass have been prepared in respect of any period subsequent to 30 June 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

19 December 2011

The Directors
Mascotte Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding Lution International Holdings Company Limited ("**Lution**") for the period from 15 September 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 (the "**Relevant Periods**"), for inclusion in the circular of Mascotte Holdings Limited (the "**Company**") dated 19 December 2011 in connection with the very substantial acquisition relating to the proposed acquisition of an additional 49.9% interests in Sun Mass Energy Limited ("**Sun Mass**"), a company incorporated in the British Virgin Islands with limited liability, for a consideration of HK$2,500,000,000 (the "**Circular**").

Lution was incorporated with limited liability in Taiwan on 15 September 2009. It is an investment holding company. On 25 January 2011, Sun Mass acquired the entire interest in Lution and become the intermediate holding company.

The financial year end date of Lution is 31 December. The statutory financial statements of Lution for the period from 15 September 2009 (date of incorporation) to 31 December 2009 and for the year ended 31 December 2010 were prepared in accordance with the accounting principles generally accepted in Taiwan and were audited by Deloitte & Touche, 勤業眾信會計師事務所, certified public accountants registered in Taiwan.

At the end of each reporting period and as of the date of this report, Lution has the following subsidiary:

Name of subsidiary	Place and date of incorporation	Issue and fully paid share capital	Proportion of nominal value of issued share capital held directly by Lution	Principal activities
Sun Materials Technology Company Limited 山陽科技股份有限公司 ("**Sun Materials**")	Taiwan 19 March 2007	NT$1,000,000,000	100%	Manufacture of solar grade polycrystalline silicon

The statutory financial statements of Sun Materials for the years ended 31 December 2009 and 2010 were prepared in accordance with accounting principles generally accepted in Taiwan and were audited by Deloitte & Touche, 勤業眾信會計師事務所, certified public accountants registered in Taiwan.

For the purpose of the accountants' report dated 20 May 2011 in relation to purchase of 50.1% of the issued shares of Sun Mass, the directors of Lution have prepared the financial statements of Lution for the period from 15 September 2009 (date of incorporation) to 31 December 2009 and the year ended 31 December 2010 (the "**2009-2010 Underlying Financial Statements**") in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") except for the failure to prepare consolidated financial statements of the Lution and its subsidiary (hereinafter referred to as the "**Lution Group**") in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and separate financial statements" ("**HKAS 27**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). We have undertaken an independent audit on the 2009-2010 Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and expressed a qualified opinion on the 2009-2010 Underlying Financial Statements.

For the purpose of this report, the directors of Lution have prepared the financial statements of Lution for the six months ended 30 June 2011 (the "**June 2011 Underlying Financial Statements**") in accordance with International Financial Reporting Standards except for the failure to prepare consolidated financial statements of the Lution Group in accordance with the requirements of International Accounting Standard 27 Consolidated and separate financial statements. The June 2011 Underlying Financial Statements were audited in accordance with International Standards on Auditing by Deloitte & Touche, 勤業眾信會計師事務所, certified public accountants registered in Taiwan, who expressed a qualified opinion on the June 2011 Underlying Financial Statements.

The 2009-2010 Underlying Financial Statements and the June 2011 Underlying Financial Statements are collectively known as the "Underlying Financial Statements". We 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 Lution for the Relevant Periods set out in this report has been prepared in accordance with HKFRSs based on the Underlying Financial Statements. No adjustments has been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular. There is no consolidated financial information of Lution Group included in this report.

The Underlying Financial Statements are the responsibility of the directors of Lution who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion:

- The Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Lution as at 31 December 2009 and 2010 and 30 June 2011 and of the results and cash flows of Lution for the Relevant Periods.

- Because of the significance of the matter discussed above regarding the failure to prepare consolidated financial information of Lution Group in accordance with HKAS 27, the Financial Information, for the purpose of this report, does not give a true and fair view of the state of affairs of the Lution Group as at 31 December 2009 and 2010 and 30 June 2011 and of the results and cash flows of Lution Group for the Relevant Periods.

The comparative statement of comprehensive income, statement of cash flows and statement of changes in equity of Lution for the six months ended 30 June 2010 together with the notes thereon have been extracted from the Lution's unaudited financial information for the same period (the "**30 June 2010 Financial Information**") which was prepared by the directors of Lution solely for the purpose of this report. We have reviewed the 30 June 2010 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review of the 30 June 2010 Financial Information consisted of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2010 Financial Information.

Based on our review, with the exception of the failure to prepare consolidated financial information of Lution Group in accordance with HKAS 27, nothing has come to our attention that causes us to believe that the 30 June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the period from 15 September 2009 (date of incorporation) to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
		NT$'000	*NT$'000*	*NT$'000* (unaudited)	*NT$'000*
Bank interest income		–	7	–	–
Administrative expenses		(211)	(402)	(160)	(95)
Loss before taxation		(211)	(395)	(160)	(95)
Taxation	*6*	–	–	–	–
Loss for the period/year and total comprehensive expense for the period/year	*5*	(211)	(395)	(160)	(95)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2009 *NT$'000*	As at 31 December 2010 *NT$'000*	As at 30 June 2011 *NT$'000*
NON-CURRENT ASSETS				
Investment in a subsidiary	*8*	693,488	893,488	893,488
Rental deposit		–	–	18
		693,488	893,488	893,506
CURRENT ASSETS				
Other receivables		–	4	6
Bank balances and cash	*9*	34,559	530	475
		34,559	534	481
CURRENT LIABILITIES				
Other payables		–	140	200
Amount due to a subsidiary	*10*	–	1,000	1,000
Amounts due to shareholders	*10*	34,770	–	–
		34,770	1,140	1,200
NET CURRENT LIABILITIES		(211)	(606)	(719)
NET ASSETS		693,277	892,882	892,787
CAPITAL AND RESERVES				
Share capital	*11*	400,000	500,000	500,000
Reserves		293,277	392,882	392,787
TOTAL EQUITY		693,277	892,882	892,787

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Accumulated losses	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Issue of shares on 15 September 2009 (date of incorporation)	400,000	293,488	–	693,488
Loss and total comprehensive expense for the period	–	–	(211)	(211)
At 31 December 2009	400,000	293,488	(211)	693,277
Issue of shares	100,000	100,000	–	200,000
Loss and total comprehensive expense for the year	–	–	(395)	(395)
At 31 December 2010	500,000	393,488	(606)	892,882
Loss and total comprehensive expense for the period	–	–	(95)	(95)
At 30 June 2011	500,000	393,488	(701)	892,787
UNAUDITED				
At 1 January 2010	400,000	293,488	(211)	693,277
Issue of shares	100,000	100,000	–	200,000
Loss and total comprehensive expense for the period	–	–	(160)	(160)
At 30 June 2010	500,000	393,488	(371)	893,117

STATEMENTS OF CASH FLOWS

	For the period from 15 September 2009 (date of incorporation) to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	NT$'000	NT$'000	NT$'000	NT$'000
OPERATING ACTIVITIES				
Loss before tax	(211)	(395)	(160)	(95)
Bank interest income	–	(7)	–	–
Operating cash flows before movements in working capital	(211)	(402)	(160)	(95)
Increase in other receivables	–	(4)	(1)	(20)
Increase in other payables	–	140	60	60
NET CASH USED IN OPERATING ACTIVITIES	(211)	(266)	(101)	(55)
CASH USED IN INVESTING ACTIVITIES				
Investment in a subsidiary	–	(200,000)	(200,000)	–
Interest received	–	7	–	–
NET CASH USED IN INVESTING ACTIVITIES	–	(199,993)	(200,000)	–
FINANCING ACTIVITIES				
Issue of new shares	–	200,000	200,000	–
Advance from a subsidiary	–	1,000	1,000	–
Advance from (repayment to) shareholders	34,770	(34,770)	(34,770)	–
NET CASH FROM FINANCING ACTIVITIES	34,770	166,230	166,230	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,559	(34,029)	(33,871)	(55)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	–	34,559	34,559	530
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR represented by bank balances and cash	34,559	530	688	475

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Lution is a private limited company incorporated in Taiwan on 15 September 2009. It acts as investment holding company. Details of its subsidiary are set out in note 8. On 25 January 2011, Sun Mass acquired the entire interest in Lution and became the intermediate holding company, whereas Quinella International Incorporated was the ultimate holding company. On 15 July 2011, Mascotte Holdings Limited acquired 50.1% interest in Sun Mass and became the ultimate holding company.

The Financial Information is presented in New Taiwan Dollar ("**NT$**"), which is the same as the functional currency of Lution. The address of the registered office and principal place of business of Lution is at No. 15, Ligong Second Road, Wujie Township, Yilan County 26643, Taiwan.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information had been prepared on a going concern basis because Sun Mass had agreed to provide adequate funds to enable Lution to meet in full its financial obligations as they fall due in twelve months from the date of this report.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Lution adopted Hong Kong Accounting Standards ("**HKAS**"), Hong Kong Financial Reporting Standards ("**HKFRS**"), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are effective for Lution's financial year beginning on 1 January 2011 consistently throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new or revised standards or amendments which are not yet effective.

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive Income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
HK (IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2012

[4] Effective for annual periods beginning on or after 1 July 2012

The directors of Lution anticipate that the application of these new or revised standards and amendments will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below which conform with HKFRS except for the failure to prepare consolidated financial statements in accordance with HKAS 27 "Consolidated and Separate Financial Statements" issued by the HKICPA.

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 (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

Revenue recognition

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to Lution and the amount of revenue can be measured reliably. 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.

Investments in a subsidiary

Investment in a subsidiary effected by Lution issuing equity instruments in exchange for the existing equity instruments of the subsidiary (the "**share swap**"), where (i) the assets and liabilities of the Lution together with the subsidiary and the subsidiary are the same both before and after the share swap and (ii) the owners of the subsidiary before the share swap have the same absolute and relative interests in the net assets of the subsidiary and Lution together with the subsidiary immediately before and after the share swap, are initially measured at the share of the equity items shown in the financial statements of the subsidiary at the date of the share swap.

In subsequent periods, the investment in a subsidiary is measured at cost less impairment.

Impairment on tangible assets

At the end of each reporting period, the directors of Lution 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 indication 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 tangible asset is estimated to be less than its carrying amount, the carrying amount of the tangible asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the tangible asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years/periods. A reversal of an impairment loss is recognized as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. The liability of Lution for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such assets and liabilities are not recognized 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Lution expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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 assets or 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. Taxation cost directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The financial assets of Lution are classified as loans and receivables (including other receivables, rental deposit and bank balances and cash). All regular way purchases or sales of financial assets are recognized and derecognized 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 amortized 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 form 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 recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, rental deposit and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loan and receivables 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 impacted.

For loans and receivables, 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-organization.

For financial assets carried at amortized cost, an impairment loss is recognized 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 all loans and receivables is reduced by the impairment loss directly.

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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Lution 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 Lution after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized 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 recognized on an effective interest basis.

Financial liabilities

The financial liabilities of Lution (including other payables, amounts due to shareholders and amount due to a subsidiary) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by Lution are recorded at the proceeds received, net of direct issue costs. For equity instruments issued in exchange for equity instruments of a subsidiary, please refer to the accounting policy for "investment in a subsidiary".

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Lution has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. LOSS FOR THE PERIOD/YEAR

	For the period from 15 September 2009 (date of incorporation) to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	NT$'000	*NT$'000*	*NT$'000* (unaudited)	*NT$'000*
Loss for the period/year has been arrived at after charging:				
Auditor's remuneration	–	100	60	60
Directors' emoluments	–	–	–	–
Staff cost *(Note)*	–	–	–	–

Note: Throughout the Relevant Periods, no staff has been employed by Lution.

6. TAXATION

No provision for Hong Kong Profits Tax has been made as Lution did not operate in Hong Kong.

No provision for Taiwan Income Tax has been made in the Financial Information as Lution had no assessable profit for the Relevant Periods.

Pursuant to relevant Taiwan Income Tax Law, on 27 May 2009, the Taiwan government announced that the corporate income tax rate was reduced from 25% to 20% from 1 January 2009 onwards. Lution is subject to corporate income tax rate of 20% for the period from 15 September 2009 (date of incorporation) to 31 December 2009. On 28 May 2010, the Taiwan government further announced that the corporate tax rate was reduced from 20% to 17% from 1 January 2010 onwards.

The tax charge for the Relevant Periods can be reconciled to the loss for the period/year per the statements of comprehensive income as follows:

	For the period from 15 September 2009 (date of incorporation) to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	NT$'000	*NT$'000*	*NT$'000* (unaudited)	*NT$'000*
Loss before taxation	(211)	(395)	(160)	(95)
Tax at corporate income tax rate of 20%, 17%, 17% and 17%	(42)	(67)	(27)	(16)
Tax effect of tax losses not recognized	42	67	27	16
Tax charge for the period/year	–	–	–	–

At 31 December 2009 and 2010 and 30 June 2011, Lution had unused tax losses of approximately NT$211,000, NT$606,000 and NT$701,000 respectively. No deferred tax asset has been recognized in respect of these tax losses as the tax losses estimated by Lution will be subject to the approval from local tax authority.

7. DIVIDENDS

No dividend has been paid or declared by Lution since its date of incorporation.

8. INVESTMENT IN A SUBSIDIARY

	As at 31 December		As at 30 June
	2009	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*
Unlisted investment, at cost	693,488	893,488	893,488

The above investment cost represents Lution's interest in the total equity of Sun Materials. At 15 September 2009, the date of incorporation of Lution, 40,000,000 shares at NT$17.3372 each were issued to the then shareholders of Sun Materials to acquire the active share capital of Sun Materials. NT$693,488,000 represents the total equity of Sun Materials on that date.

On 6 April 2010, Lution further subscribed 20,000,000 new shares issued by Sun Materials at NT$10 each.

The directors of Lution have not prepared consolidated financial statements in accordance with HKAS 27 "Consolidated and Separate Financial Statements" issued by the HKICPA or IAS 27 "Consolidated and Separate Financial Statements" issued by the IASB and information regarding the post-acquisition results of the subsidiary attributable to Lution has not been disclosed as required by paragraph 18(4) of the Tenth Schedule to the Hong Kong Companies Ordinance as, in the opinion of the directors of Lution, such preparation would involve expenses and delay out of proportion to the value to the members of Lution.

9. BANK BALANCES AND CASH

The bank balances of Lution are all denominated in the functional currency of Lution and carry floating interest at the following rates:

	As at 31 December		As at 30 June
	2009	**2010**	**2011**
Range of interest rates per annum	0.13%–0.15%	0.1%–0.11%	0.13%–0.16%

10. AMOUNTS DUE TO A SUBSIDIARY/SHAREHOLDERS

The amounts are unsecured, non-interest bearing and repayable on demand.

11. SHARE CAPITAL

	Number of shares *'000*	Share capital *NT$'000*
Shares of NT$10 each		
Authorized:		
On 15 September 2009 (date of incorporation), as at 31 December 2009 and 2010 and 30 June 2011	80,000	800,000
Issued and fully paid:		
Issued on 15 September 2009 (date of incorporation)	40,000	400,000
As at 31 December 2009	40,000	400,000
Issued during the year for cash	10,000	100,000
As at 31 December 2010 and 30 June 2011	50,000	500,000

On 15 September 2009, Lution issued 40,000,000 shares at NT$17.3372 each to the then shareholders of Sun Materials at a premium of NT$293,488,000 to acquire the share capital of Sun Materials (see note 8).

During the year ended 31 December 2010, Lution issued 10,000,000 shares at NT$20 each to the existing shareholders at a premium of NT$100,000,000 to finance further investment in Sun Materials.

12. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

The Company entered into the following significant transactions with related parties during the Relevant Periods.

Name of related party	Nature of transaction	For the period from 15 September 2009 (date of incorporation) to 31 December 2009 *NT$'000*	For the year ended 31 December 2010 *NT$'000*	For the six months ended 30 June 2010 *NT$'000* (unaudited)	For the six months ended 30 June 2011 *NT$'000*
Sun Materials	Rental paid	–	36	–	18
Enerage Inc. 安炬科技股份有限公司 *(Note)*	Rental paid	11	–	–	–

Note: The related party is a company in which the then shareholders of Lution have controlling interests.

(b) Balances with related parties

Details of the Company's outstanding balances with related parties are set out in the statements of financial position and note 10.

13. CAPITAL RISK MANAGEMENT

Lution manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. Lution overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Lution consists cash and cash equivalent and equity attributable to the owners, comprising issued share capital, share premium and accumulated losses.

The directors of Lution review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on recommendations of the directors, Lution will balance its overall capital structure through raising of new capital and the issue of debt.

14. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		As at 30 June
	2009	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	34,559	534	499
Financial liabilities			
Amortized cost	34,770	1,140	1,200

(b) Financial risk management objectives and policies

Lution's major financial instruments include other receivables, rental deposit, bank balances and cash, other payables, amounts due to shareholders and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate credit risks and liquidity risks are set out below. The directors of Lution manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

At the end of each reporting period, Lution's maximum exposure to credit risk which will cause a financial loss to it due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

Lution is also in net current liabilities position amounting to approximately NT$211,000, NT$606,000 and NT$719,000 as at 31 December 2009, 31 December 2010 and 30 June 2011, respectively, and is exposed to liquidity risk. Sun Mass has agreed to provide adequate funds to enable Lution to meet in full its financial obligations as they fall due in twelve months from the date of this report. In the management of the liquidity risk, Lution monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operation of Lution and mitigate the effects of fluctuations in cash flows.

In the opinion of the directors, Lution will be able to mitigate its liquidity risk through the above measures.

The following tables detail remaining contractual maturity of Lution for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Lution can be required to pay.

Liquidity risk tables

	On demand and total undiscounted cash flows	**Carrying amount**
	NT$'000	*NT$'000*
At 31 December 2009		
Amounts due to shareholders	34,770	34,770
At 31 December 2010		
Other payables	140	140
Amount due to a subsidiary	1,000	1,000
	1,140	1,140
At 30 June 2011		
Other payables	200	200
Amount due to a subsidiary	1,000	1,000
	1,200	1,200

(c) Fair value

The directors of Lution consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

15. NON-CASH TRANSACTIONS

The consideration for the acquisition of a subsidiary during the period ended 31 December 2009 was made by issuing of shares of Lution as disclosed in note 8.

B. DIRECTORS' REMUNERATION

No remuneration was paid or is payable by Lution to the directors of Lution during the Relevant Periods.

C. SUBSEQUENT EVENT

No significant event took place subsequent to 30 June 2011.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Lution have been prepared in respect of any period subsequent to 30 June 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

19 December 2011

The Directors
Mascotte Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding Sun Materials Technology Company Limited ("**Sun Materials**") for each of the three years ended 31 December 2010 and the six months ended 30 June 2011 (the "**Relevant Periods**"), for inclusion in the circular of Mascotte Holdings Limited (the "**Company**") dated 19 December 2011 in connection with the very substantial acquisition relating to the proposed acquisition of an additional 49.9% interest in Sun Mass Energy Limited ("**Sun Mass**"), a company incorporated in the British Virgin Islands ("**BVI**"), for a consideration of HK$2,500,000,000 (the "**Circular**").

Sun Materials was incorporated with limited liability in Taiwan on 19 March 2007. The activity of Sun Materials is development of the technology for manufacturing of solar grade polycrystalline silicon. Sun Materials completed the construction of its first production plant in Taiwan in October 2010. It plans to commence its commercial production in late December 2011.

The financial year end date of Sun Materials is 31 December. The statutory financial statements of Sun Materials for the year ended 31 December 2008 were prepared in accordance with accounting principles generally accepted in Taiwan and were audited by Ernst & Young, Taiwan, certified public accountants registered in Taiwan.

The statutory financial statements of Sun Materials for the year ended 31 December 2009 and 2010 were prepared in accordance with accounting principles generally accepted in Taiwan and were audited by Deloitte & Touche, 勤業眾信會計師事務所, certified public accountants registered in Taiwan.

For the purpose of the accountants' report dated 20 May 2011 in relation to purchase of 50.1% of the issued shares of Sun Mass, the directors of Sun Materials have prepared the financial statements of Sun Materials for the three years ended 31 December 2010 in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**2008–2010 Underlying Financial Statements**"). We have undertaken an independent audit on the 2008–2010 Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. For the purpose of this report, the directors of Sun Materials have prepared the financial statements of Sun Materials for the six months ended 30 June 2011 in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (the "**June 2011 Underlying Financial Statements**"). The June 2011 Underlying Financial Statements were audited in accordance with International Standards on Auditing by Deloitte & Touche, 勤業眾信會計師事務所, certified public accountants registered in Taiwan. The 2008-2010 Underlying Financial Statements and the June 2011 Underlying Financial Statements are collectively known as the "Underlying Financial Statements".

We 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 Sun Materials for the Relevant Periods set out in this report has been prepared in accordance with HKFRSs based on the Underlying Financial Statements. No adjustments has been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Sun Materials who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, 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 Sun Materials as at 31 December 2008, 2009 and 2010 and 30 June 2011 and of the results and cash flows of Sun Materials for the Relevant Periods.

The comparative statements of comprehensive income, cash flows and changes in equity of Sun Materials for the six months ended 30 June 2010 together with the notes thereon have been extracted from the Sun Materials' unaudited financial information for the same period (the "**30 June 2010 Financial Information**") which was prepared by the directors of Sun Materials solely for the purpose of this report. We have reviewed the 30 June 2010 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review of the 30 June 2010 Financial Information consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2010 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	Notes	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
					(Unaudited)	
Other income	*4*	572	791	12,606	12,144	3,486
Administrative expenses		(7,143)	(16,156)	(28,957)	(10,350)	(16,339)
Other expenses		(9,971)	(34,546)	(52,239)	(24,067)	(55,283)
Written off on deposits paid for acquisition of property, plant and equipment	*12*	(6,600)	(3,497)	–	–	–
Net loss on investments held for trading		(1,182)	–	–	–	–
Finance costs	*5*	–	(162)	(2,458)	(1,157)	(2,014)
Loss before taxation		(24,324)	(53,570)	(71,048)	(23,430)	(70,150)
Taxation	*7*	–	–	–	–	–
Loss for the year/period and total comprehensive expense for the year/period	*6*	(24,324)	(53,570)	(71,048)	(23,430)	(70,150)
Attributable to owners of the Company		(24,324)	(53,570)	(71,048)	(23,430)	(70,150)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2008	2009	2010	2011
	Notes	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*10*	121,649	395,751	423,030	851,523
Intangible asset	*11*	19,337	19,402	19,402	19,402
Deposits paid for acquisition of property, plant and equipment	*12*	26,377	351,726	465,205	13,820
Rental deposits		–	–	–	2,006
Restricted bank deposit	*13*	20,581	21,009	21,009	21,009
		187,944	787,888	928,646	907,760
CURRENT ASSETS					
Amount due from immediate holding company	*14*	–	–	1,000	1,000
Other receivables and prepayments	*15*	6,744	31,780	23,622	2,833
Bank balances and cash	*16*	114,975	85,674	110,871	339,467
		121,719	117,454	135,493	343,300
CURRENT LIABILITIES					
Other payables and accruals	*17*	1,465	18,727	48,572	5,643
Amounts due to former shareholders	*18*	138,000	–	–	–
Other borrowing	*19*	–	–	–	300,000
Bank borrowings – due within one year	*20*	–	160,000	–	6,061
		139,465	178,727	48,572	311,704
NET CURRENT (LIABILITIES) ASSETS		(17,746)	(61,273)	86,921	31,596
TOTAL ASSETS LESS CURRENT LIABILITIES		170,198	726,615	1,015,567	939,356
NON-CURRENT LIABILITY					
Bank borrowings – due after one year	*20*	–	–	160,000	153,939
NET ASSETS		170,198	726,615	855,567	785,417
CAPITAL AND RESERVES					
Share capital	*21*	190,013	800,000	1,000,000	1,000,000
Reserves		(19,815)	(73,385)	(144,433)	(214,583)
TOTAL EQUITY		170,198	726,615	855,567	785,417

STATEMENTS OF CHANGES IN EQUITY

	Share capital *NT$'000*	Share premium *NT$'000*	Accumulated losses *NT$'000*	Total *NT$'000*
At 1 January 2008	150,013	14,986	(10,477)	154,522
Issue of shares	40,000	–	–	40,000
Loss and total comprehensive expense for the year	–	–	(24,324)	(24,324)
At 31 December 2008	190,013	14,986	(34,801)	170,198
Issue of shares	609,987	–	–	609,987
Loss and total comprehensive expense for the year	–	–	(53,570)	(53,570)
At 31 December 2009	800,000	14,986	(88,371)	726,615
Issue of shares	200,000	–	–	200,000
Loss and total comprehensive expense for the year	–	–	(71,048)	(71,048)
At 31 December 2010	1,000,000	14,986	(159,419)	855,567
Loss and total comprehensive expense for the period	–	–	(70,150)	(70,150)
At 30 June 2011	1,000,000	14,986	(229,569)	785,417
Unaudited				
At 1 January 2010	800,000	14,986	(88,371)	726,615
Issue of shares	200,000	–	–	200,000
Loss and total comprehensive expense for the period	–	–	(23,430)	(23,430)
At 30 June 2010	1,000,000	14,986	(111,801)	903,185

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000* (Unaudited)	*NT$'000*
OPERATING ACTIVITIES					
Loss before tax	(24,324)	(53,570)	(71,048)	(23,430)	(70,150)
Adjustments for:					
Interest expenses	–	162	2,458	1,157	2,014
Interest income	(572)	(602)	(124)	(46)	(660)
Depreciation of property, plant and equipment	9,971	20,354	33,614	14,725	40,348
Net loss on investment held for trading	1,182	–	–	–	–
Written-off on deposits paid for acquisition of property, plant and equipment	6,600	3,497	–	–	–
Operating cash flows before movements in working capital	(7,143)	(30,159)	(35,100)	(7,594)	(28,448)
Proceeds on disposal of fund investment	25,475	–	–	–	–
Increase in rental deposits	–	–	–	–	(2,006)
(Increase) decrease in other receivables and prepayments	(2,446)	(25,036)	8,158	10,439	20,789
(Decrease) increase in other payables and accruals	(225)	17,262	29,845	(18,465)	(42,929)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	15,661	(37,933)	2,903	(15,620)	(52,594)
INVESTING ACTIVITIES					
Additions of property, plant and equipment	(46,952)	(278,231)	(58,017)	(49,327)	(11,661)
Deposit paid for acquisition of property, plant and equipment	(30,998)	(345,071)	(116,355)	(68,700)	(5,795)
Additions in intangible asset	(4,337)	(65)	–	–	–
Advance to immediate holding company	–	–	(1,000)	–	–
Interest received	63	174	124	46	660
NET CASH USED IN INVESTING ACTIVITIES	(82,224)	(623,193)	(175,248)	(117,981)	(16,796)

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
FINANCING ACTIVITIES					
Advance from shareholders	138,000	–	–	–	–
Issue of new shares	40,000	471,987	200,000	200,000	–
Increase in other borrowing	–	–	–	–	300,000
New bank borrowings raised	–	160,000	160,000	160,000	–
Interest paid	–	(162)	(2,458)	(1,157)	(2,014)
Repayment of bank borrowings	–	–	(160,000)	(160,000)	–
NET CASH FROM FINANCING ACTIVITIES	178,000	631,825	197,542	198,843	297,986
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	111,437	(29,301)	25,197	65,242	228,596
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	3,538	114,975	85,674	85,674	110,871
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD represented by bank balances and cash	114,975	85,674	110,871	150,916	339,467

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Sun Materials is a private limited company incorporated in Taiwan on 19 March 2007. The activity of Sun Materials is development of the technology for manufacturing of solar grade polycrystalline silicon. Sun Materials completed the construction of its first production plant in Taiwan in October 2010. It plans to commence commercial production in 2011. The addresses of the registered office and principal place of business of Sun Materials is at No. 15, Ligong Second Road, Wujie Township, Yilan County 26643, Taiwan.

On 15 September 2009, the shareholders of Sun Materials transferred their shares in Sun Materials to Lution International Holdings Co., Ltd. ("**Lution**") in return of shares of Lution on the same percentage of their shareholdings in Sun Materials. On 25 January 2011, Sun Mass acquired the entire share capital of Lution and became the intermediate holding company of Sun Materials, whereas Quinella International Incorporated was the ultimate holding company. On 15 July 2011, Mascotte Holdings Limited acquired 50.1% interest in Sun Mass and became the ultimate holding company.

The Financial Information is presented in New Taiwan Dollar ("**NT$**"), which is the same as the functional currency of Sun Materials.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Sun Materials adopted Hong Kong Accounting Standards ("**HKAS**"), Hong Kong Financial Reporting Standards ("**HKFRSs**"), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are effective for Sun Materials' financial year beginning on 1 January 2011 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new or revised standards or amendments which are not yet effective.

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[1]
HKFRS 7 (Amendments)	Disclosures – transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive Income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
HK (IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

The directors of Sun Materials anticipate that the application of these new or revised standards and amendments will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below which conform with HKFRSs.

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 (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

Revenue recognition

Compensation income is recognized when it is probable that the economic benefits will flow to Sun Materials and the amount can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to Sun Materials and the amount of revenue can be measured reliably. 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 administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include directly attributable costs and, for qualifying assets, borrowing costs capitalized in accordance with Sun Materials' accounting policy. Such construction in progress is classified to the appropriate categories 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.

An item of property, plant and equipment is derecognized 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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing

Leasing is classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

Sun Material as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as expenses in the period they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Intangible assets

Intangible assets with finite useful lives are carried at cost less subsequent accumulated amortization and any accumulated impairment losses. The amortization of intangible assets commences when Sun Materials starts commercial production and is calculated on a straight-line basis over their estimated useful lives from the date of commercial production.

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss in the period when the asset is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized 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 recognized 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 recognized, 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 amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment on tangible assets and intangible assets

At the end of each reporting period, the directors of Sun Materials reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication 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 the 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 recognized 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 the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years/periods. A reversal of an impairment loss is recognized as income immediately.

Foreign currencies

In preparing the financial statements of Sun Materials, transactions in currencies other than its functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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 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 recognized 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that Sun Materials will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or loses already incurred or for the purpose of giving immediate financial support to Sun Materials with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expense when employees have rendered service 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 for the year/period. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. The liability of Sun Materials for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such assets and liabilities are not recognized 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Sun Materials expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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 assets or 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 acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The financial assets of Sun Materials are mainly loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized 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 amortized 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 form 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 recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from immediate holding company, rental deposits, restricted bank deposit, other receivables and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loan and receivables 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 impacted.

For loans and receivables, 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-organization.

For financial assets carried at amortized cost, an impairment loss is recognized 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 all loans and receivables is reduced by the impairment loss directly.

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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Sun Materials 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 Sun Materials after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized 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 recognized on an effective interest basis.

Financial liabilities

The financial liabilities of Sun Materials (including other payables, amounts due to former shareholders, other borrowing and bank borrowings) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by Sun Materials are recorded at the proceeds received, net of direct issue costs or by reference to the fair value of assets contributed by the shareholders, as appropriate.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Sun Materials has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Compensation from a related company for late delivery of machinery *(note 12)*	–	–	11,733	11,428	–
Bank interest income	572	602	124	46	660
Government grant *(note)*	–	189	713	364	2,822
Others	–	–	36	306	4
	572	791	12,606	12,144	3,486

Note: Government grant represents the subsidies from local government regarding the land lease in Yilan County and recruitment of new graduates.

5. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Interest on:					
Bank borrowings wholly repayable within five years	–	162	–	–	–
Bank borrowings wholly repayable after five years	–	–	2,458	1,157	2,014
	–	162	2,458	1,157	2,014

6. LOSS FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Loss for the year/period has been arrived at after charging:					
Auditor's remuneration	50	653	200	140	230
Directors' emolument	–	–	–	–	–
Staff costs					
Salaries and other staff benefits	2,079	5,939	5,178	3,778	9,624
Retirement benefit scheme contributions	255	299	292	199	260
	2,334	6,238	5,470	3,977	9,884
Depreciation for property, plant and equipment	9,971	20,354	33,614	14,725	40,348

7. TAXATION

No provision for Hong Kong Profits Tax has been made as Sun Materials does not operate in Hong Kong.

Pursuant to relevant Taiwan Income Tax Law, Sun Materials is subject to corporate income tax rate of 25% for the year ended 31 December 2008. On 27 May 2009, the Taiwan government announced that the corporate income tax rate was reduced from 25% to 20% from 1 January 2009 onwards. On 28 May 2010, the Taiwan government further announced that the corporate tax rate was reduced from 20% to 17% from 1 January 2010 onwards.

No provision for Taiwan Income Tax has been made in the Financial Information as Sun Materials had no assessable profit for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the loss before taxation for the year/period per the statements of comprehensive income as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Loss before taxation	(24,324)	(53,570)	(71,048)	(23,430)	(70,150)
Tax at corporate income tax rate of 25%, 20%, 17%, 17% and 17%	(6,081)	(10,714)	(12,078)	(3,983)	(11,926)
Tax effect of expenses not deductible for tax purpose	1,988	3,613	3,196	1,587	1,901
Tax effect of tax losses not recognized	4,093	7,101	8,882	2,396	10,025
Tax charge for the year/period	–	–	–	–	–

At 31 December 2008, 2009 and 2010 and 30 June 2011, Sun Materials had unused tax losses of approximately NT$16,372,000, NT$51,880,000, NT$104,130,000 and NT$163,100,000 respectively available for offset against future profits. No deferred tax asset has been recognized in respect of unused tax losses as the tax losses estimated by Sun Materials will be subject to the approval from local tax authority when Sun Materials commences its commercial production in future.

8. EMPLOYEES' EMOLUMENTS

Employees

Of the five highest paid individuals of Sun Materials for the Relevant Periods and the six months ended 30 June 2010, all of them are employees, details are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Directors	–	–	–	–	–
Employees	274	3,575	2,160	1,856	4,526
	274	3,575	2,160	1,856	4,526

The remuneration of the five highest paid individuals for the Relevant Periods and the six months ended 30 June 2010 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Salaries and other allowances	258	3,387	2,041	1,757	4,423
Retirement benefit scheme contributions	16	188	119	99	103
	274	3,575	2,160	1,856	4,526

Note: The emolument of each of the above employees is below NT$4,000,000 (approximately HK$1,000,000).

During the Relevant Periods, no emoluments were paid by Sun Materials to any of the directors or the five highest paid individuals as an inducement to join or upon joining Sun Materials or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

9. DIVIDENDS

No dividend has been paid or declared by Sun Materials since its date of incorporation.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
COST						
At 1 January 2008	–	–	1,910	416	–	2,326
Additions	–	127,619	–	863	898	129,380
At 31 December 2008	–	127,619	1,910	1,279	898	131,706
Additions	–	18,371	–	3,246	272,839	294,456
At 31 December 2009	–	145,990	1,910	4,525	273,737	426,162
Additions	–	–	–	2,949	57,944	60,893
Transfer	328,836	–	–	2,845	(331,681)	–
At 31 December 2010	328,836	145,990	1,910	10,319	–	487,055
Additions	112	457,289	1,090	2,531	7,819	468,841
At 30 June 2011	328,948	603,279	3,000	12,850	7,819	955,896
ACCUMULATED DEPRECIATION						
At 1 January 2008	–	–	80	6	–	86
Provided for the year	–	9,529	318	124	–	9,971
At 31 December 2008	–	9,529	398	130	–	10,057
Provided for the year	–	19,454	318	582	–	20,354
At 31 December 2009	–	28,983	716	712	–	30,411
Provided for the year	11,555	20,220	318	1,521	–	33,614
At 31 December 2010	11,555	49,203	1,034	2,233	–	64,025
Provided for the period	7,830	31,335	220	963	–	40,348
At 30 June 2011	19,385	80,538	1,254	3,196	–	104,373
CARRYING VALUES						
At 31 December 2008	–	118,090	1,512	1,149	898	121,649
At 31 December 2009	–	117,007	1,194	3,813	273,737	395,751
At 31 December 2010	317,281	96,787	876	8,086	–	423,030
At 30 June 2011	309,563	522,741	1,746	9,654	7,819	851,523

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	5%
Plant and machinery	12.5% – 33%
Motor vehicles	20%
Furniture, fixtures and equipment	20% – 33%

11. INTANGIBLE ASSET

	Patented and related technology
	NT$'000
COST	
1 January 2008	15,000
Additions	4,337
As at 31 December 2008	19,337
Additions	65
As at 31 December 2009 and 2010 and 30 June 2011	19,402

On 24 May 2007, Sun Materials issued 1,500,000 shares to Dr. Wu Yi Shuen ("**Dr. Wu**") at NT$10 each to acquire the technology in connection with a new proprietary technology to manufacture solar grade polycrystalline silicon (the "**Core Technology**").

In the opinion of the directors of Sun Materials, the total value of shares issued amounting to NT$15,000,000 approximated to the fair value of the Core Technology by reference to a valuation carried out by Taiwan Economic & Technology Research Institute of Consortium Corporation.

No amortization has been recognized during the Relevant Periods because production was not yet commenced.

The additions in 2008 and 2009 represented development expenditure in connection with the development of the Core Technology.

12. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Deposits paid for acquisition of property, plant and equipment				
Related party	–	342,857	455,000	–
Third parties	32,977	12,366	10,205	13,820
Less: Written-off during the year	(6,600)	(3,497)	–	–
	26,377	351,726	465,205	13,820

On 1 April 2009, Sun Materials entered into an agreement with Enerage Inc. 安炬科技股份有限公司 ("**安炬**") to acquire plant and machinery at a total consideration of NT$514,500,000 with delivery date on or before 31 March 2010 for the manufacturing of poly silicon.

Included in the above balances, NT$342,857,000 and NT$455,000,000 as of 31 December 2009 and 2010 respectively represented deposit paid to 安炬 in accordance with the agreement. 安炬 is an entity in which the former shareholders of Sun Materials have controlling interests as at 31 December 2009 and 2010.

Pursuant to the agreement, 安炬 has to preserve the confidentiality of the Core Technology during the construction of the plant and machinery and subject to penalty for any late delivery of the plant and machinery. During the year ended 31 December 2010, a penalty of NT$11,733,000 was paid by 安炬 (see note 4).

13. RESTRICTED BANK DEPOSIT

The amount represents restricted bank deposit placed to secure the lease of certain land at No. 186-46, 186-47, 186-48, 186-49, 186-50, 186-51, 186-52, 186-53 of Ligong Road, Lizhe Industrial Centre, Yilan County, Taiwan (see note 22). The restricted bank deposit would be released after the sixth year of the lease term upon termination or cancellation of lease. The lease term of the land commenced in 2007, accordingly, the restricted bank deposit are classified as non-current asset as at 31 December 2008, 2009 and 2010 and 30 June 2011.

All the restricted bank deposit is denominated in NT$, the functional currency of Sun Materials.

The restricted bank deposit of Sun Materials carried interest at the following interest rate range:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
Interest rates per annum	1.65% – 2.04%	0.2% – 2.04%	0.2% – 1.175%	0.2% – 0.48%

14. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and repayable on demand.

15. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Prepayments	224	68	70	872
Rental deposits	18	8	8	8
Other tax receivables	3,005	31,704	23,544	1,953
Other receivables	3,497	–	–	–
	6,744	31,780	23,622	2,833
Other receivables and prepayments:				
Third parties	6,734	31,780	23,622	2,833
Related party – 鼎翰 (as defined in *note 25(i)*)	10	–	–	–
	6,744	31,780	23,622	2,833

16. BANK BALANCES AND CASH

As at 31 December 2008, 2009 and 2010 the bank balances of Sun Materials are all denominated in NT$, the functional currency of Sun Materials. As at 30 June 2011, other than bank balances of NT$32,655,000, which is denominated in United States Dollar ("**US$**"), all other bank balances are denominated in NT$.

The bank balances carried interest at the following interest rate range:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
Floating interest rates per annum	0.15% – 0.2%	0.13% – 0.15%	0.1% – 0.27%	0.13% – 0.16%
Fixed interest rates per annum	–	–	–	0.17% – 0.87%

17. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Accruals	71	466	815	4,923
Payables for acquisition of property, plant and equipment	1,386	18,246	47,750	58
Others	8	15	7	662
	1,465	18,727	48,572	5,643
Other payables and accruals:				
Third parties	1,465	18,727	822	5,643
Related party – 安炬	–	–	47,750	–
	1,465	18,727	48,572	5,643

18. AMOUNTS DUE TO FORMER SHAREHOLDERS

The amounts are unsecured, non-interest bearing and repayable on demand. It was capitalized as share capital in April 2009 (see note 21).

19. OTHER BORROWING

The amount represents loan of NT$300,000,000 from a former shareholder of Sun Materials which is unsecured, non-interest bearing and repayable within twelve months from 30 June 2011. The loan was fully settled as at the date of this report.

20. BANK BORROWINGS

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Analysed as:				
Secured	–	–	160,000	160,000
Unsecured	–	160,000	–	–
	–	160,000	160,000	160,000
The above amounts are repayable as follows:				
Within one year	–	160,000	–	6,061
Between one and two years	–	–	13,333	14,545
Between two and five years	–	–	43,636	43,636
Over five years	–	–	103,031	95,758
	–	160,000	160,000	160,000
Amount due within one year under current liabilities	–	(160,000)	–	(6,061)
Amount due after one year	–	–	160,000	153,939

The effective interest rates (which are also equal to contracted interest rate) of the bank borrowings are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
Variable-rate borrowings *(Note)*	–	P+0.87%	P+0.18% to P+1.3%	P+0.57% to P+1.3%

Note: P represents the local bank interest rate (當時定儲指數利率).

The bank borrowings at 31 December 2010 and 30 June 2011 were secured by the buildings of Sun Materials at carrying amount of NT$317,281,000 and NT$309,563,000 respectively as disclosed in notes 10 and 26.

21. SHARE CAPITAL

	Number of ordinary shares *'000*	Share capital *NT$'000*
Ordinary shares of NT$10 each		
Authorized:		
At 1 January 2008, 31 December 2008 and 2009	80,000	800,000
Increase	20,000	200,000
At 31 December 2010 and 30 June 2011	100,000	1,000,000
Issued and fully paid		
At 1 January 2008	15,001	150,013
Issue of shares *(note a)*	4,000	40,000
At 31 December 2008	19,001	190,013
Capitalization *(note b)*	13,800	138,000
Issued of shares *(note c)*	47,199	471,987
At 31 December 2009	80,000	800,000
Issue of shares *(note d)*	20,000	200,000
At 31 December 2010 and 30 June 2011	100,000	1,000,000

Notes:

(a) On 24 July 2008, Sun Materials issued 4,000,000 ordinary shares to certain then existing shareholders of Sun Materials for cash at NT$10 each.

(b) On 14 April 2009, the amounts due to former shareholders of NT$138,000,000 was capitalized as share capital with 13,800,000 ordinary shares issued to the then shareholders at NT$10 each.

(c) On 14 April 2009, Sun Materials issued 9,000,000 ordinary shares to certain existing shareholders of Sun Materials for cash at NT$10 each. On 5 August 2009, Sun Materials issued 38,198,700 ordinary shares to certain then existing shareholders of Sun Materials for cash at NT$10 each.

(d) On 6 April 2010, 20,000,000 ordinary shares were issued for cash at NT$10 each to Lution.

22. OPERATING LEASE ARRANGEMENTS

Sun Materials as lessee

Minimum lease payments paid under operating leases during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Office premises	1,844	1,665	227	483
Office equipments	68	68	68	18
Land	–	14,192	18,625	11,181
Motor vehicles	–	–	–	221
	1,912	15,925	18,920	11,903

Sun Materials had commitments for future minimum lease payments in relation to office premises, office equipment and motor vehicles under non-cancellable leases which fall due as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Within one year	1,308	278	36	6,103
In the second to fifth years inclusive	168	6	72	17,560
	1,476	284	108	23,663

Leases are negotiated for terms of one to three years and rentals are fixed during the lease period except for the operating lease commitments for the land are for non-cancellable terms of the first six years from year 2007.

Sun Materials and Economic Department of Taiwan entered into a lease agreement (the "**Land Lease Agreement**") regarding the land located at No. 186-46, 186-47, 186-48, 186-49, 186-50, 186-51, 186-52, 186-53 of Ligong Road, Lizhe Industrial Centre, Yilan County, Taiwan for 20 years lease period from 16 May 2007 to 15 May 2027.

Pursuant to the Land Lease Agreement, the first two years are rent-free. The rental after the second year is calculated by reference to an adjusted annual rental rate (the "**Adjusted Rent**") on a semi-annual basis. The adjusted annual rental is (i) adjusted twice every year in accordance with the long term loan interest rate published by the relevant government authority and (ii) adjusted annually in accordance with the consumer index published by relevant government authority.

For the third and fourth year of the lease term, the rental expense to be paid by Sun Materials is 60% of the Adjusted Rent for the third and fourth year.

For the fifth and sixth year of the lease term, the rental expense to be paid by Sun Materials is 80% of the Adjusted Rent for the fifth and sixth year.

Starting from the seventh year and until the termination of the lease, the rental expense to be paid by Sun Materials is 100% of the Adjusted Rent for the relevant years.

23. SHARE OPTIONS SCHEME

A share option scheme was adopted by Sun Materials pursuant to a resolution passed on 10 December 2007 (the "**2007 Scheme**"). Under the 2007 Scheme, the board of directors of Sun Materials may grant options to directors or any employees of Sun Materials.

The 2007 Scheme was set up for issue of share option with the primary purpose to attract, retain and motivate talented participants to strive for future developments and expansion of Sun Materials and to provide Sun Materials with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the participants.

Sun Materials has not recognized the expense for the Relevant Periods in relation to the share options granted as the directors consider the amount is not significant.

Details of the share options held by the employees and a director are as follows:

Exercise price	Outstanding at 1.1.2008	Forfeited during the year ended 31.12.2008	Outstanding at 31.12.2008, 2009 and 2010 and 30.6.2011
NT$11.5	700,000	(700,000)	–

24. RETIREMENT BENEFIT PLANS

The employees employed in the Taiwan are members of the state-managed retirement benefit scheme operated by the Taiwan government. Sun Materials is required to contribute certain percentage of the employees' payroll to the retirement benefit scheme to fund the benefits. The only obligation of Sun Materials with respect to the retirement benefit schemes is to make the required contributions under the scheme.

25. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the Relevant Periods, Sun Materials entered into the following transactions with related parties:

Name of related party	Nature of transactions	Year ended 31 December 2008	2009	2010	Six months ended 30 June 2010	2011
		NT$'000	*NT$'000*	*NT$'000*	*NT$'000* (Unaudited)	*NT$'000*
Lution	Rental income	–	–	36	18	–
台灣半導體股份有限公司 ("台半") Taiwan Semiconductor Company Limited *(note a)*	Rental expenses under operating leases	1,680	–	–	–	–
鼎翰科技股份有限公司 ("鼎翰") (TSC Auto ID Technology Co. Ltd) *(note b)*	Rental expenses under operating leases	60	15	–	–	–
安炬	Rental expenses under operating leases	100	1,200	100	100	–
	Compensation income for late delivery of machinery	–	–	11,733	11,428	–
	Purchase of machinery	–	–	–	47,750	455,000

Notes:

a. 台半 was a shareholder of Sun Materials since incorporation and ceased as a shareholder on 17 July 2009.

b. The company is a subsidiary of 台半.

Details of operating lease commitments under rental agreements with related parties are set out in note 22.

(ii) Related party balances

Other than the amount due from immediate holding company and amounts due to former shareholders as disclosed in notes 14 and 18 respectively. Sun Materials had the following balances with related parties:

Name of related party	Nature of transactions/balances	As at 31 December 2008	2009	2010	As at 30 June 2011
		NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
鼎翰	Rental deposit	10	–	–	–
安炬	Deposit paid for acquisition of property, plant and equipment	–	342,857	455,000	–
	Payable for acquisition of property, plant and equipment	–	–	47,750	–

(iii) Compensation of key management personnel

No emolument has been paid to the directors who are also identified as members of key management of Sun Materials during the Relevant Periods as set out in notes 6 and 8.

26. PLEDGE OF ASSETS

As at 31 December 2010 and 30 June 2011, Sun Materials pledged its building of the following carrying value to a bank to secure the bank borrowings. In additions, as required by a local government, Sun Materials had pledged its fixed deposit to secure the obligation under operating lease for certain land at the end of each reporting period.

	As at 31 December 2008	2009	2010	As at 30 June 2011
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Restricted bank deposit	20,581	21,009	21,009	21,009
Buildings	–	–	317,281	309,563
	20,581	21,009	338,290	330,572

27. CAPITAL RISK MANAGEMENT

Sun Materials manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. Sun Materials' overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Sun Materials consists cash and cash equivalent, borrowings and reserves comprising issued share capital, share premium and accumulated losses.

The directors of Sun Materials review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on recommendations of the directors, Sun Materials will balance its overall capital structure through raising of new capital and the issue and redemption of debt.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	139,071	106,691	132,888	363,490
Financial liabilities				
Amortized cost	139,394	178,261	207,757	460,720

(b) Financial risk management objectives and policies

Sun Materials' major financial instruments include amount due from immediate holding company, rental deposits, restricted bank deposit, other receivables, bank balances and cash, other payables, amounts due to former shareholders, other borrowing and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate credit risks, liquidity risks and market risks are set out below. The directors of Sun Materials manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

There has been no change to Sun Materials' exposure to interest rate risk or the manner in which it manages and measures the risk throughout the Relevant Periods.

Sun Materials is exposed to fair value interest rate risk in relation to fixed rate bank deposits.

Sun Materials' cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the bank borrowings, restricted bank deposit and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings, restricted bank deposits and bank balances at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period was outstanding for the whole year/period. A 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of each reporting period, if interest rates had been 10 basis points higher/lower and all other variables were held constant, the potential effect on loss for the year/period is as follows:

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
10 basis points higher:				
(Decrease) increase in loss for the year/period	(135)	53	28	(1)
10 basis points lower:				
(Increase) decrease in loss for the year/period	135	(53)	(28)	1

Currency risk

Sun Materials' foreign currency risk is limited to bank balances denominated in currency other than the functional currency of Sun Materials. Sun Materials currently does not have a foreign currency hedging policy. However, the management of Sun Materials monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 30 June 2011, the carrying amount of Sun Materials' foreign currency denominated monetary assets is NT$32,655,000, which represents the US$ denominated bank balances.

Sensitivity analysis

5% is the sensitivity rate used which represents Sun Materials' management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency exchange rates.

As at 30 June 2011, if the US$ strengthen/weaken against NT$, with all other variables were held constant, the loss for the six months ended 30 June 2011 would be decreased/increased by approximately NT$1,633,000.

Credit risk

At the end of each reporting period, Sun Materials' maximum exposure to credit risk which will cause a financial loss to it due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position.

In order to minimize the credit risk, the directors of Sun Materials reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Sun Materials has concentration of credit risk by geographical location mainly in Taiwan. Sun Materials has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

Sun Materials is exposed to liquidity risk of being unable to finance its future working capital and financial obligations when they fall due upon the commencement of full commercial production. In managing the liquidity risk, the directors of Sun Materials monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Sun Material's operation and mitigate the effects of fluctuations in cash flows.

In the opinion of the directors, Sun Materials will be able to mitigate its liquidity risk through the above measures.

The following tables detail remaining contractual maturity of Sun Materials for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Sun Materials can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month or on demand and total undiscounted cash flows	Carrying amount
	%	*NT$'000*	*NT$'000*
At 31 December 2008			
Other payables	–	1,394	1,394
Amounts due to former shareholders	–	138,000	138,000
		139,394	139,394

	Weighted average effective interest rate	Less than 1 month or on demand	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
At 31 December 2009								
Other payables	–	18,261	–	–	–	–	18,261	18,261
Bank borrowings	1.98	–	–	161,584	–	–	161,584	160,000
		18,261	–	161,584	–	–	179,845	178,261

	Weighted average effective interest rate	Less than 1 month or on demand	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
At 31 December 2010								
Other payables	–	47,757	–	–	–	–	47,757	47,757
Bank borrowings	1.6	–	–	–	65,249	108,937	174,186	160,000
		47,757	–	–	65,249	108,937	221,943	207,757

	Weighted average effective interest rate	Less than 1 month or on demand	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
At 30 June 2011								
Other payables	–	513	207	–	–	–	720	720
Other borrowing	–	–	250,000	50,000	–	–	300,000	300,000
Bank borrowings	1.72	–	–	7,111	66,211	100,865	174,187	160,000
		513	250,207	57,111	66,211	100,865	474,907	460,720

(c) Fair value

The fair value of financial assets and financial liabilities of Sun Materials are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of Sun Materials consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the statements of financial position approximate their fair values.

29. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2009, the amounts due to former shareholders of NT$138,000,000 was capitalized as share capital with 13,800,000 ordinary shares issued to the then shareholders at NT$10 each.

B. DIRECTORS' REMUNERATION

No remuneration was paid or is payable by Sun Materials to its directors during the Relevant Periods.

C. SUBSEQUENT EVENT

No significant event took place subsequent to 30 June 2011.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Sun Materials have been prepared in respect of any period subsequent to 30 June 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
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ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF MASCOTTE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Mascotte Holdings 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 very substantial acquisition relating to the acquisition of an additional 49.9% of the issued share capital of Sun Mass Energy Limited ("**Sun Mass**") (the "**Acquisition**") might have affected the financial information presented, for inclusion in Appendix III to the circular of the Company dated 19 December 2011 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out in Section A of Appendix III to the Circular.

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 in accordance with our agreed terms of engagement. 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 for Qualified 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.

Except as described in the paragraph below, 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.

Included in the unaudited pro forma consolidated statement of financial position is an intangible asset with a deemed cost of approximately HK$3,109,319,000 which represents certain technology for manufacturing of solar grade polycrystalline silicon which is not yet available for use (the "**Core Technology**") that was acquired by the Group through the acquisition of 50.1% equity interest in Sun Mass on 15 July 2011 and the Acquisition. According to the Group's accounting policy, which conforms with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**"), intangible asset that are not yet available for use are tested for impairment, irrespective of whether there is any indication of impairment. An impairment loss is recognized when the recoverable amount of the asset is lower than its carrying amount. As set out in note 2 to the unaudited pro forma financial information, since the recoverability of the carrying amount of the Core Technology depends upon the results of commercial production and successful establishment of additional production plants in Taiwan, which is uncertain until successful launch of the product by using the Core Technology, the directors of the Company are unable to prepare an estimate of the future cash flows the Group expects to derive from the Core Technology for the calculation of the recoverable amount of the Core Technology and assess whether an impairment loss would need to be recognized in respect of the Core Technology. We are therefore unable to obtain the information and explanations we consider necessary to assess (i) the recoverable amount of the Core Technology and (ii) whether the Core Technology is fairly stated in the unaudited pro forma financial information at HK$3,109,319,000 and is not subject to any impairment in accordance with the requirements of HKAS 36. If the deemed cost of the Core Technology is higher than its recoverable amount, an adjustment would be required in the unaudited pro forma statement of financial position and the unaudited pro forma statement of comprehensive income to reflect the effect of the impairment loss.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments 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 30 September 2011 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2010 or any future period.

Qualified 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, except for the failure to carry out the impairment test in accordance with HKAS 36 in respect of the Core Technology, is consistent with the accounting policies of the Group so far as such policies related to the transactions; and

(c) the adjustments, except for the possible effects that may result from the failure to carry out the impairment test in accordance with HKAS 36 in respect of the Core Technology, 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

19 December 2011

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

On 31 December 2010, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement of the Initial Acquisition**") to acquire 50.1% equity interest in the Target, which has acquired 100% interest in Lution on 25 January 2011, whose principal asset is 100% equity interest in Sun Materials. The consideration for the Initial Acquisition is US$150,000,000 (approximately HK$1,170,000,000) which was paid in cash by the Company on completion.

Among others, the Sale and Purchase Agreement of the Initial Acquisition is conditional upon the completion of acquisition of Lution by the Target ("**Reorganization**") and the Company successfully raising funds from a proposed placing of new shares of the Company and the Convertible Bonds. The Reorganization was completed on 25 January 2011. The Company has entered into a placing agreement on 17 January 2011 and supplemental agreements on 11 February 2011, 30 March 2011 and 28 June 2011 respectively (collectively known as "**Placing Agreements**") for the placing of new shares of the Company and the Convertible Bonds. The placing of new shares and the issuance of the Convertible Bonds (the "**Placing**") were completed on 14 July 2011 with the issuance of 2.2 billion new shares of the Company for a gross proceed of HK$0.88 billion and the Convertible Bonds with aggregate principal amount of HK$1.45 billion. The Initial Acquisition was completed on 15 July 2011.

On 12 September 2011, the Company entered into a sale and purchase agreement to acquire the remaining 49.9% interest in the Target for a consideration of HK$2,500,000,000 (the "**Acquisition**") (the "**Sales and Purchase Agreement of the Acquisition**"). The aggregate consideration for the Acquisition is HK$2,500,000,000, comprising (i) HK$750,000,000 cash; and (ii) HK$1,750,000,000 by the issue of the Consideration Bonds to the Seller. Upon the completion of the Acquisition, the Target will become a wholly-owned subsidiary of the Company.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on unaudited condensed consolidated statement of financial position of the Group as at 30 September 2011, as extracted from the interim report of the Company for the six months ended 30 September 2011 after making pro forma adjustments related to the Acquisition, as if the Acquisition was completed on 30 September 2011.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flow of the Enlarged Group are prepared based on the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group prepared for the Initial Acquisition, as extracted from the Company's circular issued on 20 May 2011, after making pro forma adjustments related to the Acquisition, as if the Acquisition was completed at the beginning of the period, i.e. 1 April 2009.

A narrative description of the pro forma adjustments of the Acquisition, that are (i) directly attributable to the transaction; (ii) factually supportable; and (iii) expected to have a continuing effect on the Group, is summarized in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to describe the actual results of operations, financial position and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on the dates indicated herein. Furthermore, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future results of operations, financial position or cash flows.

The Acquisition is to be accounted for in the unaudited pro forma financial information as acquisition of assets and liabilities as the companies proposed to be acquired have not carried out business activities and do not constitute a business under Hong Kong Financial Reporting Standard 3 "Business Combinations". The principal assets of the companies to be acquired are the production facilities and the intangible asset. Intangible asset represents certain technology for manufacturing of solar grade polycrystalline silicon which is not yet available for use (the "**Core Technology**").

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as if the Acquisition had been completed on 30 September 2011

	The Group as at 30.9.2011	Pro forma adjustments for the Acquisition		Unaudited pro forma Enlarged Group at the completion of the Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(note 1)*	*(note 2)*	
Non-current assets				
Investment properties	23,120			23,120
Property, plant and equipment	309,750			309,750
Prepaid lease payments	3,797			3,797
Intangible asset	2,128,495		980,824	3,109,319
Deposits paid for property, plant and equipment	9,521			9,521
Restricted bank deposits	13,145			13,145
Rental deposit	517			517
Available-for-sale financial assets	81,000			81,000
	2,569,345			3,550,169
Current assets				
Financial assets at fair value through profit or loss				
Investments held for trading – securities listed in Hong Kong	426,555			426,555
Investments designated as fair value through profit or loss upon initial recognition	60,227			60,227
Inventories	11,761			11,761
Prepaid lease payments	681			681
Trade receivables	41,299			41,299
Loans and interest receivables	121,180			121,180
Other receivables, deposits and prepayments	9,219			9,219
Tax recoverable	144			144
Bank balances and cash	702,538	(6,000)	(696,538)	–
	1,373,604			671,066
Current liabilities				
Trade and bills payables	14,486			14,486
Other payables, deposits received and accrued charges	49,800		53,462	103,262
Tax payable	17,714			17,714
Margin facilities utilized	504			504
Bank borrowings	2,475			2,475
	84,979			138,441
Net current assets	1,288,625			532,625
Total assets less current liabilities	3,857,970			4,082,794

	The Group as at 30.9.2011	Pro forma adjustments for the Acquisition		Unaudited pro forma Enlarged Group at the completion of the Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(note 1)*	*(note 2)*	
Capital and reserves				
Share capital	456,678			456,678
Reserves	1,091,465	(6,000)		1,085,465
Equity attributable to owners of the Company	1,548,143			1,542,143
Non-controlling interests	1,156,937		(1,151,670)	5,267
Total Equity	2,705,080			1,547,410
Non-current liabilities				
Convertible loan notes	1,053,411			1,053,411
Deferred tax liabilities	61,122			61,122
Consideration Bonds	–		1,382,494	1,382,494
Bank borrowings	38,357			38,357
	1,152,890			2,535,384
	3,857,970			4,082,794

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the year ended 31 March 2010 as if the Acquisition had been completed on 1 April 2009

	Unaudited pro forma Enlarged Group at the Completion of the Initial Acquisition for the year ended 31.3.2010	Pro forma adjustments for the Acquisition			Unaudited pro forma Enlarged Group at the completion of the Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 1)	*(note 3)*	*(note 4)*	
Turnover	241,871				241,871
Cost of Sales	(104,084)				(104,084)
Gross Profit	137,787				137,787
Other Income	4,319				4,319
Net unrealized holding gain on financial assets designated as at fair value through profit or loss	18,087				18,087
Impairment loss on assets held for sale	(48,742)				(48,742)
Selling and distribution costs	(7,737)				(7,737)
Administrative expenses	(79,518)				(79,518)
Reversal of impairment allowance for loans and interest receivable	80,000				80,000
Gain on fair value changes on investment properties	1,711				1,711
Other expenses	(48,296)	(6,000)			(54,296)
Finance costs	(231,619)			(214,287)	(445,906)
Loss before taxation	(174,008)				(394,295)
Income tax expense	36,448				36,448
Loss and total comprehensive expense for the year	(137,560)				(357,847)
Total comprehensive expense attributable to:					
Owners of the Company	(127,975)	(6,000)	(9,804)	(214,287)	(358,066)
Non-controlling interests	(9,585)		9,804		219
	(137,560)				(357,847)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 March 2010 as if the Acquisition had been completed on 1 April 2009

	Unaudited pro forma Enlarged Group at the Completion of the Initial Acquisition for the year ended 31.3.2010	Pro forma adjustments for the Acquisition			Unaudited pro forma Enlarged Group at the completion of the Acquisition
	HK$'000	*HK$'000* *(note 1)*	*HK$'000* *(note 2)*	*HK$'000* *(note 4)*	*HK$'000*
OPERATING ACTIVITIES					
Loss before taxation	(174,008)	(6,000)		(214,287)	(394,295)
Adjustments for:					
Bank interest income	(118)				(118)
Interest income from loan receivables	(3,417)				(3,417)
Dividend income from listed investments	(1,363)				(1,363)
Amortization of intangible asset	2,054				2,054
Interest expenses	231,619			214,287	445,906
Reversal of impairment loss for loans and interest receivables	(80,000)				(80,000)
Impairment loss on assets held for sales	48,742				48,742
Release of prepaid lease payments	665				665
Depreciation of property, plant and equipment	10,820				10,820
Loss on disposal of property, plant and equipment	33				33
Net unrealized holding gain on financial assets designated as at fair value through profit or loss	(18,087)				(18,087)
Equity-settled share-based payment	12,199				12,199
Gain on fair value changes on investment properties	(1,711)				(1,711)
Operating cash flows before movements in working capital	27,428				21,428
Financial assets designated as at fair value through profit or loss	(186,985)				(186,985)
Increase in inventories	(3,141)				(3,141)
Decrease in trade and bills receivables	4,100				4,100
Decrease in loans and interests receivables	123,071				123,071
Decrease in other receivables and prepayments	3,511				3,511
Increase in trade payables	1,779				1,779
Increase in other payables and accrued charges	15,449				15,449
NET CASH USED IN OPERATING ACTIVITIES	(14,788)				(20,788)
Interest received from loans receivable	4,052				4,052
Dividend received from listed investments	1,363				1,363
Tax refunded	146				146
NET CASH USED IN OPERATING ACTIVITIES	(9,227)				(15,227)

	Unaudited pro forma Enlarged Group at the Completion of the Initial Acquisition for the year ended 31.3.2010	Pro forma adjustments for the Acquisition			Unaudited pro forma Enlarged Group at the completion of the Acquisition
	HK$'000	*HK$'000* *(note 1)*	*HK$'000* *(note 2)*	*HK$'000* *(note 4)*	*HK$'000*
INVESTING ACTIVITIES					
Addition of property, plant and equipment	(16,675)				(16,675)
Acquisition of assets	(1,136,936)		(696,538)		(1,833,474)
Deposits paid for acquisition of property, plant and equipment	(31,998)				(31,998)
Investment in subsidiary	(55,000)				(55,000)
Advance to holding company	(275)				(275)
Proceeds from disposal of property, plant and equipment	10				10
Addition of available-for-sale financial assets	(25,000)				(25,000)
Interest received	118				118
NET CASH USED IN INVESTING ACTIVITIES	(1,265,756)				(1,962,294)
FINANCING ACTIVITIES					
Proceeds from issue of new shares upon exercise of share options	44,148				44,148
Proceeds from issue of new shares and convertible bonds	4,000,000				4,000,000
Transaction costs on issue of new shares and convertible bonds	(125,000)				(125,000)
Interest paid	(75,177)			(43,750)	(118,927)
New bank borrowings raised	44,000				44,000
Issue of new shares	110,000				110,000
Repayment of bank borrowings	(44,000)				(44,000)
Advanced from a subsidiary	275				275
Repayment in amounts due to shareholders	(9,562)				(9,562)
NET CASH FROM FINANCING ACTIVITIES	3,944,684				3,900,934
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,669,701				1,923,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	33,228				33,228
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	2,702,929				1,956,641

Notes:

1. The estimated professional fee attributable to the Acquisition is HK$6,000,000, assuming the Acquisition had been completed on 1 April 2009 for the purpose of the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows. For the purpose of the unaudited pro forma consolidated statement of financial position, the Acquisition is assumed to be completed on 30 September 2011.

2. According to the Sale and Purchase Agreement of the Acquisition, the consideration amounting to HK$2,500,000,000 will be settled by cash of HK$750,000,000 and the issuance of the Consideration Bonds with principal amount of HK$1,750,000,000.

   The Acquisition is to be accounted for as acquisition of assets and liabilities. Any difference between the non-controlling interests and the fair value of the consideration paid is adjusted to intangible asset. For the purpose of unaudited pro forma financial information, the management estimates the fair value of the Consideration Bonds as HK$1,382,494,000, based on the repayment period of 2 years and market interest rate of 15.5% per annum.

	HK$'000
Consideration settled by cash	696,538
Consideration settled by cash, but included in other payable *(note)*	53,462
	750,000
Fair value of the Consideration Bonds	1,382,494
Total fair value of the consideration for acquisition of 49.9% interest in the Target	2,132,494
Non-controlling interests of the Target as at 30 September 2011	1,151,670
Amount adjusted to intangible asset	980,824

Note: At 30 September 2011, the Group does not have sufficient cash to settle the cash consideration of HK$750,000,000. The Group proposes to fund the cash consideration from its available cash and the proceeds from the sale of certain liquid securities currently held by the Group without the requirement for external financing. For the purpose of unaudited pro forma consolidated statement of financial position, the shortage of cash of HK$53,462,000 is recorded in other payable.

The intangible asset of HK$3,109,319,000 will be re-assessed as at the completion date of the Acquisition and is therefore subject to change.

For the purpose of preparing the unaudited pro forma financial information, the directors of the Company have assessed whether the intangible asset of HK$3,109,319,000 upon the completion of the Acquisitions which is not yet available for use may be impaired and whenever there is an indication that they may be impaired as of 30 September 2011 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". The directors concluded that because the recoverability of the carrying amount of the intangible asset depends upon the results of commercial production and successful establishment of additional production plants in Taiwan, which is uncertain until successful launch of the product by using the Core Technology, the directors are unable to prepare an estimate of the future cash flows the Group expects to derive from the intangible asset for the calculation of the recoverable amount of the intangible asset and assess whether an impairment loss need to be recognized in respect of the intangible asset.

Upon commencement of the commercial production and successful launch of the product, the directors will be able to prepare an estimate of the future cash flows the Group expects to derive from the intangible asset in subsequent reporting periods for the purpose of determining the recoverable amount of the intangible asset.

3. This adjustment represents the non-controlling interest of 49.9% in the Target Group's loss of HK$9,804,000 for the year ended 31 March 2010, assuming the Acquisition had been completed on 1 April 2009. The amount adjusted of HK$9,804,000 is extracted from the unaudited pro forma financial information for the Initial Acquisition as included in the Company's circular dated 20 May 2011.

4. This adjustment represents the imputed interests on the Consideration Bonds of HK$214,287,000 and the cash outflow from interest payment to the Seller of HK$43,750,000 for the year ended 31 March 2010, assuming the Acquisition has been completed on 1 April 2009. Imputed interests on the Consideration Bonds are calculated based on the repayment period of 2 years and market interest rate of 15.5% per annum, whereas the cash outflow from interest payment to the Seller is calculated as the coupon interest rate of the Consideration Bonds, i.e. 2.5% per annum.

The following discussion is based on the Group's and each Target Group Company's historical results, respectively.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following is a summary of the unaudited interim results of the Group for the six months ended and as at 30 September 2011 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Six months ended 30 September 2011 (unaudited) *HK$'000*	2010 (unaudited) *HK$'000*
Turnover	57,128	75,951
Cost of sales	(63,555)	(75,560)
Gross (loss) profit	(6,427)	391
Other income	10,064	1,510
Selling and distribution costs	(3,920)	(5,470)
Administrative expenses	(51,386)	(27,343)
Other expenses for acquisition of assets	(14,206)	–
Net unrealized holding loss for investments held for trading	(218,200)	(87,629)
Net unrealized holding (loss) gain for investments designated as fair value through profit or loss upon initial recognition	(27,553)	14,219
Finance costs	(37,033)	–
Loss before taxation	(348,661)	(104,322)
Income tax expense	(2,062)	(2,934)
Loss for the period	(350,723)	(107,256)
Other comprehensive (expense) income:		
Exchange differences on translating foreign operations	(14,575)	273
Total comprehensive expense for the period	(365,298)	(106,983)
Loss for the period attributable to:		
Owners of the Company	(345,763)	(107,440)
Non-controlling interests	(4,960)	184
	(350,723)	(107,256)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(352,589)	(107,206)
Non-controlling interests	(12,709)	223
	(365,298)	(106,983)
Basic loss per share	HK$10.58 cents	HK$6.26 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	30 September 2011 (unaudited) *HK$'000*	31 March 2011 (audited) *HK$'000*
Non-current assets		
Investment properties	23,120	22,150
Property, plant and equipment	309,750	4,795
Prepaid lease payments	3,797	4,068
Intangible asset	2,128,495	–
Deposits paid for acquisition of property, plant and equipment	9,521	–
Restricted bank balance	13,145	–
Rental deposit	517	–
Available-for-sale financial assets	81,000	81,000
	2,569,345	112,013
Current assets		
Financial assets at fair value through profit or loss		
Investments held for trading – securities listed in Hong Kong	426,555	484,825
Investments designated as fair value through profit or loss upon initial recognition	60,227	61,180
Inventories	11,761	11,804
Prepaid lease payments	681	669
Trade receivables	41,299	36,825
Loans and interest receivables	121,180	30,978
Other receivables, deposits and prepayments	9,219	54,944
Tax recoverable	144	144
Bank balances and cash	702,538	16,805
	1,373,604	698,174

	30 September 2011 (unaudited) *HK$'000*	31 March 2011 (audited) *HK$'000*
Current liabilities		
Trade and bills payables	14,486	11,589
Other payables and accrued charges	49,800	25,516
Tax payable	17,714	14,951
Margin facilities utilized	504	526
Bank borrowings	2,475	–
	84,979	52,582
Net current assets	1,288,625	645,592
Total assets less current liabilities	3,857,970	757,605
Capital and reserves		
Share capital	456,678	230,478
Reserves	1,091,465	522,176
Equity attributable to owners of the Company	1,548,143	752,654
Non-controlling interests	1,156,937	4,316
Total equity	2,705,080	756,970
Non-current liabilities		
Convertible notes	1,053,411	–
Deferred tax liabilities	61,122	635
Bank borrowings	38,357	–
	1,152,890	635
	3,857,970	757,605

The following is a summary of the assets and liabilities and results of the Group as at and for each of the three years ended 31 March 2011 as extracted from the annual reports of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March		
	2011	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	103,373	241,871	134,872
Cost of sales	(142,551)	(104,084)	(143,514)
Gross profit (loss)	(39,178)	137,787	(8,642)
Other income	4,750	850	44,290
Net unrealized holding gain (loss) on financial assets at fair value through profit or loss	(91,629)	18,087	(139,008)
Impairment loss on assets held for sale	–	(48,742)	–
Selling and distribution costs	(8,246)	(7,737)	(8,742)
Administrative expenses	(107,297)	(71,444)	(49,547)
Reversal of impairment loss (Impairment loss) for loan and interest receivables	–	80,000	(182,500)
Gain/(loss) on fair value changes on investment properties	1,008	1,711	360
Finance costs	(401)	(5)	(43)
Profit (Loss) before taxation	(240,993)	110,507	(343,832)
Income tax expense	(3,320)	(1,657)	(1,458)
Profit (Loss) for the year	(244,313)	108,850	(345,290)
Other comprehensive income			
Exchange differences on translating foreign operations	1,150	–	3,200
Total comprehensive income (loss) for the year	(243,163)	108,850	(342,090)
Profit (loss) attributable to:			
Owners of the parent	(244,800)	108,631	(345,273)
Non-controlling interests	487	219	(17)
	(244,313)	108,850	(345,290)
Total comprehensive income (loss) attributable to:			
Owners of the parent	(243,815)	108,631	(342,135)
Non-controlling interests	652	219	45
	(243,163)	108,850	(342,090)

ASSETS AND LIABILITIES

	As at 31 March		
	2011	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment properties	22,150	20,350	18,639
Property, plant and equipment	4,795	5,050	5,948
Prepaid lease payments	4,068	4,703	5,368
Goodwill	–	–	–
Available-for-sale financial assets	81,000	45,000	20,000
Loan and interest receivables	–	11,929	–
	112,013	87,032	49,955
Current assets			
Financial assets at fair value through profit or loss	546,005	357,648	152,576
Inventories	11,804	8,727	5,586
Prepaid lease payments	669	665	665
Trade and bills receivables	36,825	20,258	24,358
Loan and interest receivables	30,978	50,285	105,920
Other receivables and prepayments	54,944	19,513	20,782
Income tax recoverable	144	–	–
Bank balances and cash	16,805	75,720	33,228
	698,174	532,816	343,115
Assets classified as held for sale*	–	79,242	–
	698,174	612,058	343,115
Current liabilities			
Trade payables	11,589	9,327	7,548
Other payables and accrued charges	25,516	22,161	14,962
Margin facilities utilized	526	–	–
Income tax payable	14,951	12,642	10,839
	52,582	44,130	33,349
Liabilities directly associated with assets classified as held for sale	–	42	–
	52,582	44,172	33,349
Net current assets	645,592	567,886	309,766
Total assets less current liabilities	757,605	654,918	359,721

	As at 31 March		
	2011	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Deferred tax liabilities	635	–	–
Net assets	756,970	654,918	359,721
Capital and reserves			
Share capital	230,478	59,052	28,592
Reserves	522,176	592,202	327,684
Equity attributable to owners of the parent	752,654	651,254	356,276
Non-controlling interests	4,316	3,664	3,445
Total equity	756,970	654,918	359,721

* the assets classified as held for sales are the intangible assets in the form of the rights to (i) obtain the 50% of forestry land use rights and forestry tress entitlement of three forestry sits in Simao District, Puer City, Yunnan Province, the PRC and (ii) share 50% of the distributable profits from these forests.

a) Management discussion and analysis for the six months ended 30 September 2011

Set out below is the management discussion and analysis on the interim results of the Group for the six months ended 30 September 2011.

"Business Review

The Group was primarily engaged in the business of manufacturing solar grade polycrystalline silicon in Taiwan, investment and trading of securities, provision of finance; property investment and manufacturing of accessories for photographic and multimedia products.

During the six months ended 30 September 2011 (the "Period"), the Group has completed the acquisition of 50.1% interest in Sun Mass Energy Limited ("Sun Mass"). Sun Mass and its subsidiary (Sun Materials Technology Co., Ltd ("Sun Materials")) then became non-wholly owned subsidiaries of the Company with effect from 15 July 2011. Sun Materials was then in the position to commence limited scale commercial production, but the decision was taken to delay the production in order that further enhancements to the manufacturing process can be made so as to decrease the manufacturing costs and increase the efficiency. Accordingly, commencement of commercial production has been re-scheduled to accommodate the latest enhancement and no revenue from the polycrystalline silicon business has been derived in the Period.

In view of the adverse conditions of the financial markets; the Group aims to diversify its investments and has been closely monitoring and aiming to diversify its investment portfolio. During the Period under review, there was no material change in the Group's investment portfolio; however, the market's volatility and downfall has a significant adverse impact on the value of investments. On the other hand, for money lending business, as all loans receivable and interest were duly settled on time, no provision for non-recovery was considered necessary or made during the Period. The manufacturing of accessories for photographic and multimedia products experienced no material change in its customer base and product mix.

Furthermore, the Group has purchased a commercial property which is located at Hong Kong. The transaction was completed during the period. The commercial property is now under renovation and will be used by the Company.

During the Period, the Group has made charitable donations of approximately HK$2.6 million.

Financial Review

The Group's turnover decreased by 24.9% to HK$57.1 million compared to HK$76.0 million for the same period in 2010. It was mainly due to increase in loss on trading of investments and decrease in revenue from manufacture and sales of accessories.

During the Period under review, interest income from provision of finance significantly increased by 2.5 times to HK$12.6 million from HK$3.6 million for the comparison period in

2010, it was mainly due to increase in number of customers. The Group recorded a net loss from trading of securities of HK$45.3 million, 42.5% higher than HK$31.8 million for the same period in 2010, it was mainly due to the adverse change in financial market during the Period. Income from manufacture and sales of accessories was decreased by 13.8% to HK$89.2 million from HK$103.5 million for the comparison period in 2010. Income from investment property increased by 16.7% to HK$0.7 million from HK$0.6 million. No income posted from polycrystalline silicon segment.

The Group's gross loss during the Period was HK$6.4 million (2010: gross profit of HK$0.4 million), representing an increase of 17.0 times as compared to the same period in 2010. It was mainly due to the increase in loss on trading of investments.

The Group posted an unrealized loss of financial assets at fair value through profit or loss of HK$245.8 million (2010: a net loss of HK$73.4 million).

Administrative expenses increased to HK$51.4 million from HK$27.3 million, representing an increase of 88.3% as compared to the same period in 2010, which was mainly due to the increase in costs for corporate exercises (including expenses for acquisition of assets) and consolidation of the newly acquired assets.

During the Period, the Group recorded a finance cost of HK$37.0 million (2010: Nil). The increase was primarily due to amortization of interest expense of convertible notes which was approximately HK$36.6 million.

The net loss attributable to shareholders of the Company was HK$345.8 million (2010: a net loss of HK$107.4 million). It was mainly due to increase in realized and unrealized losses of investments held for trading.

Prospects

The Group will monitor the macro-economic environment while keeping its pace on business development. The Group has also implemented a diversification strategy aimed at identifying suitable investment opportunities and wishes to expand its involvement in the renewable energy market.

On 4 October 2011, the Company announced, among other things, it had entered into the Sales and Purchase Agreement to acquire the remaining interest of 49.9% of Sun Mass (the "Acquisition"). While the Acquisition is still in progress, the Company are of the view that upon the completion of the Acquisition, the Group will benefit from the full integration of Sun Materials when it becomes a wholly owned subsidiary.

The Group is optimistic about the future development of Sun Materials in the green energy industry; and will be substantially engaged in manufacturing and trading of polycrystalline silicon. The Group believes that prospect of this new business is positive.

Liquidity and Capital Resources

The Group primarily financed its operations with its internally generated cash flows and by its shareholder's equity. On 14 July 2011, the Company completed a placing of new ordinary shares and convertible bonds with aggregated proceeds of HK$2,330.0 million in which HK$880.0 million was raised from placing of 2,200,000,000 new ordinary shares.

At 30 September 2011, net current assets of the Group amounted to HK$1,288.6 million (As at 31 March 2011: HK$645.6 million) with bank balances and cash of HK$702.5 million (As at 31 March 2011: HK$16.8 million).

The Group had secured bank borrowings of approximately HK$40.8 million (NT$160 million) (As at 31 March 2011: Nil) which was denominated in new Taiwan Dollars. Gearing ratio calculated on the basis of the Group's total debts (interest-bearing bank and other borrowings plus convertible notes) over shareholders' funds was 70.7% (As at 31 March 2011: 0.1%). The bank borrowings carried floating interest rate calculated by reference to Taiwan's local bank loan rate. As the amount of bank borrowings is not material, thus it has been considered no material exposure in currency risk.

Interim Dividend

The Board do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

Charge of Assets

At 30 September 2011, margin facilities of HK$185.8 million (As at 31 March 2011: HK$234.2 million) from three regulated securities brokers were granted to the Group under which financial assets at fair value through profit or loss of HK$426.6 million (As at 31 March 2011: HK$484.8 million) were treated as collateral for the facilities granted. Aggregated of HK$0.5 million (As at 31 March 2011: HK$0.5 million) facilities were utilized and the carrying amount of the financial assets at fair value through profit or loss charged under the utilized facilities to a securities broker is HK$26.5 million (As at 31 March 2011: HK$28.6 million).

Furthermore, the Group has an outstanding bank borrowings amounted to approximately HK$40.8 million (NT$160 million) which was secured by buildings with a carrying amount of approximately HK$79.2 million (NT$310.3 million) as at 30 September 2011. The buildings are located at Taiwan.

Contingent Liabilities

The Company and the Group had not provided corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 30 September 2011 (As at 31 March 2011: Nil).

Currency Risk Management

The majority of the Group's assets are held in Hong Kong Dollars with no material foreign exchange exposure. The Group's manufacturing business has its overseas market, which alone accounts for around HK$36.9 million of the Group's sales turnover. Furthermore, the Group also engaged in polycrystalline silicon business in Taiwan, United Stated Dollar ("US$") will be expected to be the functional currency, no income is yet to be recorded during the Period. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US$ quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development. During the Period, the directors are of the view that the Group's exposure to exchange rate risk is not material, and will continue to monitor it.

Employees and Remuneration Policy

As at 30 September 2011, the Group employed approximately 617 employees, around 81.4% and 10.9% of them were employed in the People's Republic of China for the manufacturing business and in Taiwan for the manufacturing and trading of polycrystalline silicon respectively. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme.

Share Option Scheme

No share option has been granted and exercised during the Period. As of 1 April 2011 and 30 September 2011, there are outstanding share options issued pursuant to the Share Option Scheme which entitle the holders thereof to subscribe for 625,000 shares.

Staff Costs Incurred

Total staff costs for the six months ended 30 September 2011, including director's emoluments, amount to HK$19.3 million.

Significant Investments Held

As at 30 September 2011, significant investments of the Group included listed investments held for trading which amounted to HK$426.6 million.

Material Acquisitions and Disposal of Subsidiaries

During the six months ended 30 September 2011, the Group acquired the 50.1% interest in Sun Mass (which then become a non-wholly owned subsidiary of the Company) at a consideration of HK$1,170 million (USD150 million) which was fully settled by cash.

No material disposal of subsidiaries was noted during the six months ended 30 September 2011.

Segmental Information

Based on the internal reports that are regularly reviewed by the chief operating decision markers, i.e. the Company's executive directors, the Group's reportable segments are as follows:

(i) Investments: Trading of investments

(ii) Loan financing: Provision of loan financing services

(iii) Manufacture and sales of accessories: Manufacture and trading of accessories for photographic, electrical and multimedia products

(iv) Property investment: Holding properties for rental and capital appreciation

(v) Manufacture and sales of solar grade polycrystalline silicon

The Group's sales of accessories are principally carried out in Europe, United States of America, Hong Kong and other regions in The People's Republic of China ("**PRC**"). Property investment is carried out in other regions in the PRC. Investments trading and loan financing are carried out in Hong Kong."

b) Management discussion and analysis of the year ended 31 March 2011

Set out below is an extract from pages 6 to 10 of the annual report of the Company for year ended 31 March 2011.

"Financial Results and Business Review

As anticipated in the Company's announcement issued on 15 April 2011, the Group recorded a loss for the current year as compared to the profit for the previous year. The loss attributable to shareholders for the year ended 31 March 2011 amounted to HK$244.8 million, as compared to a profit of HK$108.6 million last year. Turnover for the year amounted to HK$103.3 million, a decrease of approximately HK$138.6 million from the previous year. The decrease in turnover was largely brought about by the negative turnover of HK$93.4 million derived from the trading of securities as compared to the positive turnover of HK$89.5 million last year; despite the increase in the turnover of the manufacturing division to HK$189.5 million this year from HK$148.1 million for the previous year. The basic and diluted loss per share was HK$0.1328, as compared to the basic earnings per share of HK$0.0928 and the diluted earnings per share of HK$0.0911 for the previous year. During the year, there was no material acquisition and disposal of subsidiaries, except for the disposal set out in note 25 to the consolidated financial statements.

Securities investment

Factors such as the sovereign debt problems of certain Eurozone countries, the political unrests in Africa and Middle East and the tightening of monetary measures in China have all contributed to uncertainties in the securities markets. Under such volatile conditions, the Group's securities trading activities registered realized and unrealized losses totaling approximately HK$187.6 million for the year (2010: gains of approximately HK$106.2 million).

Manufacturing

The Group's manufacturing segment reported a contribution of approximately HK$10.1 million for the year ended 31 March 2011 (2010: approximately HK$5.2 million), as improvements in demands for our products from the low levels seen in the aftermath of the global financial tsunami in major markets such as Europe and the United States.

Loan financing

Turnover from the provision of loan financing amounted to HK$6.0 million as compared to approximately HK$3.4 million last year. The segments' results have however decreased to approximately HK$5.9 million from approximately HK$83.4 million last year, as last year's results included an amount of HK$80.0 million reversal of impairment allowance made previously. For the year ended 31 March 2011, no material provision or write back have been made.

Liquidity and Capital Resources

The Group primarily financed its operations with internally generated cash flows and its equity during 2011. As at 31 March 2011, the Group had bank and cash balances of approximately HK$16.8 million (31 March 2010: HK$75.7 million) and the net current assets of the Group is HK$645.6 million (31 March 2010: HK$567.9 million). The Group had an outstanding interest-bearing borrowing, represented by margin facilities utilized of approximately HK$0.5 million as of 31 March 2011. Interest-bearing borrowings were mainly denominated in Hong Kong Dollar with interest generally chargeable at market rate, and had maturity dates less than a year. As at 31 March 2011, the total equity of the Group is HK$757 million (31 March 2010: HK$654.9 million). The gearing ratio of the Group, representing total interest-bearing borrowings divided by total equity, was 0.1% as at 31 March 2011.

Charge of Assets

Margin facilities of HK$234,221,000 (2010: HK$168,870,000) from three regulated securities brokers (2010: a regulated securities broker) were granted to the Group under which financial assets at fair value through profit or loss of HK$546,005,000 (2010: HK$354,442,000) were treated as collateral for the facilities granted. Aggregate of HK$526,000 (2010: Nil) facilities were utilized and the carrying amount of the financial assets at fair value through profit or loss charged under the utilized facilities to a securities broker is HK$28,588,000 (2010: Nil).

Currency Risk Management

The Group's investments, operations and trade and loan receivables were mainly denominated in Hong Kong Dollar. Except for manufacture and sale of goods, which are also denominated in Euro or United States Dollar. During the year under review, the fluctuation of the mentioned currencies did not have a material impact on income statement of the Group. Because of the certain operations of the Group in China, the Group has foreign exposure and mainly in transaction and conversion risks. The Group will continue to take measures to minimize its foreign exchange exposure and implement a more prudent sales policy so as to maintaining a stable currency exchange conditions for the manufacture and trading business.

Commitment

As at 31 March 2011, the Company and the Group had no material commitment (2010: Nil).

Contingent Liabilities

As at 31 March 2011, the Company and the Group had no material contingent liabilities (2010: Nil).

Number of Employees and Remuneration Policy

As at 31 March 2011, the Group had more than 570 employees, around 90% of them were employed in the People's Republic of China for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labor markets.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

Proposed Acquisition

On 31 December 2010, the Company entered into a sale and purchase agreement with Quinella International Incorporated (the "**Seller**"), and Ms Hsieh (the "**Guarantor**") and Dr Wu (the "**Covenantor**") to purchase 50.1% of the entire allotted and issued shares of Trifecta International Incorporated, renamed to Sun Mass Energy Limited (the "**Target**") for cash consideration of US$150,000,000. The Target holds 100% equity interest in Lution International Holdings Co., Ltd ("**Lution**") which holds 100% equity interest of Sun Materials Technology Co., Ltd ("**Sun Materials**") (Collectively, the "**Target Group**"). Sun Materials is a limited liability company incorporated in Taiwan and its principal business is the manufacture of solar grade polycrystalline silicon. The completion of the sale and purchase agreement (the "**Completion**") is subject to the satisfaction of certain conditions including the approval by the shareholders at a special general meeting ("**SGM**").

On 31 December 2010, the Company entered into a call option arrangement, which is subject to certain conditions including the Completion has occurred, with the Seller. In consideration of the payment of the sum of US$1, the Seller irrevocably agreed to grant the

Company an option to buy, and to require the Seller to sell, the 4,990,000 option shares (representing 49.9% of the issued shares of the Target at the date of arrangement), at the Company's absolute discretion, during the call option period (i.e. beginning on the first business day falling 12 months after the completion of the acquisition and ending on the first business day falling 36 months after the completion). Unless the Company and the Seller otherwise agree on the purchase price, the purchase price for the option shares shall be determined at the relevant time with reference to the business valuation of the Target Group by an independent valuer jointly appointed by the Company and the Seller or in default of such arrangement, American Appraisal China Limited, an independent valuer. As at 31 March 2011, no value of the call option was recorded in the consolidated financial statements since the Completion has not yet occurred.

On 17 January 2011, the Company entered into a placing agreement with Deutsche Bank AG, Hong Kong Branch (the "**Placing Agent**") for a conditional placing of placing shares and convertible bonds with a view to raising an aggregate amount of approximately HK$4,000,000,000 for the funding of the proposed acquisition, capital expenditure and working capital of the Target Group etc. On 11 February 2011, 30 March 2011 and 28 June 2011, the Company entered into supplementary agreements with the Placing Agent to vary and supplement the terms and conditions of the placing agreement. In order to facilitate this placing, it is proposed to increase the authorized share capital of the Company from HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.1 each to HK$2,000,000,000 divided into 20,000,000,000 shares of HK$0.1 each by creating an additional 10,000,000,000 shares. Both of the placing and increase in authorized share capital are subject to the approval by the shareholders at the SGM.

On 7 March 2011, the Company entered into a facility agreement, which is subject to certain conditions including the approval by the shareholders at the SGM, with the Target. Pursuant to the facility agreement, the Company has agreed to lend to the Target a loan facility of principal amount of up to but not exceeding US$50 million at any time within 3 months commencing from the date on which the last in time of the certain conditions in the facility agreement are satisfied or waived. The facility charges an interest rate of 12% per annum and is for the purpose of funding the capital expenditure in respect of the expansion of polycrystalline silicon production capacity of the Target Group. As at 31 March 2011, the facility agreement was still subject to the approval by the shareholders at the SGM and accordingly the facility arrangement was not yet effective.

Details of the above-mentioned agreements/arrangements are contained in the Company's circular dated 20 May 2011 and announcement dated 28 June 2011.

Subsequent to the reporting period, at the SGM of the Company held on 7 June 2011, the above-mentioned agreements/arrangements in connection with the proposed acquisition of 50.1% of the Target Group were approved by the shareholders."

c) Management discussion and analysis of the year ended 31 March 2010

Set out below is an extract from pages 6 to 8 of the annual report of the Company for year ended 31 March 2010.

"Financial results and business review

As anticipated in the Company's positive profit alert announcement issued on 30 April 2010, the Group has achieved a turnaround from loss of the previous year. Profit attributable to shareholders for the year ended 31 March 2010 amounted to HK$108.6 million, as compared to a loss of HK$345.3 million last year. Turnover for the year amounted to HK$241.9 million, representing an increase of approximately HK$107.0 million from HK$134.9 million for the previous year. The increase in turnover was largely brought about by the turnover of HK$88.1 million derived from the trading of securities for which a negative turnover of HK$86.2 million was recorded last year; such increase was partially offset by the decrease in sales of the manufacturing division to HK$148.0 million this year from HK$186.2 million for the previous year. The basic and diluted earnings per share was HK$0.23, as compared to the basic and diluted loss per share of HK$1.34 for the previous year.

The recovery of the Hong Kong stock market which saw the benchmark Hang Seng Index rebounded to 21,239.35 points at the end of the year under review from 13,576.02 points a year earlier had substantial contribution to the turnaround of the Group's financial results for the current year. Benefitting from this recovery, the Group's securities trading activities registered net realized and unrealized gains of HK$106.2 million in respect of the year ended 31 March 2010, as compared to net realized and unrealized loss of HK$225.2 million for the previous year when the market was hard hit by the global financial tsunami. In addition, a HK$80 million partial reversal of impairment allowance in respect of a loan receivable was recorded in the current year, as compared to impairment allowances of HK$182.5 million made in the previous financial year.

The Group's profit for the current year was reduced by the impairment allowance of HK$48.7 million made in respect of the Group's 50% economic interests in certain forestry land in Puer City in the Yunnan Province of the People's Republic of China through the wholly owned subsidiary of Richful Zone International Limited. The Group has disposed the project subsequent to the end of the financial year at a loss equivalent to the amount of impairment allowance made.

Sales for the Group's manufacturing business dropped by HK$38.1 million or 20.5% from the previous year as demand for the European Market has not recovered to the previous level as the result of the economic downturn. Contribution from this segment to the Group's results was HK$5.2 million, as compared to HK$9.7 million for the previous year.

Final dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

Bonus issue of shares

The directors of the Company have recommended a bonus issue of three (3) new shares, credited as fully paid, for every (two) 2 shares held by the shareholders of the Company whose names appear on the register of members of the Company on 29 July 2010 and subject to the following conditions: (i) the passing by the shareholders of the Company at a special general meeting of an ordinary resolution approving the bonus issue; and (ii) the Listing Committee of the Stock Exchange agreeing to grant the approval for the listing of, and permission to deal in, the bonus shares to be issued pursuant to the bonus issue. Such bonus shares credited as fully paid will rank pari passu in all respects with the existing issued shares in the Company.

The Board proposes the bonus issue in recognition of the continual support of the shareholders. In addition, the Board believes that the bonus issue will enhance the liquidity of the shares in the market and thereby strengthening the capital base of the Company.

Liquidity and capital resources

As at 31 March 2010, the Group's total equity amounted to HK$651.3 million (31 March 2009: HK$356.3 million); net current assets totalled HK$567.9 million (31 March 2009: HK$309.8 million), which included cash and cash equivalents totalling HK$75.7 million (31 March 2009: HK$33.2 million). The Group did not have any outstanding bank borrowings as at 31 March 2010 (31 March 2009: Nil).

Currency risk management

The Group's securities trading and loan financing activities are conducted in Hong Kong Dollar. For manufacture and sale of goods segment, the Group's largest sale market is Europe, which alone accounts for around 44% of this segment sale turnover. In safeguarding the volatile Euro/ United States Dollar currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting United States Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

Number of employees and remuneration policy

As at 31 March 2010, the Group had more than 600 employees, around 93% of them were employed in the People's Republic of China for the manufacturing business.

The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labour markets."

In addition to the above extract from the annual report of the Company for year ended 31 March 2010, set out below is further information in relation to:

Significant investments held

As at 31 March 2010, significant investments of the Group included listed investments held for trading which amounted to HK$357.6 million.

Material acquisitions and disposal of subsidiaries

During the year, the Group acquired the entire interest in Richful Zone International Limited (with its subsidiary, Allied Loyal International Investments Limited) at a consideration of HK$130.0 million which was satisfied by the issuance of convertible notes by the Company in the principal amount of HK$130.0 million.

Subsequent to the end of balance sheet date, the Group disposed entire equity interest of Richful Zone, to a wholly-owned subsidiary of Forefront Group Limited ("**Forefront**"), a company whose shares are listed on the Stock Exchange of Hong Kong, at a consideration of HK$79.2 million which is satisfied by the issuance of 330 million new shares of Forefront at HK$0.24 each. As the selling price is lower than the carrying amount of net assets of the disposal group, an impairment loss has been recognized in these consolidated financial statements accordingly.

Staff cost incurred

Total staff costs for the year, including directors' emoluments, amounted to HK$37,285,000.

Future Plans for material investments or capital assets

The Company remain committed to our strategy of diversification and broadening of the Group's long term sustainable income base. We endeavour to make the Group financially solid and to put the Group in a favourable position to capitalize on investment opportunities as they arise. To this end, the Company successfully completed a share placement in April 2010 of 109,184,800 new shares at a price of HK$0.99 per share which raised net proceeds of HK$105.2 million and further enlarged our capital base. The Group remains debt-free and is in a strong liquidity position. We are actively exploring suitable investment opportunities to enhance the Company's value to our shareholders. The Group is currently looking into many projects including but not limited to a possible investment in a renewable energy related project which, if it materializes, has good potential for long term growth and return.

Gearing ratio

The gearing ratio of the Company, calculated as total liabilities over total assets, was 6.3%.

d) Management discussion and analysis of the year ended 31 March 2009

Set out below is an extract from pages 6 to 9 of the annual report of the Company for year ended 31 March 2009.

"Financial results

As anticipated in the Company's profit warning announcements dated 28 April 2009 and 16 July 2009, a substantial loss was recorded for the year ended 31 March 2009. Loss attributable to equity holders for the year was HK$345.3 million, as compared the loss of HK$232.8 million in the previous year. Loss per share for the year ended 31 March 2009 was HK$1.34 (2008: HK$1.92 (restated)).

Final dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: Nil).

Business review and prospects

Securities Investment

As a consequence of the severe downturn in the stock market, the Group's securities trading activities have badly suffered and reported realized and unrealized losses totalling HK$225.2 million for the year (2008: HK$221.0 million). Some cautious optimism can, however, be drawn from the stock market rebound occurring after the financial year end which may bring about an improvement in securities trading results for the new year.

Manufacture and Sale of Photographic, Electrical and Multimedia Accessories

During the year, this segment's turnover decreased from HK$198.9 million to HK$186.2 million, representing a decrease of 6.4% as compared with last year. Fuelled by encouraging demand for the Group's photographic products, the first half was relatively strong with steady customer demand. However, the economic recession began to impact this segment's business in the second half of the year. The increase in material and labour costs and the appreciation of the Renminbi, has eroded the gross margin of this segment by around 2% as compared to last corresponding year.

Europe continued to be this segment's largest market, accounting for approximately 56.0% of the segment's turnover of this year (2008: 59.3%). Total export sales to Europe decreased to HK$104.4 million (2008: HK$117.9 million), representing a decrease of 11.5% as compared to that of the last corresponding year. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

Management continues to focus on new revenue channels in the business of accessories for photographic, multimedia and electrical products. The high street retail markets have taken a hard hit with the recession and this is reflected in the overall results. This was due to many retailers depleting their warehouses before reordering and all players in the market taking wait and see approach towards economic recovery. As predicted our main photographic market has picked up for the Group. However, this was not enough to cover the shortfall in the electronics and multimedia market, where we are facing fierce competition in terms of pricing – in particular from China and other low cost production bases such as Vietnam. Nevertheless, we are still providing service, quality and flexibility at a competitive price to the A brand hardware manufacturers. Improving green standards in manufacturing and materials paired with meeting the high requirements for product specifications in our major markets gives us the opportunity to serve not only our existing customer at the highest level, but is opening opportunities to attain business from more A brand customers. G24 Innovations will be able to supply merchantable solar panels by the third quarter of 2009 and we continue to remain confident that solar bag products will have a good and unique potential even in poorer economic times. There has been major interest not only from our traditional customer segment but also the fashion and leisure sports industry for solar bags.

Loan Financing

The Group commenced providing loan financing to third party borrowers in the previous year. In the year under review, interest income from loan receivables amounted to HK$24.2 million, which represented a substantial increase from the amount of HK$1.8 million for the previous year. However, there exist significant uncertainties relating to the repayment abilities of certain borrowers to whom loans totalling HK$182.5 million have been advanced and accordingly an impairment allowance for this amount in full has been made this year which has a substantial negative impact on the results for the year.

Property Investment

During the year property rental income amounted to HK$4.9 million, as compared to HK$7.4 million last year. Such decrease is mainly caused by the disposal of the investment property in Guangzhou via the disposal of Jet Star Industries Limited in the second half of the year, following which the Group's property portfolio has become relatively minor in scale.

Liquidity and capital resources

In August 2008, the Company completed a rights issue of 953,080,050 shares (before the capital reorganization referred to below) raising net proceeds of approximately HK$138 million. In March 2009, the Company completed a capital reorganization pursuant to which (i) the nominal value of the Company's issued shares was reduced from HK$0.10 each to HK$0.01 each by way of a capital reduction with the credit arising from the capital reduction of HK$257.3 million applied to set off against the Company's accumulated losses; and (ii) every ten shares of the reduced nominal value of HK$0.01 each were consolidated into one share with nominal value of HK$0.10 each. On completion of the capital reorganization and as at the end of the current financial year, the number of issued shares of the Company was 285,924,015 with nominal value of HK$28.6 million.

As at 31 March 2009, the Group's total equity amounted to HK$356.3 million (31 March 2008: HK$606.1 million); net current assets totalled HK$309.8 million (31 March 2008: HK$462.3 million), which included cash and cash equivalents totalling HK$33.2 million (31 March 2008: HK$41.4 million). The Group did not have any outstanding bank borrowings as at 31 March 2009 (31 March 2008: Nil).

Currency risk management

The Group's securities trading and loan financing activities are conducted in Hong Kong Dollar. For manufacture and sale of goods segment, the Group's largest sale market is Europe, which alone accounts for around 56% of this segment sale turnover. In safeguarding the volatile Euro/ Dollar currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting United States Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

Number of employees and remuneration policy

As at 31 March 2009, the Group had more than 700 employees, around 93% of them were employed in the People's Republic of China for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labour markets."

In addition to the above extract from the final report of the Company for year ended 31 March 2009, set out below is further information in relation to:

Significant investments held

As at 31 March 2009, significant investments of the Group included listed investments held for trading which amounted to HK$152.6 million.

Material acquisitions and disposal of subsidiaries

On 8 September 2008, Mascotte Group Limited ("**MGL**"), a wholly-owned subsidiary of the Company, Perfect Time Investments Limited ("**Perfect Time**"), Willie International Limited ("**Willie**") and the Company entered into a sales and purchases agreement (the "**Agreement**") in relation to disposal of Jet Star which is a wholly-owned subsidiary of MGL. Pursuant to the Agreement, Perfect Time agreed to purchase and MGL agreed to sell 998 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each in the capital of Jet Star, representing the entire issued share capital of Jet Star and the assignment of unsecured interest free loan of approximately HK$35,000,000, which is payable on demand, owing by Jet Star to MGL for an aggregate consideration of HK$112 million. The consideration is satisfied by the allotment and issue of 800,000,000 shares of HK$0.1 each in the capital of Willie at an issue price of HK$0.14. The disposal was completed in October 2008.

On 30 March 2009, the Group disposed of its entire interest in Mana Industrial Limited to Lustreway Enterprises Limited, a company owned and controlled by a director of Mana at a consideration of HK$1.

Staff cost incurred

Total staff costs for the year, including directors' emoluments, amounted to HK$38,556,000.

Future plans for material investments or capital assets

Recognizing the challenging economic environment surrounding us, the Group is adopting a cautious approach in conducting its business and is exercising strict control over operating costs. At the same time the Group remains committed to its diversification strategy aiming to invest in suitable projects, particularly natural resources investment opportunities in the People's Republic of China, to broaden the Group's long term sustainable income base. Subsequent to the financial year end, the Group has made its first move in natural resources investment through the acquisition of certain interests in forestry lands in the Yunnan Province. The acquisition was financed by convertibles bonds of the Company, part of which were subsequently converted into 200 million new shares issued by the Company which further enlarged our capital base.

Gearing ratio

The gearing ratio of the Company, calculated as total liabilities over total assets, was 8.5%.

Contingent liabilities, Charges and Pledges

The Company did not have any material contingent liabilities as at 31 March 2009. A motor vehicle of the Group with its net book value of approximately HK$0.1 million has been pledged under a hire purchase contract as at 31 March 2009.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

a) Management discussion and analysis of the financial position of the Target Group

The Target is an investment holding company established in the BVI on 17 May 2010 with limited liability and is wholly-owned by the Seller. Set out below is the management discussion and analysis on the operation results and financial performance of the Target Group for the period commencing 17 May 2010 (being the date of incorporation of the Target for accounting purposes) and ending on 31 December 2010 and the sixth months ended 30 June 2011 ("**The Target's Relevant Period**").

(i) Management discussion and analysis of the Target Group for the six months ended 30 June 2011

Results

For the six months ended 30 June 2011, the Target Group did not commence any active business operations and did not generate any turnover but recorded a net loss of NT$70,274,000 (equivalent to approximately US$2,410,243) attributable to total expenses in the amount of NT$73,760,000 (equivalent to approximately US$2,529,805) offset by an income in the amount of NT$3,486,000 (equivalent to approximately US$119,562).

The total expenses are attributable to (i) administrative expenses in the amount of NT$16,463,000 (equivalent to approximately US$564,644) which included staff related costs of NT$9,884,000 (equivalent to approximately US$338,999), recruitment expenses of NT$2,012,000 (equivalent to approximately US$69,007) and utility charges of NT$2,153,000 (equivalent to approximately US$73,843); (ii) finance costs comprising interest on bank borrowings in the amount of NT$2,014,000 (equivalent to approximately US$69,076) and (iii) other expenses in the amount of NT$55,283,000 (equivalent to approximately US$1,896,085) which included depreciation charges of NT$40,348,000 (equivalent to approximately US$1,383,847) and land lease rental of NT$11,181,000 (equivalent to approximately US$383,484).

The Target Group recorded other income in the amount of NT$3,486,000 (equivalent to approximately US$119,562) comprising bank interest income in the amount of NT$660,000 (equivalent to approximately US$22,637) and government subsidy regarding land lease payments and recruitment of new graduates in the amount of NT$2,822,000 (equivalent to approximately US$96,788).

The Target Group did not have any cost of sales or selling expenses during the same period.

Liquidity and financial resources

As at 30 June 2011, the Target Group had net assets of NT$829,726,000 (equivalent to approximately US$28,457,766) comprising current assets in the amount of NT$342,782,000 (equivalent to approximately US$11,756,664) including bank balances and cash in the amount of NT$339,943,000 (equivalent to approximately US$11,659,293). Other than bank balances of approximately NT$32,655,000 which is denominated in United States Dollar, the remaining bank balances are denominated in NT$ as at 30 June 2011.

The Target Group recorded current liabilities in the amount of NT$311,934,000 (equivalent to approximately US$10,698,646) including other borrowings in the amount of NT$300,000,000 (equivalent to approximately US$10,289,336) and bank borrowings due within one year in the amount of NT$6,061,000 (equivalent to approximately US$207,879). The amount of other borrowings represented a short-term interest-free loan of NT$300,000,000 (equivalent to approximately US$10,289,336) obtained from a former beneficial owner of Sun Materials repayable within twelve months from 30 June 2011. The loan is fully settled subsequent to 30 June 2011. The Target Group also recorded non-current liabilities in the amount of NT$153,939,000 (equivalent to approximately US$5,279,767) attributable to bank borrowings due after one year. The bank borrowings as at 30 June 2011 was secured by the buildings of the Target Group at carrying amount of NT$309,563,000 (equivalent to approximately US$10,617,326). The effective interest rates of the borrowings varied from P+0.57% to P+1.3% (where P represents the local bank interest rate). The borrowings were obtained by Sun Materials to finance its capital expenditure on production equipment.

Capital structure

The capital structure of the Target Group consists of reserves comprising issued share capital and accumulated losses. The Target was authorized to issue 100,000,000 shares on the date of its incorporation. As at 30 June 2011, the Target had 100,000,000 authorized shares of no par value and had an issued share capital of NT$900,000,000 (equivalent to approximately US$30,868,008). As at 30 June 2011, the issued share capital of Lution was NT$500,000,000 (equivalent to approximately US$17,148,894) divided into 50,000,000 ordinary shares of NT$10 each (equivalent to approximately US$0.34). As at 30 June 2011, the issued share capital of Sun Materials was NT$1,000,000,000 (equivalent to approximately US$34,297,787) divided into 100,000,000 ordinary shares of NT$10 each (equivalent to approximately US$0.34).

Gearing ratio

The Targets' gearing ratio, calculated by dividing its total liabilities by its total assets, was approximately 35.96% as at 30 June 2011.

Prospects for new business

The Target Group is principally engaged in the business of manufacturing solar grade polycrystalline silicon through the operations of its subsidiary, Sun Materials. Sun Materials expects to commence commercial production of the first production plant in late December 2011 and plans to commence construction of five additional production plants in 2012, which will increase its production capacity to up to 21,000 metric tons by 2013. Based on the information and estimates provided by the Target Group, the total capital expenditure and working capital required for the five additional production plants will be approximately US$275,000,000. The Directors expect that such working capital and capital expenditure will be primarily funded by internal resources and available credit facilities.

Material acquisition and disposals of subsidiaries and associated companies and significant investment held

On 25 January 2011, the Target entered into an agreement with shareholders of Lution pursuant to which the Target purchased 50,000,000 shares representing the entire issued and outstanding shares in Lution for the total cash consideration of NT$900,000,000 (equivalent to approximately US$30,868,008).

Save as the abovesaid acquisition, there were no other material acquisitions, disposals of subsidiaries and associated companies and significant investment held by the Target Group for the six months ended 30 June 2011.

Segmental information

The operational subsidiary of the Target Group, Sun Materials, had not commenced its business operations as at 30 June 2011, therefore the Target Group did not have more than one business or geographical segment which requires the disclosure of segmental information.

Number and remuneration of employees

As at 30 June 2011, the Target Group had a total of 32 employees. Staff costs incurred for the six months ended 30 June 2011 for the Target Group were NT$9,884,000 (equivalent to approximately US$338,999). The remuneration of the five highest paid employees of the Target Group for the six months ended 30 June 2011 was NT$4,526,000 (equivalent to approximately US$155,232). The Target Group's remuneration policies are formulated on the basis of market trends, future plans and individual performances, which will be reviewed periodically. Appropriate training will be provided to the employees when necessary.

A share option scheme was adopted by a subsidiary of the Target Group, Sun Materials, on 10 December 2007 to grant options to its directors or employees. As at 30 June 2011, there were no outstanding share options held of any directors or employee of Sun Materials.

Details of charges on assets

As at 30 June 2011, the Target Group had pledged to a bank to secure bank borrowings buildings with an aggregate carrying value of NT$309,563,000 (equivalent to approximately US$10,617,326). In addition, as required by the Taiwan local government, the Target Group had pledged fixed deposit of NT$21,009,000 (equivalent to approximately US$720,562) to secure the obligation under operating lease for land located at No. 186-46, 186-47, 186-48, 186-49, 186-50, 186-51, 186-52, 186-53 of Ligong Road, Lizhe Industrial Centre, Yilan County, Taiwan (the "**Yilan Land**") for the lease period from 16 May 2007 to 15 May 2027.

Save as disclosed above, there were no pledges or liens that were charged against any of the Target Group's assets as at 30 June 2011.

Plans for material investments

The Target Group intends that its subsidiary, Sun Materials, will commence construction of five additional production plants in 2012, which will increase its production capacity to up to 21,000 metric tons by 2013. Save this the Target Group did not have plans for other material investments as at 30 June 2011.

Exposure to fluctuations in exchange rates and any related hedges

Most of the Target Group's operating transactions, assets and liabilities are primarily denominated in New Taiwan dollars. There was no financial arrangement for hedging purpose in respect of the Target Group for the six months ended 30 June 2011.

Contingent liabilities

As at 30 June 2011, the Target Group did not have any material contingent liabilities.

(ii) Management discussion and analysis of the Target Group during the Target's Relevant Period

The Target was incorporated on 17 May 2010 and remained dormant up to the end of its first accounting period ended on 31 December 2010. There were no income or expense during the period and, except for cash balance in the amount of NT$30,000 (equivalent to approximately US$1,029) and the corresponding amount due to a shareholder. There were no other assets or liabilities as at 31 December 2010.

The Target did not have any employees during the period, and did not have any charges on assets nor contingent liabilities as at 31 December 2010. Save for the acquisition of the entire share capital of Lution which was completed on 25 January 2011, the Target did not have any other acquisitions, disposals or plans for material investments during the period and as at 31 December 2010.

b) Management discussion and analysis of the financial position of Lution

Lution is an investment holding company incorporated in Taiwan with limited liability and is wholly-owned by the Target. Lution is the sole shareholder of Sun Materials and its major asset is its investment in Sun Materials. Set out below is the management discussion and analysis on the operation results and financial performance of Lution for the sixth months ended 30 June 2011, the year ended 31 December 2010 and the period commencing 15 September 2009 (being the date of incorporation of Lution for accounting purposes) and ending on 31 December 2009 ("**Lution's Relevant Period**").

(i) Management discussion and analysis of Lution for the six months ended 30 June 2011

Results

For the six months ended 30 June 2011, Lution did not commence any active business operations and did not generate any turnover but recorded a net loss of NT$95,000 (equivalent to approximately US$3,258) which had decreased from that of NT$160,000 (equivalent to approximately US$5,488) for the six months ended 30 June 2010 primarily as a result of Lution having incurred less administrative expenses in the amount of NT$95,000 (equivalent to approximately US$3,258) for the six months ended 30 June 2011 which had decreased from that in the amount of NT$160,000 (equivalent to approximately US$5,488) for the six months ended 30 June 2010. These administrative expenses include staff costs, stationery, printing and rental costs.

Liquidity, financial resources, capital structure and gearing ratio

As at 30 June 2011, Lution had net assets in the amount of NT$892,787,000 (equivalent to approximately US$30,620,618) which had slightly decreased from that of NT$892,882,000 (equivalent to approximately US$30,623,878) as at 31 December 2010 attributable to a decreased current assets in the amount of NT$481,000 (equivalent to approximately US$16,497) as at 30 June 2011 when compared to that in the amount of NT$534,000 (equivalent to approximately US$18,315) as at 31 December 2010. The decrease in current assets resulted from a reduction in the amount of bank balances and cash from NT$530,000 (equivalent to approximately US$18,178) as at 31 December 2010 to NT$475,000 (equivalent to approximately US$16,291) as at 30 June 2011 due to administrative expenses paid.

As at 30 June 2011, the issued share capital of Lution was NT$500,000,000 (equivalent to approximately US$17,148,894) divided into 50,000,000 ordinary shares at NT$10 (equivalent to approximately US$0.34) each. There is no change in the issued share capital as at 30 June 2011 compared to that as at 31 December 2010.

Lution's gearing ratio, calculated by dividing its total liabilities by total assets, was approximately 0.13% as at 30 June 2011 compared to that of approximately 0.13% as at 31 December 2010.

Capital commitments

Lution did not have any capital commitments for the six months ended 30 June 2011.

Prospects for new business

Lution is an investment holding company and its major asset is the investment in Sun Materials. Lution does not currently have any plans for new investments.

Investment in Sun Materials and future prospect

Lution is the sole shareholder of Sun Materials and Lution's major asset is its investment in Sun Materials. Sun Materials engages in the business of the manufacture and sale of polycrystalline silicon. The directors of Lution believes that there is a good future prospect in its investment in Sun Materials as it is anticipated that Sun Materials will generate revenue when its first production plant in Taiwan commences commercial production. Sun Materials is also expected to expand its production capacity, customer base and continue to use and apply new technology.

Material acquisition and disposals of subsidiaries and associated companies and significant investment

There were no material acquisitions, disposals of subsidiaries and associated companies and significant investments made by Lution for the six months ended 30 June 2011.

Segmental information

As Lution did not have business operations as at 30 June 2011, it did not have businesses or geographical segments which require the disclosure of segmental information.

Number and remuneration of employees

As at 30 June 2011, Lution did not have any employee. The directors of Lution did not receive any remuneration for the six months ended 30 June 2011.

Details of charges on assets

None of Lution's assets were subject to any form of charges or pledges for the six months ended 30 June 2011.

Plans for material investments

As at 30 June 2011, Lution did not have any plans for material investments.

Exposure to fluctuations in exchange rates and any related hedges

All of Lution's assets and liabilities are denominated in New Taiwan dollars. There was no financial arrangement for hedging purpose in respect of Lution for the six months ended 30 June 2011.

Contingent liabilities

As at 30 June 2011, Lution did not have any material contingent liabilities.

(ii) Management discussion and analysis of Lution for the year ended 31 December 2010 and Lution's Relevant Period

Results

During the year ended 31 December 2010, Lution did not commence any active business operations and did not generate any turnover but recorded a net loss of NT$395,000 (equivalent to approximately US$13,926) which had increased from that of NT$211,000 (equivalent to approximately US$7,439) for Lution's Relevant Period primarily as a result of Lution having incurred administrative expenses in the amount of NT$402,000 (equivalent to approximately US$14,173) for the year ended 31 December 2010 which had increased from that of NT$211,000 (equivalent to approximately US$7,439) for Lution's Relevant Period. These administrative expenses include labor, stationery, printing and rental costs.

Liquidity, financial resources, capital structure and gearing ratio

As at 31 December 2010, Lution had net assets of NT$892,882,000 (equivalent to approximately US$31,479,814) which had increased from that of NT$693,277,000 (equivalent to approximately US$24,442,458) as at 31 December 2009, including non-current assets of NT$893,488,000 (equivalent to approximately US$31,501,179) as at 31 December 2010 compared to that of NT$693,488,000 (equivalent to approximately US$24,449,897) as at 31 December 2009. The increase in non-current assets represents Lution's subscription of 20,000,000 new shares issued by Sun Materials at NT$10 (equivalent to approximately US$0.35) each on 6 April 2010.

As at 31 December 2010, the authorized share capital of Lution was NT$500,000,000 (equivalent to approximately US$17,628,205) divided into 50,000,000 ordinary shares at NT$10 (equivalent to approximately US$0.35) each. During the year ended 31 December 2010, the issued share capital of Lution increased from NT$400,000,000 (equivalent to approximately US$14,102,564) as at 31 December 2009 to NT$500,000,000 (equivalent to approximately US$17,628,205) as at 31 December 2010 following the issuance of 10,000,000 shares at NT$20 (equivalent to approximately US$0.70) each by Lution to its shareholders at an aggregate subscription price of NT$200,000,000 (equivalent to approximately US$7,051,282).

Lution's gearing ratio, calculated by dividing its total liabilities by total assets, was approximately 0.13% as at 31 December 2010 compared to that of 4.78% as at 31 December 2009.

Capital commitments

Lution did not have any capital commitments during the year ended 31 December 2010 or Lution's Relevant Period.

Prospects for new business

Lution is an investment holding company and its major asset is the investment in Sun Materials. Lution did not have any plans for new investments during the year ended 31 December 2010 (or Lution's Relevant Period).

Investment in Sun Materials and future prospect

Lution is the sole shareholder of Sun Materials and Lution's major asset is its investment in Sun Materials. Sun Materials engages in the business of the manufacture and sale of polycrystalline silicon. The directors of Lution believes that there is a good future prospect in its investment in Sun Materials as it is anticipated that Sun Materials will generate revenue when the First Production Plant in Taiwan commences commercial production. Sun Materials is also expected to expand its production capacity, customer base and continue to use and apply new technology.

Material acquisition and disposals of subsidiaries and associated companies and significant investment

There were no material acquisitions, disposals of subsidiaries and associated companies and significant investments made by Lution for the year ended 31 December 2010 or Lution's Relevant Period.

Segmental information

As Lution did not have business operations as at 31 December 2010, it did not have businesses or geographical segments which require the disclosure of segmental information.

Number and remuneration of employees

As at 31 December 2010, Lution did not have any employee. The directors of Lution have not received any remuneration during the year ended 31 December 2010 and Lution's Relevant Period.

Details of charges on Lution's assets

None of Lution's assets were subject to any form of charges or pledges during the year ended 31 December 2010 or Lution's Relevant Period.

Plans for material investments

During the year ended 31 December 2010 and Lution's Relevant Period, save for the investment in Sun Materials, Lution did not have any plans for material investments.

Exposure to fluctuations in exchange rates and any related hedges

All of Lution's assets and liabilities are denominated in New Taiwan dollars. The Directors believe that the New Taiwan dollar will remain relatively stable against the Hong Kong dollar in the foreseeable future and consider that Lution's present exposure to exchange risk is relatively minimal. There was no financial arrangement for hedging purpose in respect of Lution during the year ended 31 December 2010 and Lution's Relevant Period. However, the management will monitor foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

Contingent liabilities

As at 31 December 2009 and 31 December 2010, Sun Materials did not have any material contingent liabilities.

c) Management discussion and analysis of the financial position of Sun Materials

Set out below is the management discussion and analysis of the operation results and financial performance of Sun Materials for the three years ended 31 December 2010 and the six months ended 30 June 2011.

(i) Management discussion and analysis of Sun Materials for the six months ended 30 June 2011

Results

For the six months ended 30 June 2011, Sun Materials did not commence any active business operations and did not generate any turnover but recorded a net loss of NT$70,150,000 (equivalent to approximately US$2,404,446) which had increased from that of NT$23,430,000 (equivalent to approximately US$803,597) for the six months ended 30 June 2010 as a result of Sun Materials (i) having incurred increased total expenses and costs in the amount of NT$73,634,000 (equivalent to approximately US$2,525,483) for the six months ended 30 June 2011 when compared to the total expenses and costs in the amount of NT$35,574,000 (equivalent to approximately US$1,220,109) for the six months ended 30 June 2010; and (ii) having received less total income in the amount of NT$3,486,000 (equivalent to approximately US$119,562) for the six months ended 30 June 2011 as compared to that in the amount of NT$12,144,000 (equivalent to approximately US$41,651) for the six months ended 30 June 2010.

The increased total expenses and costs were attributable to (i) increased administrative expenses including staff costs brought about by the increase in the headcount, and (ii) the increase in depreciation charge arising from additional production equipment installed.

Sun Materials did not have any sales, cost of sales or selling expenses during both six months period ended 30 June 2011 and 30 June 2010. Sun Materials' income for the six months ended 30 June 2010 of NT$12,144,000 (equivalent to approximately US$416,512) comprised primarily of compensation received from an equipment manufacturer for the late delivery of machineries pursuant to a plant and machinery purchase agreement in the amount of NT$11,428,000 (equivalent to approximately US$391,955), while the income for the six months ended 30 June 2011 of NT$3,486,000 (equivalent to approximately US$119,562) comprised primarily of (i) subsidy received from the Taiwan government regarding land lease payments and recruitment of new graduates in the amount of NT$2,822,000 (equivalent to approximately US$96,788); and (ii) bank interest income in the amount of NT$660,000 (equivalent to approximately US$22,637).

Liquidity, financial resources, capital structure and gearing ratio

As at 30 June 2011, Sun Materials had net assets of NT$785,417,000 (equivalent to approximately US$26,938,065) which had decreased from that of NT$855,567,000 (equivalent to approximately US$29,344,055) as at 31 December 2010.

As at 30 June 2011, Sun Materials had total assets of NT$1,251,060,000 (equivalent to approximately US$42,908,590), which had increased from that of NT$1,064,139,000 (equivalent to approximately US$36,497,613) as at 31 December 2010. The change in total assets is largely attributable to the increased current assets in the amount of NT$343,300,000 (equivalent to approximately US$11,774,430) as at 30 June 2011 as compared to that of NT$135,493,000 (equivalent to approximately US$4,647,110) as at 31 December 2010. The increase in current assets is attributable to an increase in bank balances and cash from NT$110,871,000 (equivalent to approximately US$3,802,630) as at 31 December 2010 to NT$339,467,000 (equivalent to approximately US$11,642,967) as at 30 June 2011 as resulted from a short-term interest-free loan obtained during such period.

As at 30 June 2011, Sun Materials had net current assets of NT$31,596,000 (equivalent to approximately US$1,083,673), which had decreased from that of NT$86,921,000 (equivalent to approximately US$2,981,198) as at 31 December 2010. The change in net current assets is largely attributable to the administrative and other expenses and costs as well as the capital expenditure on plant and equipment paid or incurred during the period.

As at 30 June 2011, Sun Materials total bank and other borrowings amounted to NT$460,000,000 (equivalent to approximately US$15,776,982) as compared to NT$160,000,000 (equivalent to approximately US$5,487,646) as at 31 December 2010; the increase was due to a short-term interest-free borrowing of NT$300,000,000 (equivalent to approximately US$10,289,336) obtained during the period.

The capital structure of Sun Materials consists of reserves comprising issued share capital and accumulated losses. As at 30 June 2011, the issued share capital of Sun Materials was NT$1,000,000,000 (equivalent to approximately US$34,297,787) divided into 100,000,000 ordinary shares at NT$10 each (equivalent to approximately US$0.34). There is no change in the authorized share capital as at 30 June 2011 compared to that as at 31 December 2010.

Sun Materials' gearing ratio, calculated by dividing Sun Materials' total liabilities by total assets, was approximately 37.22% as at 30 June 2011 compared to that of approximately 19.60% as at 31 December 2010.

Capital expenditure and commitments

The total capital expenditure incurred for the six months ended 30 June 2011 was NT$468,841,000 (or equivalent to approximately US$16,080,209) compared to that of NT$60,893,000 (equivalent to approximately US$2,088,495) for the year ended 31 December 2010. The increase in capital expenditure was mainly due to the installation of manufacturing plant and machinery to prepare for the commercial production of polycrystalline silicon in the near future. As at 30 June 2011, there were no material capital commitments outstanding.

Prospects for new business

Sun Materials expects to commence commercial production of the first production plant in late December 2011 and plans to commence construction of five additional production plants in 2012, which will increase its production capacity to up to 21,000 metric tons by 2013. Based on the information and estimates provided by Sun Materials, the total capital expenditure and working capital required for the five additional production plants will be approximately US$275,000,000. The directors of Sun Materials expect that such working capital and capital expenditure will be primarily funded by internal resources and available credit facilities.

Material acquisition and disposals of subsidiaries and associated companies and significant investment held

There were no material acquisitions, disposals of subsidiaries and associated companies and significant investment held by Sun Materials for the six months ended 30 June 2011.

Segmental information

As Sun Materials had not commenced its business operations as at 30 June 2011, it did not have more than one business or geographical segment which requires the disclosure of segmental information.

Number and remuneration of employees

As at 30 June 2011, Sun Materials had a total of 32 employees (compared to that of 11 employees as at 31 December 2010). Staff costs were NT$7,949,000 (equivalent to approximately US$272,633) for the six months ended 30 June 2011, which increased from NT$3,148,000 (equivalent to approximately US$107,969) for the six months ended 30 June 2010. The remuneration of the five highest paid employees of Sun Materials for the six months ended 30 June 2011 was NT$4,526,000 (equivalent to approximately US$155,232), which increased from NT$1,856,000 (equivalent to approximately US$63,657) for the six months ended 30 June 2010. Sun Materials' remuneration policies are formulated on the basis of market trends, future plans and individual performances, which will be reviewed periodically. Appropriate training will be provided to the employees when necessary. Sun Materials adopted a share option scheme to grant options to its directors or employees on 10 December 2007. As at 30 June 2011, there were no outstanding share options.

Details of charges on assets

Sun Materials had pledged its restricted bank deposit in the amount of NT$21,009,000 (equivalent to approximately US$720,562) as at 30 June 2011 which had remained the same as at 31 December 2010 for the purpose of securing its obligations under the lease with respect to the Yi-Lan Land where its production plant is located.

As at 30 June 2011, Sun Materials has pledged to a bank to secure bank borrowings buildings with an aggregate carrying value of NT$309,563,000 (equivalent to approximately US$10,617,326) compared to that of NT$317,281,000 (equivalent to approximately US$10,882,036) as at 31 December 2010. The decrease of the aggregate carrying value of the buildings is resulted from the depreciation charge incurred during the six months ended 30 June 2011.

Save as disclosed above, there were no pledges or liens that were charged against any of Sun Materials' assets as at 30 June 2011.

Plans for material investments

Apart from the plan to commence construction of five additional production plants, which will increase its production capacity to up to 21,000 metric tons by 2013, Sun Materials does not currently have any plans for other material investments.

Exposure to fluctuations in exchange rates and any related hedges

Most of Sun Materials' operating transactions, assets and liabilities are primarily denominated in New Taiwan dollars. There was no financial arrangement for hedging purpose in respect of Sun Materials for the six months ended 30 June 2011.

Contingent liabilities

As at 30 June 2011, Sun Materials did not have any material contingent liabilities.

(ii) Management discussion and analysis of Sun Materials for the year ended 31 December 2010

Results

During the year ended 31 December 2010, Sun Materials did not commence any active business operations and did not generate any turnover but recorded a net loss of NT$71,048,000 (equivalent to approximately US$2,504,897) which had increased from that of NT$53,570,000 (equivalent to approximately US$1,888,685) for the year ended 31 December 2009 primarily as a result of Sun Materials having incurred administrative expenses and other expenses in the total amount of approximately NT$81,196,000 (equivalent to approximately US$2,862,679) for the year ended 31 December 2010 which had increased from that of approximately NT$50,702,000 (equivalent to approximately US$1,787,570) for the year ended 31 December 2009. The increase in administrative expenses and other expenses is in part due to the increase in electricity costs incurred for Sun Materials' first production plant in Taiwan (the "**First Production Plant**") and the increase of depreciation expenses for property, plant and equipment from NT$20,354,000 (equivalent to approximately US$717,608) for the year ended 31 December 2009 to that of NT$33,614,000 (equivalent to approximately US$1,185,108) for the year ended 31 December 2010. The increase of depreciation expenses is due to depreciation expenses incurred for the First Production Plant after the completion of its construction work in April 2010.

Part of the net loss had been offset by the increase in other income from NT$791,000 (equivalent to approximately US$27,887) for the year ended 31 December 2009 to NT$12,606,000 (equivalent to approximately US$444,442) for the year ended 31 December 2010. Such increase is primarily related to (i) the compensation in the amount of NT$11,733,000 (equivalent to approximately US$413,663) received from an equipment manufacturer for the late delivery of machineries pursuant to a plant and machinery purchase agreement; and (ii) the subsidy in the amount of NT$713,000 (equivalent to approximately US$25,137) received from the Taiwan government for the recruitment of new graduates. Sun Materials did not have any cost of sales or selling expenses during the same period.

Liquidity, financial resources, capital structure and gearing ratio

As at 31 December 2010, Sun Materials had net assets of NT$855,567,000 (equivalent to approximately US$30,164,221) which had increased from that of NT$726,615,000 (equivalent to approximately US$25,617,836) as at 31 December 2009, including bank balances and cash of NT$110,871,000 (equivalent to approximately US$3,908,913) compared to that of NT$85,674,000 (equivalent to approximately US$3,020,557) as at 31 December 2009. The increase in bank balances and cash is largely due to the cash consideration from the issuance of ordinary shares by Sun Materials on 15 July 2010. Apart from the substantial increase in bank balances and cash, the increase in net assets is also largely related to the increase in the deposit paid for acquisition of property, plant and equipment from NT$351,726,000 (equivalent to approximately US$12,400,596) as at 31 December 2009 to NT$465,205,000 (equivalent to approximately US$16,401,458) as at 31 December 2010 and a substantial portion of such deposit was paid by Sun Materials to an equipment manufacturer pursuant to a plant and machinery purchase agreement. Also, the construction work for the First Production Plant in Taiwan was completed on April 2010 which resulted in the increase in the paid value of property, plant and equipment from NT$395,751,000 (equivalent to approximately US$13,952,759) as at 31 December 2009 to NT$423,030,000 (equivalent to approximately US$14,914,519) as at 31 December 2010.

Sun Materials entered into a loan facility agreement dated 3 February 2010 with Taiwan Cooperative Bank to obtain a 13-year loan facility of NT$200,000,000 (equivalent to approximately US$7,051,282) with interest calculated based on a variable interest rate of P+0.18% to P+1.3% (with P representing the local bank interest rate at the time) and is repayable by monthly installments ("**Sun's Loan Facility**"). The purpose of obtaining Sun's Loan Facility was to fund the construction costs of Sun Materials' First Production Plant in Taiwan. The first drawdown by Sun Materials from Sun's Loan Facility was made on 3 February 2010 in the amount of NT$160,000,000 (equivalent to approximately US$5,641,025). As a result, Sun Materials had long-term bank borrowings of NT$160,000,000 (equivalent to approximately US$5,641,025) as at 31 December 2010, which had increased from that of nil as at 31 December 2009. Due to the drawdown of Sun's Loan Facility, finance costs, which mainly comprised of interest expenses for loans and borrowings, had increased from NT$162,000 for the year ended 31 December 2009 to that of NT$2,458,000 (equivalent to approximately US$86,660) for the year ended 31 December 2010.

As at 31 December 2010, Sun Materials had net current assets of NT$86,921,000 (equivalent to approximately US$3,064,522), which had increased substantially from the net current liabilities of NT$61,273,000 (equivalent to approximately US$2,160,266) as at 31 December 2009. The substantial change in net current assets is attributable to (i) a substantial reduction in short-term bank borrowings from NT$160,000,000 (equivalent to approximately US$5,641,025) as at 31 December 2009 to nil as at 31 December 2010 as a result of Sun Materials having drawn down on Sun's Loan Facility to pay such short-term bank borrowing; and (ii) a substantial increase in bank balances and cash from NT$85,674,000 (equivalent to approximately US$3,020,557) as at 31 December 2009 to NT$110,871,000 (equivalent to approximately US$3,908,913) as at 31 December 2010.

As at 31 December 2010, the authorized share capital of Sun Materials was NT$1,000,000,000 (equivalent to approximately US$35,256,410) divided into 100,000,000 ordinary shares at NT$10 each. During the year ended 31 December 2010, the issued share capital of Sun Materials increased from NT$800,000,000 (equivalent to approximately US$28,205,128) as at 31 December 2009 to NT$1,000,000,000 (equivalent to approximately US$35,256,410) following the subscription of 20,000,000 ordinary shares of Sun Materials at NT$10 (equivalent to approximately US$0.35) each by Lution for the cash consideration of NT$200,000,000 (equivalent to approximately US$7,051,282) on 15 July 2010.

Sun Materials' gearing ratio, calculated by dividing Sun Materials' total liabilities by total assets, was approximately 19.60% as at 31 December 2010 compared to that of approximately 19.74% as at 31 December 2009.

Capital commitments

Sun Materials completed the installation of the key production equipment into the First Production Plant in October 2010. The total capital expenditure incurred for the year ended 31 December 2010 was NT$174,372,000 (or equivalent to approximately US$6,147,730) compared to that of NT$623,367,000 (or equivalent to approximately US$21,977,682) for the year ended 31 December 2009. The reduction in capital commitment was due to Sun Materials incurring less construction costs and acquiring less equipment and machinery during 2010 as the First Production Plant was close to completion and no development expenditure was incurred to further develop Sun Materials' technology for the manufacture of polycrystalline silicon during the year ended 31 December 2010.

Prospects for new business

According to Sun Materials, it plans to commence construction of five additional production plants in Taiwan in 2012, which expected to increase its production capacity to up to 21,000 metric tons of polycrystalline silicon by 2013. The construction of the five additional production plants is expected to be completed by 2013. Based on the information and estimates provided by Sun Materials, the total capital expenditure and working capital required for the five additional production plants will be approximately US$250,000,000. The Directors expect that part of the net proceeds from the Placing will be used to fund such working capital and capital expenditure.

After Completion, the Target will become a wholly-owned subsidiary of the Group and Sun Materials is expected to commence commercial production of polycrystalline silicon in late December 2011. Sun Materials has entered into fixed term purchase agreements to sell polycrystalline silicon with both domestic and international customers, which, unless terminated by the parties thereto, are effective until at least 2015.

Material acquisition and disposals of subsidiaries and associated companies and significant investment held

Aside from the transactions that were completed as part of the reorganization for the Initial Acquisition, there were no other material acquisitions, disposals of subsidiaries and associated companies and significant investment held by Sun Materials for the year ended 31 December 2010.

Segmental information

As Sun Materials had not commenced its business operations as at 31 December 2010, it did not have more than one business or geographical segment which requires the disclosure of segmental information.

Number and remuneration of employees

As at 31 December 2010, Sun Materials had a total of 11 employees (compared to that of 10 employees as at 31 December 2009). Staff costs were NT$5,470,000 (equivalent to approximately US$192,852) for the year ended 31 December 2010, which decreased from NT$6,238,000 (equivalent to approximately US$219,929) for the year ended 31 December 2009. Sun Materials' remuneration policies are formulated on the basis of market trends, future plans and individual performances, which will be reviewed periodically. Appropriate training will be provided to the employees when necessary. The employees of Sun Materials employed in Taiwan are members of the state-managed retirement benefit schemes operated by the Taiwan government during the year ended 31 December 2010. Sun Materials adopted a share option scheme to grant options to its directors or employees on 10 December 2007 and as at 31 December 2010, there were no outstanding share options.

Details of charges on Sun Materials' assets

Sun Materials leased a piece of land in Yi-Lan County, Taiwan (where the First Production Plant is located) from the MOEA for a term of 20 years commencing on 16 May 2007 (the "**Yi-Lan County Land**"). Save for a rent-free period for the first two years of the lease, a rent reduction of 40% during the subsequent two years of the lease and thereafter a rent reduction of 20% for a two year period, rent is calculated based on a variable rate and the first rental payment was made on 16 May 2009.

As at 31 December 2010, Sun Materials' buildings erected on the Yi-Lan County Land had an aggregate carrying value of NT$317,281,000 (equivalent to approximately US$11,186,189) and were pledged to Taiwan Cooperative Bank to secure Sun's Loan Facility.

In addition, Sun Materials had pledged its restricted bank deposit in the amount of NT$21,009,000 (equivalent to approximately US$740,701) as at 31 December 2010 which remained the same as that of NT$21,009,000 (equivalent to approximately US$740,701) as at 31 December 2009 to secure its obligations under the lease with respect to the Yi-Lan County Land.

Save as disclosed above, there were no pledges or liens that were charged against any of Sun Materials' assets as at 31 December 2010.

Plans for material investments

Sun Materials completed the construction of its first production plant in April 2010 and completed the installation of the key production equipment at the first production plant in October 2010. Sun Materials plans to commence the construction of five additional production plants in Taiwan in 2012.

Exposure to fluctuations in exchange rates and any related hedges

Most of Sun Materials' operating transactions, assets and liabilities are primarily denominated in New Taiwan dollars. The Directors believe that the New Taiwan dollar will remain relatively stable against the Hong Kong dollar in the foreseeable future and consider that Sun Materials' present exposure to exchange risk is relatively minimal. There was no financial arrangement for hedging purpose in respect of Sun Materials during the year ended 31 December 2010. However, the management will monitor Sun Materials' foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

Contingent liabilities

As at 31 December 2010, Sun Materials did not have any material contingent liabilities.

(iii) Management discussion and analysis of Sun Materials for the year ended 31 December 2009

Results

During the year ended 31 December 2009, Sun Materials did not commence any active business operations and did not generate any turnover but recorded a net loss of NT$53,570,000 (equivalent to approximately US$1,888,685) which had increased from that of NT$24,324,000 (equivalent to approximately US$857,576) for the year ended 31 December 2008. Such increase in net loss is attributable mainly to the increase in administrative expenses and other expenses to approximately NT$50,702,000 (equivalent to approximately US$1,787,570) for the year ended 31 December 2009 from those of approximately NT$17,114,000 (equivalent to approximately US$603,378) for the year ended 31 December 2008. The increase in administrative expenses and other expenses is in part due to the increase in depreciation expenses for property, plant and equipment from NT$9,971,000 (equivalent to approximately US$351,541) for the year ended 31 December 2008 to NT$20,354,000 (equivalent to approximately US$717,608) for the year ended 31 December 2009. Moreover, an increase in traveling expenses, labour costs and other miscellaneous costs also contributed to an increase in administrative expenses and other expenses.

However, the impact of the increase in administrative expenses and other expenses on the results had been offset by a reduction in impairment loss on deposit paid for acquisition of property, plant and equipment and no net loss being incurred on investments held for trading. Prior to moving into the buildings erected on Yi-Lan County Land in early 2009, Sun Materials has leased office premises (the "**Office Premises**") in the nearby area. The impairment loss of NT$6,600,000 (equivalent to approximately US$232,692) for the year ended 31 December 2008 was due to the costs incurred in building a room for scientific research in the Office Premises. The impairment loss of NT$3,497,000 (equivalent to approximately US$123,291) for the year ended 31 December 2009 was due to the prepayment for renovation work in the Office Premises, which was not refundable. Since Sun Materials had vacated the Office Premises in early 2009 to move into the buildings erected on the Yi-Lan County Land, Sun Materials did not proceed with the renovation work in the Office Premises and the costs incurred in building the room for scientific research for the year ended 31 December 2008 and the prepayment for renovation work at the Office Premises for the year ended 31 December 2009, were not recoverable.

Sun Materials did not hold any investment held for trading during the year ended 31 December 2009. Sun Materials did not have any cost of sales or selling expenses during the year ended 31 December 2009.

Liquidity, financial resources, capital structure and gearing ratio

As at 31 December 2009, Sun Materials had net assets of NT$726,615,000 (equivalent to approximately US$25,617,836) which had increased from that of NT$170,198,000 (equivalent to approximately US$6,000,570) as at 31 December 2008, including bank balances and cash of NT$85,674,000 (equivalent to approximately US$3,020,557) as at 31 December 2009 which had decreased from that of NT$114,975,000 (equivalent to approximately US$4,053,605) as at 31 December 2008. The substantial increase in net assets was attributable mainly to a significant increase in non-current assets. Non-current assets amounted to NT$787,888,000 (equivalent to approximately US$27,778,102) as at 31 December 2009, which had increased from that of NT$187,944,000 (equivalent to approximately US$6,626,230) as at 31 December 2008. Such increase in non-current assets is attributable mainly to the acquisition of property, plant and equipment by Sun Materials in the amount of NT$294,456,000 (equivalent to approximately

US$10,381,461) as well as the deposit paid to an equipment manufacturer in the amount of NT$342,857,000 (equivalent to approximately US$12,087,907) during the year ended 31 December 2009.

In October 2009, Sun Materials obtained unsecured short-term bank borrowings from Taiwan Cooperative Bank in the amount of NT$200,000,000 (equivalent to approximately US$7,051,282), repayable within one year at variable interest rate of P + 0.87% (with P representing the local bank interest rate), for the purpose of funding the construction of the First Production Plant (the "**Unsecured Short-term Bank Borrowings**"). There were no non-current liabilities for the years ended 31 December 2009 and 31 December 2008.

As at 31 December 2009, Sun Materials' net current liabilities were NT$61,273,000 (equivalent to approximately US$2,160,266), which had increased significantly from that of NT$17,746,000 (equivalent to approximately US$625,660) as at 31 December 2008. The increase in net current liabilities is attributable mainly to (i) a large portion of the construction costs and purchases of machinery and equipments incurred for the First Production Plant remaining to be payable as at 31 December 2009; and (ii) Sun Materials obtaining the Unsecured Short-term Bank Borrowings during 2009, which amount exceeds the Shareholders' Loan (as defined below) obtained by Sun Materials during 2008. No Shareholders' Loan remained outstanding as at 31 December 2009. As a result of the Unsecured Short-term Bank Borrowings, finance costs, which comprised mainly the interest expenses for loans and borrowings, had increased from nil for the year ended 31 December 2008 to that of NT$162,000 (equivalent to approximately US$5,711) for the year ended 31 December 2009.

As at 31 December 2009, the authorized share capital of Sun Materials was NT$1,000,000,000 (equivalent to approximately US$35,256,410) divided into 100,000,000 ordinary shares at NT$10 (equivalent to approximately US$0.35) each. During the year ended 31 December 2009, the issued share capital of Sun Materials increased from NT$190,013,000 (equivalent to approximately US$6,699,176) to NT$800,000,000 (equivalent to approximately US$28,205,128) as a result of (i) the Shareholders' Loan (as defined below) in the amount of NT$138,000,000 (equivalent to approximately US$4,865,384) being capitalized as share capital with 13,800,000 ordinary shares of Sun Materials issued to the shareholders at NT$10 (equivalent to approximately US$0.35) each on 14 April 2009; (ii) the issuance of 9,000,000 ordinary shares by Sun Materials to certain existing shareholders of Sun Materials at the time at NT$10 (equivalent to approximately US$0.35) each for the cash consideration of NT$90,000,000 (equivalent to approximately US$3,173,076) on 14 April 2009; and (iii) the issuance of 38,198,700 ordinary shares by Sun Materials to certain existing shareholders of Sun Materials at the time at NT$10 (equivalent to approximately US$0.35) each for the cash consideration of NT$381,987,000 (equivalent to approximately US$13,467,490) on 5 August 2009.

Sun Materials' gearing ratio, calculated by dividing Sun Materials' total liabilities by total assets, was approximately 19.74% as at 31 December 2009 compared to that of approximately 45.04% as at 31 December 2008.

Capital commitments

For the year ended 31 December 2009, the construction of the First Production Plant was still in progress. The total capital expenditure incurred for the year ended 31 December 2009 was approximately NT$623,367,000 (equivalent to approximately US$21,977,682) compared to that of approximately NT$82,287,000 (equivalent to approximately US$2,901,144) for the year ended 31 December 2008. The substantial increase in capital commitment was due to the costs for construction of, and the purchases of machinery and equipments for, the First Production Plant. Save as disclosed, Sun Materials did not have other significant capital commitment as at 31 December 2009.

Prospects for new business

For the year ended 31 December 2009, Sun Materials had not conducted any business activities and hence did not introduce or announce any new products and services.

Material acquisition and disposals of subsidiaries and associated companies and significant investment held

Lution acquired the entire share capital of Sun Materials on 19 September 2009. Save as disclosed, there were no material acquisitions and disposals of subsidiaries and associated companies and significant investment held for the year ended 31 December 2009.

Segmental information

As Sun Materials had not commenced its business operations as at 31 December 2009, it did not have more than one business or geographical segment which requires the disclosure of segmental information.

Number and remuneration of employees

As at 31 December 2009, Sun Materials had a total of 10 employees (compared to that of 8 employees as at 31 December 2008). Staff costs were NT$6,238,000 (equivalent to approximately US$219,929) for the year ended 31 December 2009, which is an increase from NT$2,334,000 (equivalent to approximately US$82,288) for the year ended 31 December 2008. No remuneration was paid or is payable by Sun Materials to its directors in respect of the relevant period. Sun Materials' remuneration policies are formulated on the basis of market trends, future plans and individual performances, which will be reviewed periodically. Appropriate training will be provided to the employees when necessary. The employees of Sun Materials employed in Taiwan are members of the state-managed retirement benefit schemes operated by the Taiwan government during the year ended 31 December 2009. Sun Materials adopted a share option scheme to grant options to its directors or employees on 10 December 2007. As at 31 December 2009, there were no outstanding share options.

Details of charges on Sun Materials' assets

Sun Materials had pledged its restricted bank deposit in the amount of NT$21,009,000 (equivalent to approximately US$740,701) as at 31 December 2009 compared to that of NT$20,581,000 (equivalent to approximately US$725,612) as at 31 December 2008 to secure its obligations under the lease with respect to the Yi-Lan County Land.

Save as disclosed above, there were no pledges or liens that were charged against any of Sun Materials' assets as at 31 December 2009.

Plans for material investments

Sun Materials commenced the construction of the First Production Plant in 2008 and planned to complete the construction by 2010 and commence trial production for the purposes of fulfilling the qualification requirements of its customers.

Exposure to fluctuations in exchange rates and any related hedges

Most of Sun Materials' operating transactions, assets and liabilities are primarily denominated in New Taiwan dollar. There was no financial arrangement for hedging purpose in respect of Sun Materials during the year ended 31 December 2009.

Contingent liabilities

As at 31 December 2009, Sun Materials did not have any contingent liabilities.

(iv) Management discussion and analysis of Sun Materials for the year ended 31 December 2008

Results

During the year ended 31 December 2008, Sun Materials did not commence any active business operations and did not generate any turnover but recorded a net loss of NT$24,324,000 (equivalent to approximately US$857,576). The net loss is attributable mainly to the increase in administrative expenses and other expenses to approximately NT$17,114,000 (equivalent to approximately US$603,378) for the year ended 31 December 2008. Such increase in administrative expenses and other expenses is attributable largely to the increase in recruitment and employment activities during 2008 and the increase in depreciation expenses as a result of the property, plant and equipment acquired by Sun Materials during the same period. In addition, Sun Materials incurred impairment loss on deposit paid for acquisition of property, plant and equipment in the amount of NT$6,600,000 (equivalent to approximately US$232,692) during the year ended 31 December 2008. The impairment loss was due to the costs incurred in building a room for scientific research in the Office Premises. Since Sun Materials had vacated the Office Premises in early 2009 to move into the buildings erected on the Yi-Lan County Land, the costs incurred in building the room for scientific research were not recoverable.

The net loss was offset by a reduction in net loss on investments held for trading, which reduced to that of NT$1,182,000 (equivalent to approximately US$41,673) for the year ended 31 December 2008 as a result of better performance of the fund investment in equity securities listed in Taiwan by Sun Materials (the "**Fund Investment**"). The Fund Investment was disposed of during 2008 and Sun Materials received sales proceeds of NT$25,475,000 (equivalent to approximately US$898,157). Sun Materials did not have any cost of sales or selling expenses during the year ended 31 December 2008.

Liquidity, financial resources, capital structure and gearing ratio

As at 31 December 2008, Sun Materials had net assets of NT$170,198,000 (equivalent to approximately US$6,000,570), including bank balances and cash of NT$114,975,000 (equivalent to approximately US$4,053,605) as at 31 December 2008.

There was an increase in net assets in 2008, which was attributable mainly to a significant increase in bank balances and cash as well as an increase in non-current assets. The increase in bank balances and cash was due to the cash consideration received for the issuance of ordinary shares by Sun Materials on 24 July 2008 and the Shareholders' Loan (as defined below) obtained by Sun Materials during 2008. Non-current assets amounted to NT$187,944,000 (equivalent to approximately US$6,626,230) as at 31 December 2008 which represented an increase from that as at 31 December 2007. The increase in non-current assets was mainly due to costs incurred for the purchases of property, plant and machinery relating to the First Production Plant in the amount of NT$129,380,000 (equivalent to approximately US$4,561,474) during the year ended 31 December 2008. As at 31 December 2008, Sun Materials' net current liabilities were NT$17,746,000 (equivalent to approximately US$625,660), which had increased significantly from the net current assets as at 31 December 2007. Such increase in net current liabilities was attributable mainly to a loan in the amount of NT$138,000,000 (equivalent to approximately US$4,865,384) obtained by Sun Materials from its shareholders which is unsecured, non-interest bearing and repayable on demand (the "**Shareholders' Loan**") during 2008. For the year ended 31 December 2008, Sun Materials did not incur any non-current liabilities. Since Sun Materials did not incur any interest-bearing current or non-current liabilities, Sun Materials did not incur any finance costs for the year ended 31 December 2008.

During the year ended 31 December 2008, the issued share capital of Sun Materials increased from NT$150,013,000 (equivalent to approximately US$5,288,919) to NT$190,013,000 (equivalent to approximately US$6,699,176) as a result of the issuance of 4,000,000 ordinary shares by Sun Materials to certain existing shareholders of Sun Materials at NT$10 (equivalent to approximately US$0.35) each for the cash consideration of NT$40,000,000 (equivalent to approximately US$1,410,256) on 24 July 2008.

Sun Materials' gearing ratio, calculated by dividing Sun Materials' total liabilities by total assets, was approximately 45.04% as at 31 December 2008.

Capital commitments

For the year ended 31 December 2008, the construction of the First Production Plant was still in progress. The total capital expenditure incurred for the year ended 31 December 2008 was approximately NT$82,287,000 (equivalent to approximately US$2,901,144), which represented a slight reduction in capital commitment since there was no restricted bank deposits during the year ended 31 December 2008.

Save as disclosed, Sun Materials did not have other significant capital commitment as at 31 December 2008.

Prospects for new business

For the year ended 31 December 2008, Sun Materials had not conducted any business activities and hence did not introduce or announce any new products and services.

Material acquisition and disposals of subsidiaries and associated companies and significant investment held

On 17 June 2008, Sun Materials sold the Fund Investment for proceeds of NT$25,475,000 (equivalent to approximately US$898,157).

Save as disclosed, there were no material acquisitions and disposals of subsidiaries and associated companies and significant investment held for the year ended 31 December 2008.

Segmental information

As Sun Materials had not commenced its business operations as at 31 December 2009, it did not have more than one business or geographical segment which requires the disclosure of segmental information.

Number and remuneration of employees

As at 31 December 2008, Sun Materials had a total of 8 employees. Staff costs were NT$2,334,000 (equivalent to approximately US$82,288) for the year ended 31 December 2008. No remuneration was paid or is payable by Sun Materials to its directors in respect of the relevant period. Sun Materials' remuneration policies are formulated on the basis of market trends, future plans and individual performances, which will be reviewed periodically. Appropriate training will be provided to the employees when necessary. The employees of Sun Materials employed in Taiwan are members of the state-managed retirement benefit schemes operated by the Taiwan government during the year ended 31 December 2008. Sun Materials adopted a share option scheme to grant options to its directors or employees on 10 December 2007. As at 31 December 2008, there were no share options outstanding because the 700,000 share options for 7,000,000 ordinary shares of Sun Materials with an exercise price of NT$11.50 (equivalent to approximately US$0.40) per share, which were granted on 10 December 2007, were forfeited during the year ended 31 December 2008.

Details of charges on Sun Materials' assets

Sun Materials had pledged its restricted bank deposit in the amount of NT$20,581,000 (equivalent to approximately US$725,612) as at 31 December 2008 to secure its obligations under the lease with respect to the Yi-Lan County Land.

Save as disclosed, there were no pledges or liens that were charged against any of Sun Materials' assets as at 31 December 2008.

Plans for material investments

Apart from the Fund Investment, Sun Materials had commenced the construction of the First Production Plant during the year ended 31 December 2008. Sun Materials planned to complete the construction of the First Production Plant in 2010 and commence trial production for the purposes of fulfilling the qualification requirements of its customers.

Exposure to fluctuations in exchange rates and any related hedges

Most of Sun Materials' operating transactions, assets and liabilities are primarily denominated in New Taiwan dollar. There was no financial arrangement for hedging purpose in respect of Sun Materials during the year ended 31 December 2008.

Contingent liabilities

As at 31 December 2008, Sun Materials did not have any contingent liabilities.

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December 14, 2011

The Directors
Mascotte Holdings Limited

Our Ref.: 11/1712

Dear Sirs,

CALCULATIONS OF INDICATED BUSINESS ENTERPRISE VALUES OF SUN MATERIALS TECHNOLOGY CO., LTD.

Pursuant to the terms, conditions and purpose of an engagement agreement dated August 23, 2011 between Mascotte Holdings Limited ("**Mascotte**" or "**Client**") and American Appraisal China Limited ("**American Appraisal**"), we have assisted the Client to perform scenario analyses of the calculated values ("**Calculations**") of the business enterprise of Sun Materials Technology Co., Ltd. ("**Sun Materials**" or "**Company**"). The Calculations are prepared as of June 30, 2011 ("**Measurement Date**") based on the agreed procedures/scope of works, by adopting market data and projection assumptions provided by the management of the Company ("**Management**").

We understand and accept that a copy of this letter may be disclosed in the circular to the shareholders and to The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") pursuant to the requirements of The Rules Governing the Listing of Securities on Stock Exchange ("**Listing Rules**"). However, the results of our analysis should not be constructed as a fairness opinion, a solvency opinion, or an investment recommendation. Our report is prepared solely for the directors of the Client for the purpose stated herein and should not be relied upon for any other purpose or provided for use by third parties. Any third party should conduct their own investigation and independent assessment of the prospective financial information and underlying assumptions. In no event, regardless of whether consent has been provided, shall we assume any responsibility to third party to whom this report is disclosed or otherwise made available.

This executive summary letter identifies the asset appraised, describes the scope of work, states the basis of calculated values, specifies key inputs and assumptions, explains the calculation methodology utilized, and presents our conclusion of calculated values. In preparing our report, we aim to largely comply with the reporting requirements recommended by the International Valuation Standards ("**IVS**"). This letter is intended to present only a summary discussion of the data, reasoning, major assumptions and analyses that were used by American Appraisal to develop the opinion of calculated values. Supporting documentation concerning these matters has been retained in our work papers.

Purpose of the Calculations

The Client has completed an acquisition of 50.1% of the issued shares of Sun Mass Energy Limited ("**Sun Mass**"), the ultimate holding company of Sun Materials ("**Initial Acquisition**") in July 2011 ("**Completion Date**"). On September 12, 2011, the Client has entered into a sales and purchase agreement ("**SPA**") to acquire 49.9% of the issued shares of Sun Mass at HKD2,500 million ("**Proposed Transaction**"). Prospective financial information of Sun Materials was prepared by the Management to comply with the requirement of a statement on 12-month working capital sufficiency from the date of the circular under the Listing Rules. With the Client's approval and agreement, we relied upon the completeness, accuracy and fair presentations of the information provided by the Management to develop the calculated values of the business enterprise of Sun Materials as going concern business without independent investigation.

The intended use of the Calculations are to serve as an internal reference for Client's corporate planning purpose. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The Calculations only form part of the information for the Client to consider and the responsibility for determining the acquisition price of Sun Materials rests solely with the Client.

Standard and Premise of Value

The Calculations are based on the calculated values defined under the Statement on Standards for Valuation Services No. 1 ("**SSVS No. 1**") issued by the American Institute of Certified Public Accountants as "an estimate as to the value of a business, business ownership, security, or intangible assets, arrived at by applying valuation procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures".

The Calculations shall be the indicated values of the Business Enterprise using financial projection assumptions provided by the Management and market data on pricing and industry practice on production utilization. American Appraisal has not been asked to and will not provide any opinion, analysis or consideration of the relative reasonableness, accuracy or appropriateness of the financial projections provided by the Management.

The Calculations are for illustrative purpose only, based on the judgements and assumptions of the Management, 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 any future financial results or performance or cash flow of any future period.

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the invested capital of the business, that is, the combination of the value of shareholders' equity, shareholders' loans and interest-bearing debt.

Description of Sun Materials

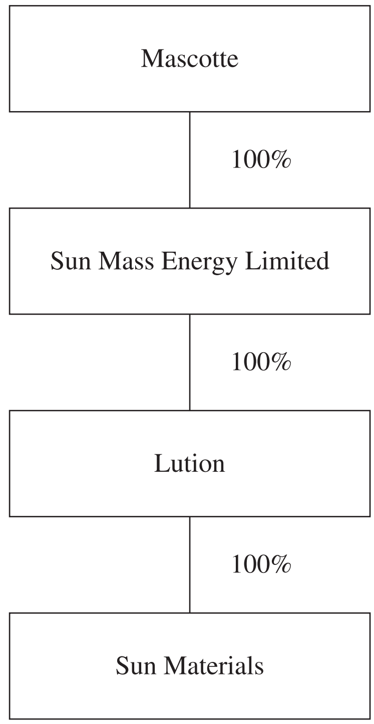
Sun Materials is a limited liability company incorporated in Taiwan in 2007. Its principal business is the manufacture of solar grade polycrystalline silicon. Sun Materials deploys a new and innovative technology ("**Core Technology**") developed by Dr Wu Yi-Shuen ("**Dr Wu**") and it was patented in the USA, Europe, Japan, Taiwan and China the key production equipment for such technology, with a view to significantly reducing the plant development costs, production costs, production hazards and adverse environmental effects of manufacturing solar grade polycrystalline silicon. The patented production equipment is designed to enable the commercial production of solar grade polycrystalline silicon using such technology.

As far as the Management is aware, the technologies for manufacturing solar grade polycrystalline silicon in the market are the "Siemens" process, the FBR process, and the modified "Siemens" process, and these processes do not involve any technology that is similar to that Sun Materials will deploy in an industrial scale. The patented key production equipment is a crucial component of the production process for deploying this technology to manufacture solar grade polycrystalline silicon in an industrial scale. The Management is not aware of other means to deploy this technology for the same application in an industrial scale.

Sun Materials completed the construction of its first production plant in Yi-Lan County, Taiwan in October 2010 which has a design production capacity of up to 3,500 metric tons per annum ("**Existing Plant**"). In November 2010, Sun Materials commenced trial production at the plant for the purposes of fulfilling the qualification requirements of its customers. While Sun Materials was in a position to commence limited scale commercial production by June 2011, it considered that it was possible to introduce further enhancements in efficiency. Any increase in efficiency presents a material change in the manufacturing cost of its polycrystalline silicon. With the new improvements being implemented in the current quarter, Sun Materials expects to commence commercial production of the first production plant in late December 2011 and plans to commence construction of five additional production plants in 2012, which will increase its production capacity to up to 21,000 metric tons by 2013. Based on the information and estimates provided by the Management, the total capital expenditure and working capital required for the five additional production plants will be approximately USD275,000,000.

The sole shareholder of Sun Materials was Lution International Holdings Co., Ltd. ("**Lution**"). Lution is wholly owned by Sun Mass.

The shareholding structure of the Target Group upon Completion:



Industry Overview

Over the past decade, the photovoltaic (PV) market has experienced unprecedented growth. According to "Global Market Outlook for Photovoltaics until 2015" issued by European Photovoltaic Industry Association (EPIA) in May 2011, in 2010, the photovoltaic market has reached a cumulative installed capacity of roughly 40 GW world-wide, with an annual added capacity of 16.6 GW. Europe leads the way with almost 30 GW of installed capacity in 2010, representing about 75% of the World cumulative PV power installed at the end of 2010 while Japan (3.6 GW) and the US (2.5 GW) are following behind. China (0.9 GW) has already entered the top 10 of the World PV markets and is expected to become a major player in the coming years.

The cumulative global installed capacity was forecasted to grow at a CAGR of 27% in the moderate scenario which assumes there is no major reinforcement of existing support mechanisms and reasonable continuation of current feed-in-tariffs aligned with PV systems prices:

	2011	**2012**	**2013**	**2014**	**2015**
Global cumulative installed capacity forecast *(MW)*	52,930	68,175	86,415	107,300	131,255
Growth *(%)*	34	29	27	24	22

Source: EPIA "Global Market Outlook for Photovoltaics until 2015"

Currently there are two major cell technologies applied in the industry: crystalline silicon photovoltaic cells (c-Si) and thin film solar cells, where the later one has recently been introduced to the market place. However, the traditional c-Si-technology is still expected to maintain its market share in the coming few years due to falling cost of the polycrystalline silicon raw material and lower efficiency of thin-film cell. According to "PV Status Report 2011", European Commission (EC) and Institute for Energy (IE) in July 2011, c-Si-technology had around 85% market shares in 2010. Although more than 120 companies have announced the start or increase of production of thin-film solar cell, it is expected that the market share ratio of thin-film solar cell will only reach 26% provided that all the expansion plans are realized by 2015.

According to "Global Market Outlook for Photovoltaics until 2015", c-Si cells and modules capacities are now mainly located in Asia. EPIA estimates the global c-Si cell production capacity to have been around 27 to 28 GW in 2010. Almost 50% of this capacity is located in China. The rest is produced in Taiwan (over 15%), the EU (over 10%), Japan (slightly less than 10%) and the USA (less than 5%). Module production capacities for c-Si are estimated to have been slightly higher and could have range between 30 and 32 GW in 2010.

A major base material for c-Si-cells is polycrystalline silicon which was an industry growth limiting bottleneck in 2009. This bottleneck is released in 2010 with the increase in worldwide production capacity increase and everyone expects that it stays released in the coming two to three years.

In 2008 worldwide, about 65,000 tons of polycrystalline silicon have been produced and the industry average sales price was about approximately 100 USD/kg with spot market prices up to 400 USD/kg. In 2010, the worldwide production capacity is anticipated to reach about 120,000 to 130,000 tons with a typical sales price of 50 to 60 USD/kg, with a spot price of about 69 USD/kg. The spot price fluctuated between 50 to 80 USD/kg during 2011 according to publication by Photon Consulting's Silicon Price Spot Index.

According to the research report published by Deutsche Bank in September 2011, the global solar industry is facing oversupply as the demand growth from downstream manufacturers has failed to keep up with the new capacity expansion. The large increase in polycrystalline silicon supply is likely to put pressure on the average selling price and it is expected that the spot polycrystalline silicon price will drop to 40 – 45 USD/Kg by the end of 2011 and further decline to below 35 USD/Kg by the end of 2012. In order to maintain the profit margin, polycrystalline silicon manufacturers have to lower its manufacturing cost and produce high purity polycrystalline silicon.

Scope of Work and Key Assumptions

Our investigation included discussions with the Management with regard to the history, operations and prospects of the Sun Materials, on-site inspection on August 2, 2011, an overview of certain financial data, an analysis of the industry and competitive environment, an analysis of comparable companies, and a review of transactions, operating statistics and other relevant documents.

We made reference to or reviewed the following major documents and data:

- SPA of the Proposed Transactions;
- Audited financial statements of Lution for the four years ended December 31, 2010;
- Draft audited financial statements of Lution for the six months period ended June 30, 2011;
- Prospective financial information of Sun Materials prepared by the Management for the period from 2011 to 2015;
- Execution copies of polycrystalline silicon supply agreements between Sun Materials and certain customers;
- Patents covering elements of the proposed process flow;
- Polycrystalline silicon price index published by Photon Consulting; and
- Industry reports (including Global Market Outlook for Photovoltaics until 2015 issued by EPIA and PV status Report 2011 by European Commission and Institute for Energy and certain analysts reports covering solar industry).

We assumed that the data we obtained in the course of the Calculations, along with the opinions and representations provided to us by the Company are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of the calculated values, we have considered the following principal factors:

- the stage of development of the Sun Materials;
- the historical costs, current financial condition and prospective financial projections of the Sun Materials;
- the economic outlook in general and specific competitive environments affecting the polycrystalline silicon and solar energy industry;
- the legal and regulatory issues in general and other specific legal opinions relevant to the Sun Materials;
- the transaction prices of the best comparable assets;
- the risks of Sun Materials; and
- the experience of Sun Materials' management team.

Due to the changing environments in which Sun Materials is operating, a number of assumptions have to be made in arriving at our calculated value conclusion. The key assumptions adopted in the Calculations:

- no major changes are expected in political, legal and economic conditions in Taiwan;
- industry trend and market conditions for polycrystalline silicon manufacturing industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law in Taiwan;
- Sun Materials will not be constrained by the availability of finance;
- exchange rates and interest rates will not differ materially from those presently prevailing;

- cash manufacturing cost of polycrystalline silicon employing Sun Materials' Core Technology would be kept at approximately 12.8 USD/Kg for Existing Plant scenario and 9.6 USD/Kg for Two Plants scenario, both assumed by the Management;

- it is assumed that no material accounts receivable or accounts payable is required as settlement would be made on the same month as incurred;

- Sun Materials will retain competent management, key personnel and technical staff to support their ongoing operations;

- Sun Materials will adopt proper measures to improve product quality and maintain production efficiency; and

- Sun Materials can secure revenue by entering into long-term contracts with key PV industry players.

Methodology Overview

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to value. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the measurement date. The process is essentially that of comparison and correlation between the subject asset and similar assets recently sold or offered for sale in the market. The transaction or offering prices of the comparable assets are adjusted for dissimilarities in characteristics including location, age, time of sale, size, and utility, among others. The adjusted prices of the comparable assets are correlated to relevant economic benefits (or value drivers) and provide an indication of value for the subject asset in term of price multiples. The resulted price multiples are then applied to the corresponding economic benefits of the subject asset.

In view of the stage of development of Sun Materials, the income approach is not appropriate given the high uncertainty on a long-term forward-looking financial forecast and underlying assumptions. Also, the innovation and uniqueness of the patented Core Technology owned by Sun Materials may not be necessarily replicated by other market players' research and development activities and, thus, the cost approach is not considered in the Calculations. The market approach is adopted as the primary calculation method. The market approach may represent more objective view and more weight relatively under fair value measurement hierarchy but have the limitation in the case that those comparable companies or transactions may cover different regions in the world with different technology, scale of operation, market situation, growth potential, business or country risks and tax rate.

Market Approach

The Calculations were conducted primarily by the Guideline Company Method ("**GCM**") and also cross checked by the Guideline Transaction Method ("**GTM**") both known as forms of the market approach. GCM and GTM provided a range of values by relating the market values of publicly-traded comparable companies and transaction price to measures of their operating results and other value drivers. Such multiples were applied to the relevant parameters of the subject business being appraised. It is understood that Sun Materials' technology, production process and geographic location are different from the comparable companies and target companies/assets in comparable transactions. Despite such differences, the end product, namely polycrystalline silicon, is a commodity commonly used in the photovoltaic industry as a key component for the production of solar cells. In other words, polycrystalline silicon prices are likely to be driven by demand and supply by the industry players. On the other hand, it is also acknowledged that differences in technology applied and geographic location may affect the product's quality and manufacturing process efficiencies and hence manufacturing costs of business enterprises. However, these variances among business enterprises would eventually be reflected in the trading prices and economic measures such as EBITDA in the guideline companies.

Guideline Company Method

Under the GCM, the financial ratios of comparable companies are analyzed to determine a value for the subject property. This method employs market price data of stocks of corporations engaged in the same or a similar line of business as that of the subject property. Stocks of these corporations are actively traded in a public, free, and open market, either on an exchange or over-the-counter. We have identified and described below nine comparable companies which are operating in the polycrystalline silicon manufacturing industry:

1. Wacker Chemie AG manufactures various chemical products, including silicon wafers for semiconductor manufacturers.

2. Renewable Energy Corporation ASA develops a wide range of products for the solar energy market. The Company produces silicon materials for photovoltaic (PV) applications and multicrystalline wafers, as well as solar cells and modules.

3. Tokuyama Corporation produces inorganic and organic industrial chemicals, synthetic resins, cement, and construction materials. The Company's product lines include Portland cement, soda chemicals, and polycrystalline silicon.

4. Mitsubishi Materials Corporation manufactures and processes non-ferrous metals such as copper, zinc, lead, gold, and silver. The Company also produces other products such as cement, aluminum cans, silicon, fine chemicals, and electronic materials.

5. GCL-Poly Energy Holdings Limited is a Chinese power company that produces solar grade polycrystalline silicon and operates cogeneration plants and in China.

6. MEMC Electronic Materials, Inc. produces silicon wafers. The Company's products are used in computers, telecommunications equipment, automobiles, consumer electronics products, industrial automation and control systems, and analytical and defense systems.

7. Globe Specialty Metals, Inc. produces silicon metal and silicon-based alloys. The Company's products are used for the manufacture of a wide range of industrial products, including silicone compounds, aluminium, ductile iron, automotive parts, steel, photovoltaic solar cells and electronic semiconductors.

8. OCI Company Ltd. operates its business under three segments: basic chemical, chemical compound and other segments. Its basic chemical segment produces polycrystalline silicon, hydrogen peroxide and others used in semiconductor, paper manufacturing and textile industries. Its chemical compound segment produces carbon blacks used for tires and tubes, and toluene diisocyanate (TDI) products used in automobile, shoes and furniture industries. Its other segment produces zirconium silicate and chemical reagents used for analysis.

9. Daqo New Energy Corp. manufactures polycrystalline silicon. It markets its polycrystalline silicon to photovoltaic product manufacturers who process it into ingots, wafers, cells and modules for solar power products.

We collected the enterprise value ("**EV**") as of the Measurement Date from Bloomberg and the estimated 2012 earnings before interest, tax, depreciation and amortization expense ("**EBITDA**") of the comparable companies based on the market consensus from Bloomberg. EV is defined as market capitalization plus interest-bearing debt less cash plus non-controlling interest plus preferred stock. EV to EBITDA multiple is not affected by capital structure and is often chosen for calculation of capital intensive companies such as Sun Materials where the EBITDA is not affected by different depreciation policies adopted by comparable companies. As such, EBITDA is often regarded as an economic measure showing price discount and cost advantages or disadvantages due to different product or business mix engaged by business enterprise.

Since the Company's circular in respect of the Initial Acquisition dated May 20, 2011, while Sun Materials was in a position to commence limited scale commercial production by June 2011, it considered that it was possible to introduce further enhancements in efficiency, resulting in delay in the commencement of commercial production. During this period, Sun Materials made progress in improving the efficiency of its production process towards commercialization, through several steps, among others, re-design of the decomposition reactors, which resulted in a potential decrease in the production costs mainly on electricity consumption, raw material and consumable from the originally estimated production cost of 19.8 USD/Kg mentioned in the technical report ("**Technical Report**") on Sun Materials dated 20 May 2011 conducted by Ove Arup & Partners Hong Kong Ltd ("**ARUP**"), or 17.1 USD/Kg (cash manufacturing cost excluding depreciation) to 12.8 USD/Kg (cash manufacturing cost) under the scenario run by the first factory of Sun Materials ("**Existing Plant**"). As represented by Management, the 25% reduction from 17.1 USD/Kg to 12.8 USD/Kg was primarily based on the savings in electricity, consumables and maintenance due to efficiency. Detail comparison of cost components are provided in the table below.

Cash Manufacturing Cost Breakdown for Production of 1 kg Polycrystalline Silicon	**Sun Materials**	**ARUP**
	Cost *(USD/kg)*	*Cost* *(USD/kg)*
Raw materials and waste treatment	5.8	5.8
Consumables	1.0	2.4
Electricity	3.5	5.2
Facility & equipment maintenance	0.2	1.4
Human resources and others	2.3	2.3
Total	12.8	17.1

According to the Management's estimation, the re-designed production plant of the first module is expected to commence commercial operation by late December 2011 and it will operate under full capacity by the end of first quarter of 2012.

We have prepared the calculated business enterprise value using the first full year operation results of Sun Materials under two hypothetical scenarios, namely Existing Plant scenario and Two Plants scenario.

Key Assumptions adopted under Existing Plant Scenario

Based on the existing development status of Sun Materials, the first full year result based on the Existing Plant ("**First Full Year EBITDA (Existing Plant)**"), that was furnished to us by the Management, was adopted to arrive at the indicated calculated values of business enterprise. The sales volume was forecasted at 2,638 metric tons and cash manufacturing production cost was estimated to be 12.8 USD/Kg. The estimated sales volume in the first full year operation represents approximately 75% utilization of the designed production capacity of the Existing Plant. This utilization rate is slightly lower than the worldwide market utilization of 80% by the end of 2010 ("**Market Utilization Rate**"), as disclosed in the Technical Report. The unit selling price of 32.6 USD/Kg adopted in the derivation of First Full Year EBITDA ("**Base Selling Price**") is generally in line with the selling price forecast made by market research analysts. Annual operating expenses were assumed to be USD1.7 million by Management. EBITDA under the Existing Plant scenario was USD50.6 million.

Key Assumptions adopted under Two Plants Scenario

In view of the developments in the business prospects of Sun Materials after the Initial Acquisition, we have also incorporated the future development opportunities of Sun Materials in the Calculations. Under this scenario, Management estimated sales volume would be approximately 6,357 metric tons which would be met by the Existing Plant and one new production plant (collectively known as "**Two Plants**"). The estimated sales volume would represent approximately 80% utilization of the designed production capacity of Two Plants, which is in line with the Market Utilization Rate. The same Base Selling Price was adopted in the scenario of Two Plants. Management estimated the cash manufacturing cost under First Full Year EBITDA (Two Plants) would be 9.6 USD/Kg by introducing the automation system for extracting product in the new facilities which could eliminate the requirement to have heating and cooling cycles during the production process. The expected decrease from 12.8 USD/Kg under the Existing Plant scenario to 9.6 USD/Kg under the Two Plants scenario was due to automation process which would result in savings on electricity and labor costs. Annual operating expenses were assumed to be USD1.9 million by Management. EBITDA under the Two Plants scenario was USD144.2 million.

Based on the procedures in the "Scope of Work and Major Assumptions" above and those described below, it was considered that the cash manufacturing costs and both First Full Year EBITDAs under the Existing Plant and Two Plants scenario were prepared with due care and consideration:

- Positive product blind test result conducted by certain customer in early 2011, represented by Management;
- Reviewed execution copies of polycrystalline silicon supply agreements that specify the sales quantities and unit selling price by years agreed between Sun Materials and certain customers;
- Reviewed manufacturing cost components estimated by Management and discussed with Management on the current operating statistics on unit manufacturing costs; and
- Held on-site inspections on August 2, 2011 and the progress that all 28 reactors under the Existing Scale are in place and are under the process for further modification for better production efficiency.

Ratios of EV to EBITDA of the above comparable companies are calculated and summarized below:

Guideline Companies	EV to Estimated 2012 EBITDA
Wacker Chemie AG	5.20
Renewable Energy Corporation ASA	4.40
Tokuyama Corporation*	3.45
Mitsubishi Materials Corporation*	8.45
GCL-Poly Energy Holdings Limited	5.41
Memc Electronic Materials, Inc.	5.51
Globe Specialty Metals, Inc.	6.31
OCI Company Ltd.	5.93
Daqo New Energy Corp.*	3.45
Average	5.34
Median	5.41
Average (excluding outliers)	5.46
Range (excluding outliers)	4.40 – 6.31
Selected	5.50

* As outliers

Given the fact that the average and the median did not vary significantly from each other, and the high end and low end of the range of the multiples excluding outliers falls into a reasonable variance, the rounded median EV to EBITDA multiple of 5.5 times was selected. Excluding the outliers, the guideline companies selected above are considered fair and representative.

The selected multiple was then multiplied by the First Full Year EBITDA (Existing Plant) and First Full Year EBITDA (Two Plants) of approximately USD50.6 million and USD144.2 million, respectively. According to Management, since Sun Materials has re-designed the process flow to improve efficiency, the remaining capital expenditure of USD29.7 million is required for the first factory. For each of the subsequent plant construction, USD55.0 million is required. The above capital expenditures were subtracted from the multiplication products of market multiples and the EBITDAs. Results of calculated values under GCM are presented below:

	Existing Plant *(USD'000)*	Two Plants *(USD'000)*
First Full Year EBITDA	50,642	144,240
Applicable Ratio	5.50	5.50
Multiplication product	278,531	793,320
Less: required capital expenditure based on the full year capacity to meet forecast sales volume	(29,743)	(84,743)
Calculated Values before adjustments	248,788	708,577

Additional Adjustments:

*Discount for Lack of Marketability ("**DLOM**")*

To reflect the relative non-liquidity of the privately held shares in Sun Materials as opposed to publicly traded corporation, and the fact that the Company was in an earlier stage of development and smaller size than the comparable companies, a discount of lack of marketability was applied to the shares in Sun Materials. Marketability varies from situation to situation. A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. A discount in the range of 10% to 30% is generally used in practice, depending upon the particular circumstances. After considered the following factors, the selected DLOM appropriate to the Calculations was 10%:

1. After completion of the Initial Acquisition, Sun Materials become a subsidiary of the Client which is a public company. As such, the recognition of Sun Materials increases and its liquidity was also increased; and

2. Through discussion with Management, it indicated that it had discussion with several industry players who showed interests in investment in Sun Materials indicating the increased liquidity of its shares.

Excess cash

Excess cash represented the portion of cash balance on book, which is not tied up by the normal operation. It was calculated as the cash balance as of Measurement Date less three-months operating expense. The excess cash balance of Sun Materials is USD10.6 million.

After considering the excess cash and discount for lack of marketability, the calculated values of business enterprise of Sun Materials under the GCM were approximately USD235 million and USD648 million under the assumption of Existing Plant and Two Plants scenario respectively.

Sensitivity analysis

As part of our analysis, sensitivity analyses of calculated values arrived at using the GCM were performed. The sensitivity analyses provide guidance as to the corresponding change in calculated values given a change in parameter. We have tested the sensitivity of the calculated values on business enterprise of Sun Materials to changes of the parameters of unit selling price and unit cash manufacturing cost. Both parameters under the sensitivity test are key factors that affect the calculated values conclusion. The inputs to the sensitivity analyses were set out below:

- Unit selling price – With reference to the historical market price fluctuations of polycrystalline silicon from July 2009 to June 2011, that ranged between USD46/Kg and USD56/Kg, where the high end is approximately 20% higher than the low end of the range. Hence, the sensitivity analysis on unit selling price was performed on top of the Base Selling Price; and

- Unit cash manufacturing cost – three degree of inputs were adopted, being USD17.1/Kg as mentioned by the Technical Report, USD12.8/Kg as adopted in the Existing Plant scenario and USD9.6/Kg as adopted in the Two Plants scenario.

Result of sensitivity analysis based on Existing Plant scenario is presented below:

100% calculated value of business enterprise using GCM (USD million)		**Unit cash manufacturing cost (USD/Kg)**		
		17.1	**12.8**	**9.6**
	+20%	263	319	361
	+10%	221	278	319
% change in unit selling price	Base Selling Price	178	235	276
	-10%	135	191	233
	-20%	93	150	191

Under the Existing Plant scenario, the concluded calculated value of business enterprise of Sun Materials from GCM of USD235 million represented a discount of 54% to the high end of the range of the sensitivity analysis result and a premium of 153% to the low end of the range.

Result of sensitivity analysis based on Two Plants scenario is presented below:

100% calculated value of business enterprise using GCM (USD million)		**Unit cash manufacturing cost (USD/Kg)**		
		17.1	**12.8**	**9.6**
	+20%	618	754	853
	+10%	515	652	751
% change in unit selling price	Base Selling Price	413	549	648
	-10%	310	446	546
	-20%	208	344	443

Under the Two Plants scenario, the concluded calculated value of business enterprise of Sun Materials from GCM of USD648 million represented a discount of 32% to the high end of the range of the sensitivity analysis result and a premium of 212% to the low end of the range.

The above illustrations are intended for reference only and any variation could exceed the ranges given.

Guideline Transaction Method

The guideline transaction method ("**GTM**") under the market approach was adopted as a cross-checking method. We identified seven transactions in the polycrystalline silicon manufacturing industry with disclosed information on transaction price and production capacity by the searching of public filing and announcements of relevant companies, which were completed since January 2008, i.e. 3.5 years prior to the Measurement Date.

The ratio of implied total equity value to its production capacity ("**Equity Value to Capacity Ratio**") was calculated for each of the transactions. The Equity Value to Capacity Ratio was selected because (i) no historical financial result of the Company was available and (ii) given the growing demand for alternate energy in the world, it was reasonably assumed that the economic benefit of a polycrystalline silicon manufacturer is proportional to the scale of its operation, which is reflected by the production capacity. For transactions in which the percentage sought were more than 50%, a minority discount of 17%, taken as the inverse of control premium of 20% which was obtained from data on acquisition transactions in the alternate energy industry as disclosed by the Mergermarket Group for the transactions completed within 3.5 years prior to the Measurement Date, is deducted to arrive at the implied total equity value of the target companies. Since the dates of the comparable transactions were different from the Measurement Date, the price in the commodity market fluctuated significantly. In order to account for the changes in market condition and market prices of polycrystalline silicon and hence gross margins over the period from the date of comparable transactions to the Measurement Date, an adjustment is applied to the Equity Value to Capacity Ratio ("**Index Adjustment**"). It was reasonably assumed that the economic benefit of a typical industry player is proportional to its gross margin. The Index Adjustment is made based on the difference of historical silicon price minus unit production cost (i.e. gross margin) between the transaction completion date and the Measurement Date. The historical silicon price was referenced to those published by Bloomberg, source from Photon Consulting, LLC ("**Photon Consulting**"). Average unit production cost of polycrystalline silicon of tier 1 industry player was assumed at 24 USD/kg which are suppliers like Hemlock Semiconductor Group, Wacker Chemie AG and MEMC Electronic Materials, Inc. According to the management, Sun Materials' cash manufacturing costs was believed to be approximately 12.8 USD/kg by using its Core Technology under the Existing Plant scenario. After taking into account the Index Adjustment, the median of Adjusted Equity Value to Capacity Ratios was approximately 36% lower than the median of unadjusted Equity Value to Capacity Ratios.

Key information of comparable transactions is summarized below:

No.	Target Company	Completion Date/polycrystalline silicon contract price at completion date quoted by Photon Consulting *(USD per Kg)*	Transaction amount *(USD Mn)/ % sought*	Implied total equity value *(USD Mn)*	Capacity *(tons per annum)*	Equity Value to Capacity Ratio *(USD per Kg per annum) (times)*	Adjusted Equity Value to Capacity Ratio *(USD per Kg per annum) (times) (note 7)*	Development stage
1	Solsil Inc.	Mar 3, 2008 (USD100/Kg)	72 (81%)	74	360	205	61	Reached annual capacity one year before completion *(note 1)*
2	Nitol Solar	Aug 18, 2008 (USD70/Kg)	100 (14%)	714	3,800	188	94	Produced its first industrial batch of polycrystalline silicon before completion
3	Hankook Silicon	May 28, 2009 (USD58/Kg)	24 (19%)	123	3,200	39	25	Not yet started commercial operation *(note 2)*
4	Woogjin Polysilicon	Jul 17, 2009 (USD54/Kg)	84 (35%)	243	5,000	49	36	Commenced construction of plant *(note 3)*
5	Jiangsu Zhongneng	Jul 31, 2009 (USD54/Kg)	3,400 (100%)	2,833	18,000	157	118	In operation *(note 4)*
6	Plant of LDK Solar	Nov 20, 2009 (USD54/Kg)	220 (15%)	1,465	10,000	146	110	Completed the first production run and initiated production ramp-up *(note 5)*
7	Polysilicon subsidiaries of LDK Solar Co Ltd.	Jun 7, 2011 (USD46/Kg)	240 (18%)	1,300	12,000	108	108	In operation *(note 6)*
					Range of selected transactions #1,2,5,7	108-205	61-118	

Notes:

1. Solsil Inc. had announced an annual production capacity of 360 tons approximately one year before the transaction; however, it has yet to produce materials for commercial sale and its production capacity was only one-tenth of that of Sun Materials.

2. Based on available public information, it was not clear about the construction status of production plant of Hankook Silicon Co., Ltd. ("**Hankook Silicon**").

3. Woogjin Polysilicon Co., Ltd. ("**Woogjin Polysilicon**"), was established in mid-2008 and it had commenced construction of plant approximately 6 months before the completion date of the transaction.

4. Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("**Jiangsu Zhongneng**") was in operation at time of the transaction.

5. The target was the same as transaction no. 6 and was therefore excluded.

6. LDK has two polycrystalline silicon plants in the PRC and they were in operation at time of transaction.

7. Calculated as the Equity Value to Capacity Ratio multiplied by the Index Adjustment which is the change in gross margin as of the Measurement Date comparing to that of the transaction completion date. The gross margin was arrived at by deducting the unit production cost from the contract silicon price extracted from Photon Consulting Silicon Price Contract Index. Take transaction no. one as an example, with the contract selling price as of the Measurement Date of USD46/Kg, the Index Adjustment was calculated as the gross margin as of the Measurement Date (USD46/Kg minus the unit production cost of USD24/Kg) divided by the gross margin as of the transaction completion date (USD100/Kg minus the unit production cost of USD24/Kg).

In terms of stage of development and size, as of the Measurement Date, Sun Materials is expected to commence commercial production by late December 2011 after re-design its production process. At the same time, the Company has also made progress towards commercializing the technology by signing a long-term supply agreement with its new customer, Schott Solar Wafer GmbH in June 2011. Hence, in the GTM analysis, target companies of transactions no. 1,2,5,7 were close to operation or in operation and thus formed a range of multiples for our analysis purpose. These selected transactions are in similar stage of development as Sun Materials and thus, they are considered as fair and representative.

The calculated equity values derived by adding excess cash of Sun Materials of USD10.6 million and deducting the net debt of USD5.5 million from the calculated values of business enterprise using GCM under the assumption of Existing Plant and Two Plants scenario were USD229 million and USD643 million, respectively, which are equivalent to Equity Value to Capacity Ratios for Sun Materials of 73 and 80 times respectively. The equivalent ratios are within the range of selected transactions. Hence, the Calculations conclusion derived by the GCM is considered fairly supportable by the four comparable transactions.

Conclusion of Values

Based upon the investigation and analysis outlined above, it is our opinion that the calculated values of business enterprise of Sun Materials as of the Measurement Date under the Existing Plant and Two Plants scenario are reasonably represented respectively by the amount of UNITED STATES DOLLAR TWO HUNDRED AND THIRTY FIVE MILLION (USD235,000,000) AND UNITED STATES DOLLAR SIX HUNDRED AND FORTY EIGHT MILLION (USD648,000,000).

This conclusion of values was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We do not provide assurance on the achievability of any financial results estimated by the Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Ricky Lee
Senior Vice President and Director

Note: Mr. Lee has been involved in business enterprise and intangible asset valuation services for the purposes of joint venture, merger & acquisition and public listing for over ten years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON CALCULATIONS OF INDICATED BUSINESS ENTERPRISE VALUES OF SUN MATERIALS TECHNOLOGY CO., LTD. ("SUN MATERIALS") AS AT 30 JUNE 2011

TO THE DIRECTORS OF MASCOTTE HOLDINGS LIMITED

We have examined the calculations of the business enterprise values of Sun Materials as at 30 June 2011 under two scenarios: (i) the first full year operating result based on the existing plant of Sun Materials (the "**Existing Plant**"); and (ii) the first full year operating result based on the Existing Plant and one new production plant of Sun Materials (hereinafter collectively referred to as the "**Calculated Values**"). Sun Materials is a company incorporated in Taiwan whose principal assets are production plant and technology for manufacture of solar grade polycrystalline silicon. The Calculated Values are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and are included in the circular dated 19 December 2011 issued by Mascotte Holdings Limited (the "**Company**") in connection with the very substantial acquisition of 49.9% interest in Sun Mass Energy Limited (the "**Circular**").

Directors' responsibility for the Calculated Values

The directors of the Company are responsible for the preparation of the Calculated Values in accordance with the bases and assumptions determined by the directors and set out in the Appendix V headed "Calculation Report" of the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Calculated Values and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the Calculated Values and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the Calculated Values, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of Sun Materials.

Because the Calculated Values relate to future estimated cash flow, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Calculated Values and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the Calculated Values, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 December 2011

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

19 December 2011

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PROFIT FORECAST

Dear Sirs or Madam,

We refer to the calculation report dated 19 December 2011 (the "**Calculation Report**") prepared by American Appraisal China Limited in relation to the calculations of the business enterprise values of Sun Materials Technology Co. Ltd. ("**Sun Materials**") as at 30 June 2011 under two scenarios: (i) the first full year operating result based on the existing plant of Sun Materials and (ii) the first full year operating result based on the existing plant and one new production plant of Sun Materials ("**Calculated Values**").

We understand that in accordance with Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Calculated Values constitute profit forecasts (the "**Profit Forecasts**") under the Listing Rules.

We have considered all the information contained in the Calculation Report and all significant factors affecting the Profit Forecasts. We hereby confirm that the Profit Forecasts have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of
Mascotte Holdings Limited
Lo Yuen Wa Peter
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm to the best of their knowledge and belief that the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued and fully paid up share capital of the Company as at the Latest Practicable Date was as follows:

Nominal amount:	**Shares of HK$0.10 each:**
HK$2,000,000,000	20,000,000,000

The authorized and issued and fully paid up share capital of the Company upon the issue of the Option Shares and the Conversion Shares will be as follows (Note 1):

Nominal amount		**Number of Shares**
Authorized:		
HK$2,000,000,000		Shares: 20,000,000,000
Issued and fully paid:		
HK$456,677,859.20	Issued Shares	Shares: 4,566,778,592
HK$73,000,000	Option Shares *(Note 2)*	Shares: 730,000,000
HK$283,800,000	Conversion Shares *(Note 3)*	Shares: 2,838,000,000
HK$62,500	Shares under the Share Option Scheme *(Note 4)*	Shares: 625,000
HK$813,540,359.20		Shares: 8,135,403,592

Note 1: based on the issued share capital of the Company as at the Latest Practicable Date.

Note 2: assuming that all the Share Options are fully exercised at the Exercise Price of HK$0.40.

Note 3: assuming that the outstanding Convertible Bonds in the aggregate principal amount of HK$1,419,000,000 issued pursuant to the Convertible Bond Documents are converted in full at the Initial Conversion Price of HK$0.50.

Note 4: assuming that the share options issued under the Share Option Scheme are fully exercised at the exercise price of HK$0.40.

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Option Shares and the Conversion Shares to be allotted and issued upon conversion of the Convertible Bonds will, when issued and fully paid, rank pari passu in all respects with the Shares then in issue on the relevant date of allotment and issue.

As at the Latest Practicable Date, the Company has outstanding share options issued pursuant to the Share Option Scheme adopted on 21 August 2003, which entitle their holders to subscribe for an aggregate of 625,000 Shares. Save as aforesaid, the Company has no outstanding convertible securities, options or warrants in issue which entitle its holders to subscribe for or convert into any Shares.

3. DISCLOSURE OF INTERESTS

a) Directors

(i) Directors' interests in Shares

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

(ii) Long positions in Shares of the Company

Name of Director	Number of Shares held		Capacity in which interests are held	% of the issued share capital of the Company
Mr Peter Temple Whitelam	Total	1,250,000	Personal	0.03%
	Issued Shares	1,250,000		

Name of Director	Number of Shares held		Capacity in which interests are held	% of the issued share capital of the Company
Mr Lo	Total	12,500,000	Personal	0.27%
	Issued Shares	2,500,000		
	Option Shares	10,000,000		
Mr Eddie Woo	Total	115,000,000	Personal	2.52%
	Option Shares	115,000,000		
Dr Chuang Henry Yue Heng	Total	75,000,000	Personal	1.64%
	Option Shares	75,000,000		
Dr Wu	Total	450,000,000	Personal	9.85%
	Option Shares	450,000,000		

b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, 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 other member of the Group, or, had any options in respect of such capital were as follows:

(i) Long position and short position in Shares or underlying Shares

Name of substantial Shareholder	Interest or short position in the Shares or underlying Shares	Capacity in which interests are held	Approximately shareholding % in the Company
Andrew Liu	1,024,000,000	Beneficial owner	22.42%
Viola Mak Siu Hang	780,000,000	Trustee	17.31%
Clement Tung Sun Tat *(Note 1)*	780,000,000	Interest of a controlled corporation	17.31%

Name of substantial Shareholder	Interest or short position in the Shares or underlying Shares	Capacity in which interests are held	Approximately shareholding % in the Company
STI Wealth Management (Cayman) Limited *(Note 1)*	780,000,000	Beneficial owner	17.31%
Penta Investment Advisers Limited	501,728,000	Investment manager	10.99%
Chang Wen-Shan	519,700,000	Beneficial owner	11.38%
Ou Yaping	500,000,000	Interest of a controlled corporation	10.94%

Note:

(1) Clement Tung is the ultimate beneficial owner of 100% STI Wealth Management (Cayman) Limited.

(ii) Interest in members of the Enlarged Group:

Name of shareholder	Name of Enlarged Group company	Percentage of registered capital of Enlarged Group company
The Vendor	The Target	49.9%

4. DIRECTORS' SERVICE CONTRACTS

On 1 August 2011 the Company and Dr Wu entered into the Service Agreement pursuant to which Dr Wu is appointed as an executive Director. The Service Agreement will take effect on the Effective Date until 1 August 2016, unless terminated earlier in accordance with its terms. Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had entered into a service contract with the Enlarged Group which does not expire or which is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING BUSINESS INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any other business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 31 March 2011 (being the date to which the latest published audited accounts of the Company were made up).

7. INTEREST IN CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and was significant in relation to the business of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up.

9. EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Grand Vinco Capital Limited	Independent financial adviser, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
American Appraisal China Limited	Independent Valuer
Ove Arup & Partners Hong Kong Ltd	Professional Engineers and Consultants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and references to its respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts do not have (i) any shareholding in the Company or any of its subsidiaries, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries, and (ii) any interest, either direct or indirect, in any assets which, since 31 March 2011 (the date to which the latest audited financial statements of the Group was made up), had been acquired, or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired, or disposed of by, or leased to the Company or any of its subsidiaries.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

11. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular:

(i) A placing agreement which was entered into between the Company and Chung Nam Securities Limited dated 8 March 2010;

(ii) A conditional agreement dated 9 April 2010 between the Company and Regent Square Limited in relation to the sale and purchase of shares in Richful Zone International Limited, a direct wholly-owned subsidiary of the Company;

(iii) A preliminary agreement between the Company, the Seller, Mr Chang Wen-Shan and Dr Wu dated 3 August 2010;

(iv) Supplemental agreements between the Company and the Seller dated 15 September 2010 and 29 October 2010 in relation to the extension of the longstop date for the preliminary agreement (item (c) above);

(v) A sale and purchase agreement dated 31 December 2010 between the Company, the Seller and Dr Wu in relation to the acquisition of 5,010,000 of shares of a single class of no par value of the Target, representing 50.1% of the issued shares if the Target as at 31 December 2010;

(vi) Call Option Agreement;

(vii) Strategic Co-operation Agreement;

(viii) Placing Agreement;

(ix) Subscription Agreement;

(x) Supplemental agreements to the Placing Agreement between Deutsche Bank AG, Hong Kong Branch and the Company dated 11 February 2011 and 30 March 2011;

(xi) A facility agreement between the Company and the Target in relation to a facility of up to US$50 million dated 7 March 2011;

(xii) Shareholders' Agreement;

(xiii) Service Agreement;

(xiv) Option Deeds; and

(xv) Sale and Purchase Agreement.

As advised by the Seller, the following material contracts, not being contracts entered into in the ordinary course of business of the Target Group, have been entered into by the Target Group Companies within two years immediately preceding the date of this circular:

(i) Strategic Cooperation Agreement;

(ii) A loan agreement dated 20 August 2010 between the Seller, the Target, Chang Wen-Shan, Dr Wu, Ms Hsieh, Chang Karin Wen, Wu Kwong Shi-Hung and Chung Nam Finance Limited;

(iii) Stock transfer agreements dated 25 January 2011 between the Target and each of Dr Wu, Ms Hsieh, Chang Wen-Shan (張文山), Yang Chun (楊仲), Chang Zan (張讓), Chen Nan-Eu (陳南宇), Tseng Wen Sheng (曾文賢), Chen Su-Huei (陳淑惠), Wang Yi-Shang (王奕軒), Wu Cheng Wei (吳政衛), Wu Yeng Yi (巫衍儀), Wu Yi Cheng (吳逸誠), Kuang Hon-Si (鄺熹虹) and Chang Ching Wen (張瀞文) (collectively, the "**Sellers**") in relation to the transfer of an aggregate of 50,000,000 shares of Lution held by the Sellers to the Target;

(iv) A facility agreement between the Company and the Target in relation to a facility of up to US$50 million dated 7 March 2011;

(v) Shareholders' Agreement; and

(vi) Sale and Purchase Agreement.

12. GENERAL

(i) The company secretary of the Company is Mr Suen Yick Lun Philip. He is a member of the Hong Kong Institute of Certified Public Accountants.

(ii) The registered address of the Company is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(iii) The principal place of business of the Company in Hong Kong is at 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong.

(iv) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(v) The principal share registrar of the Company is Butterfield Fulcrum Group (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(vi) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 3 January 2012:

(i) the memorandum of association and the bye-laws of the Company;

(ii) a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Vinco Capital" in this circular;

(iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section "Letter from the Independent Board Committee" in this circular;

(iv) the annual reports of the Company for the three financial years ended 31 March 2011;

(v) the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(vi) the Calculation Report prepared by the Valuer, the text of which is set out in Appendix V to this circular;

(vii) the written consents as referred to in the paragraphs headed "Experts" in this appendix;

(viii) the material contracts as referred to in the paragraphs headed "Material Contracts" in this appendix;

(ix) the Consideration Bond Documents;

(x) the circular of the Company dated 20 May 2011; and

(xi) this circular.

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of the shareholders of Mascotte Holdings Limited (the "**Company**") will be held at 30 Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on 4 January 2012 at 9:00 a.m. to consider and if, thought fit, to pass the following resolutions, which will be proposed as Ordinary Resolutions:

ORDINARY RESOLUTION (1)

"**THAT**

(a) each of the option deeds which were entered into between the Company and the grantees (the "**Grantees**", as defined in the circular of the Company dated 19 December 2011 of which this notice forms part (the "**Circular**")) on 29 August 2011 (the "**Option Deeds**"), copies of which were produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification, and all transactions contemplated thereunder, including but not limited to the allotment and issue of Option Shares (the "**Option Shares**" as defined in the Circular) in accordance with the terms and subject to the conditions set out in the Option Deeds (as may be amended in accordance with the terms thereof) be and are hereby approved, ratified and confirmed;

(b) the directors of the Company (the "**Directors**") be and are hereby authorized and granted the Proposed Option Mandate (the "**Proposed Option Mandate**" as defined in the Circular) to allot and issue the Option Shares subject to all the following:

   (i) the aggregate maximum number of Option Shares which can be allotted and issued pursuant to the Proposed Option Mandate shall be 730,000,000 Shares, or such other number of Shares as results from adjustment to the Exercise Price (as defined in the Circular) from time to time in accordance with the Option Deeds;

   (ii) any allotment and issue of Option Shares shall be made on the terms and subject to the conditions of the Option Deeds and such other terms and conditions as the Directors (or a duly authorized committee thereof) consider to be appropriate and in the best interests of the Company;

(iii) listing of, and permission to deal in, any Option Shares to be allotted and issued pursuant to the Proposed Option Mandate being granted by the Stock Exchange;

(iv) the Proposed Option Mandate, if approved, shall lapse on the date falling fourteen days after the end of the Exercise Period (as defined in the Circular); and

(c) any one of the Directors be and is hereby authorized, for and on behalf of the Company, to take all steps he considers necessary or expedient to implement and/or give effect to the transactions contemplated by the Option Deeds including, but not limited to, the allotment and issue of the Option Shares, executing all such documents, instruments and agreements and doing all such acts and things as he deems to be incidental or ancillary to, or in connection with the matters contemplated under the Option Deeds and to agree such amendments of the same as he considers are not of a material nature and in the interests of the Company."

ORDINARY RESOLUTION (2)

"**THAT**

(a) the service agreement which was entered into between the Company and Dr Wu on 1 August 2011 (the "**Service Agreement**"), a copy of which was produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one of the Directors be and is hereby authorized, for and on behalf of the Company, to take all steps he considers necessary or expedient to implement and/or give effect to the transactions contemplated by the Service Agreement including, but not limited to, executing all such documents, instruments and agreements and doing all such acts and things he deems to be incidental or ancillary to, or in connection with the matters contemplated under the Service Agreement, and to agree, such amendments of the same as he considers are not of a material nature and in the interests of the Company."

ORDINARY RESOLUTION (3)

"**THAT**

(a) the Directors be and are hereby authorized and granted the Proposed Conversion Mandate (the "**Proposed Conversion Mandate**" as defined in the Circular) to allot and issue the Conversion Shares (the "**Conversion Shares**" as defined in the Circular) subject to the following conditions:

(i) the aggregate maximum number of Conversion Shares which can be allotted and issued pursuant to the Proposed Conversion Mandate shall be

2,838,000,000 Shares, or such other number of Conversion Shares as results from adjustment to the Conversion Price (as defined in the Circular) from time to time in accordance with the Convertible Bond Documents (as defined in the Circular);

(ii) any allotment and issue of Conversion Shares shall be made on the terms and subject to the conditions of the Convertible Bond Documents and such other terms and conditions as the Directors (or a duly authorized committee thereof) consider to be appropriate and in the best interests of the Company;

(iii) the Initial Conversion Price (as defined in the Circular) shall be HK$0.50, which shall be subject to adjustment in accordance with the Convertible Bond Documents;

(iv) grant of listing of, and permission to deal in, any Conversion Shares to be allotted and issued pursuant to this ordinary resolution by the Listing Committee of the Stock Exchange; and

(b) any one of the Directors be and is hereby authorized, for and on behalf of the Company, to take all steps he considers necessary or expedient to implement and/or give effect to the transactions contemplated by the Convertible Bond Documents, including but not limited to, the allotment and issue of Conversion Shares, executing all such documents, instruments and agreement and doing all such acts and things as he deems to be incidental or ancillary to, or in connection with the matters contemplated under the Convertible Bond Documents, to agree such amendments of the same as he considers are not of a material nature and in the interests of the Company."

ORDINARY RESOLUTION (4)

"**THAT**

(a) the sale and purchase agreement which was entered into between Quinella International Incorporated, the Company and Hsieh Cheng Lu in relation to the acquisition of 49.9% of the issued shares of Sun Mass Energy Limited (formerly known as Trifecta International Incorporated) on 12 September 2011 (the "**Sale and Purchase Agreement**"), a copy of which has been produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification, and all transactions contemplated under the Sale and Purchase Agreement, including but not limited to the Acquisition (the "**Acquisition**" as defined in the Circular) in accordance with the terms and subject to the conditions set out in the Sale and Purchase Agreement, be and are hereby approved, ratified and confirmed; and

(b) the issue of the Consideration Bonds (the "**Consideration Bonds**" as defined in the Circular) by the Company to Quinella International Incorporated or its nominees, the principal terms of which were produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification, and all transactions contemplated under the Consideration Bond Documents (the "**Consideration Bond Documents**" as defined in the Circular) in accordance with the terms and subject to the conditions set out in the Consideration Bond Documents, be and are hereby approved, ratified and confirmed;

(c) the Directors be and are hereby authorized to enter into the Consideration Bond Documents on such terms as are, in the opinion of the Directors, in the interests of the Company, and to allot and issue the Consideration Bonds subject to the following:

  (i) the aggregate maximum nominal amount of Consideration Bonds which can be issued shall be HK$1,750,000,000; and

  (ii) any issue of Consideration Bonds shall be made on the terms and subject to the conditions of the Consideration Bond Documents and such other terms and conditions as the Directors (or a duly authorized committee thereof) consider to be appropriate and in the best interests of the Company;

(d) any one of the Directors be and is hereby authorized, for and on behalf of the Company, to take all steps he considers necessary or expedient to implement and/or give effect to the transactions contemplated by the Sale and Purchase Agreement including, but not limited to, the Acquisition, entering into the Standby Line of Credit Agreement (the "**Standby Line of Credit**" as defined in the Circular) and the facility contemplated thereunder and the Consideration Bond Documents, executing all such documents, instruments and agreements and doing all such acts and things as he deems to be incidental or ancillary to or in connection with the matters contemplated under the Sale and Purchase Agreement, the Standby Line of Credit Agreement and the Consideration Bond Documents, and to agree such amendments of the same as he considers are not of a material nature and in the interests of the Company."

By order of the board of
Mascotte Holdings Limited
Lo Yuen Wa Peter
Managing Director

Hong Kong, 19 December 2011

Notes:

1. Any Shareholder entitled to attend and vote at a meeting of the company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder 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 Shareholder.

2. Where there are joint holders of any Share any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the office of the Company's branch share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

4. Shareholders are advised to read the Circular, which contains information concerning the resolution to be proposed in this notice.

5. The ordinary resolutions to be proposed at the Meeting shall be decided by way of poll.

As at the date of this notice, the Board comprises the following Directors:

Executive Directors
Mr. Peter Temple Whitelam *(Chairman)*
Mr. Lo Yuen Wa Peter *(Managing Director)*
Mr. Eddie Woo
Mr. Suen Yick Lun Philip
Mr. Lau King Hang
Dr. Wu Yi-Shuen

Non-executive Director
Dr. Chuang, Henry Yueheng *(Deputy-Chairman)*

Independent Non-executive Directors
Mr. Frank H. Miu
Dr. Agustin V. Que
Mr. Robert James Iaia II
Dr. Chien, Yung Nelly