A. INDEBTEDNESS

Borrowings and bank facilities

As at 30 November 2007, the Group had outstanding borrowings of RMB159.9 million, which comprised short-term bank loans of RMB157.0 million, and a long-term municipal government loan of RMB2.9 million. Of the outstanding borrowings, RMB157.0 million was repayable within one year. The municipal government loan has been received by the Group for constructing a manufacturing plant in Jinzhou, Liaoning Province, the PRC pursuant to notice numbered 84 of 2005 issued by the Finance Bureau of the Liaoning People's Government (遼財企[2005]84號一《關於下達振興老工業基地高技術產業發展國債轉貸資金借款的通知》). The municipal government loan is granted for the construction of the fixed asset investment project under the Special Project for the development of high-technology industry in old industrial area in Northeast China in 2004 (2004年振興東北老工業基地高技術產業發展專項). In determining whether to grant the municipal government loan or not, the relevant government authority will consider, among others, the following: (i) the project shall be under construction or has completed the initial preparatory stage and the project would be completed at around 2 years time; (ii) the project shall be related to building of urban infrastructure or environmental protection facilities, sewage network, urban and rural electricity network etc.; and (iii) the project shall be able to bring economic benefit to the district and to meet the social development needs. Similar type of municipal government loans are open for qualified companies in Liaoning to apply. There are no unfulfilled conditions or contingencies relating to the municipal government loan. It is unsecured, interest bearing at a fixed rate of 2.55% per annum and is fully repayable by instalments from 2010 to 2020.

As at 30 November 2007, the Group had total banking facilities of approximately RMB752.0 million. Utilised banking facilities amounted to RMB157.0 million as at that date.

Contingent liabilities

Except as disclosed above, the Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, any guarantees or other material contingent liabilities as at the close of business on 30 November 2007.

No material changes

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 November 2007.

B. OFF-BALANCE SHEET ARRANGEMENTS

Operating lease commitments

For details of the operating lease commitments of the Group outstanding at each balance sheet date during the Track Record Period, please refer to note 28 of "Notes to the Financial Information" in appendix I to this prospectus. The Directors have confirmed that there has been no material change in the operating lease commitments of the Group since 30 September 2007.

Research and development commitments

As at the close of business on 30 November 2007, the Group had research and development commitments as follows:

	30 November 2007
	RMB'000
Within 1 year	–
After 1 year but within 5 years	2,000
After 5 years	2,500
	4,500

Jinzhou Yangguang had entered into a research and development agreement with Dalian University of Technology (DUT) (大連理工大學) an Independent Third Party on 13 May 2007 (the "DUT Agreement") whereby Jinzhou Yangguang and DUT agreed to collaborate in establishing a research centre to conduct research on solar energy related matter. Jinzhou Yangguang would pay a lump sum payment of RMB1.0 million to DUT as the initial establishment fee of the research centre and DUT would provide the venue, personnel and equipment necessary for conducting the research. From the first year of establishment of the research centre, Jinzhou Yangguang would pay a sum of RMB0.5 million to DUT every year as on-going research fee. The DUT Agreement shall come into effect from the date of receipt of the establishment fee of RMB1.0 million and the on-going research fee of RMB0.5 million by DUT. The term of the DUT Agreement shall be 10 years commencing on its effective date on 3 September 2007. All the intellectual property rights derived from the research and any patent registration obtained therefrom shall be jointly owned by Jinzhou Yangguang and DUT. The right to use the research results and the relevant patent commercially shall belong to Jinzhou Yangguang. The planned investment amount to this project is RMB6.0 million. On 3 September 2007, the Group incurred RMB1.0 million for the research and development expense and prepaid RMB0.5 million for the first year's operating expense. The research centre has commenced its research and development in respect of the requirements on raw materials (including silicon ingots and silicon wafers) by customers of the Group, in particular, the solar cell manufacturers. The Directors expect that the result of research and development will help the Group to meeting the requirements of customers. The Group has not entered into any research and development agreement with DUT in the past.

Except for the off-balance sheet arrangements set forth above and the capital commitment of the Original Group and Acquired Group as disclosed in the subsection "Capital Commitments" under this section of this prospectus, the Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Group or engages in leasing or hedging services with the Group.

C. DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure under rule 13.13 to rule 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

D. SUMMARY OF COMBINED FINANCIAL AND OPERATING DATA

The Original Group's summary of combined financial data set forth below have been extracted from the combined financial information of the Original Group as at 31 December 2004, 2005 and 2006 and 30 September 2007 and for the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007, all of which is set forth in the accountants' report included as appendix I to this prospectus. The combined results of the Original Group for the nine months ended 30 September 2006, which are extracted from the accountants' report are unaudited.

The Acquired Group's summary of combined financial data set forth below have been extracted from the combined financial information of the Acquired Group as at 31 December 2004, 2005 and 2006 and 30 June 2007 and for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007, all of which is set forth in the accountants' report included as appendix II to this prospectus. As the acquisition of the Acquired Group was completed on 26 June 2007, the balance sheet items of the Original Group as at 30 September 2007 were consolidated with those of the Acquired Group. On the other hand, the Acquired Group's income statement data were only separately shown up to 30 June 2007, and the audited combined income statement data of the Original Group only includes the contribution of the Acquired Group for the period after the acquisition on 26 June 2007. The combined results of the Acquired Group for the six months ended 30 June 2006, which are extracted from the accountants' report are unaudited.

As more fully described in appendices I and II to this prospectus, the accountants' reports of the Original Group and the Acquired Group were prepared in accordance with Hong Kong Financial Reporting Standards.

The summary of combined financial data set forth below also include (1) unaudited pro forma combined balance sheet data of the Enlarged Group as at 31 December 2006, and (2) unaudited pro forma combined income statement data of the Enlarged Group for the year ended 31 December 2006 and the nine months ended 30 September 2007. The unaudited pro forma combined financial information has been prepared from the financial information of the individual companies making up the Original Group and the Acquired Group and the basis of preparation of the unaudited pro forma combined financial information is set forth in appendix III to this prospectus.

Investors should read these summary of combined financial data together with appendices I, II and III to this prospectus and the discussion under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

1. The Original Group

(a) Summary of combined income statement data

	Years ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	57,658	173,697	413,303	277,730	715,390
Cost of sales	(47,115)	(104,797)	(244,240)	(161,607)	(514,399)
Gross profit	10,543	68,900	169,063	116,123	200,991
Other revenue	585	2,648	5,458	1,301	78,962
Other net loss	(42)	(480)	(1,185)	(553)	(3,823)
Selling and distribution expenses	(474)	(915)	(2,125)	(1,345)	(2,841)
Administrative expenses	(2,624)	(7,311)	(15,186)	(10,630)	(23,923)
Profit from operations	7,988	62,842	156,025	104,896	249,366
Finance costs	(733)	(2,422)	(3,875)	(3,469)	(5,351)
Profit before taxation	7,255	60,420	152,150	101,427	244,015
Income tax	(325)	(3,417)	(4,034)	(2,608)	(8,441)
Profit for the year/period	6,930	57,003	148,116	98,819	235,574
Attributable to:					
Equity shareholders of the Company	4,941	41,303	109,670	72,487	211,326
Minority interests	1,989	15,700	38,446	26,332	24,248
Profit for the year/period	6,930	57,003	148,116	98,819	235,574
Dividends:					
Final dividend proposed after the balance sheet date *(Note)*	6,322	47,569	113,658	–	–
Earnings per share *(RMB cents)*					
– Basic	0.99	8.26	21.93	14.50	42.27

Note: Dividends payable amounted to RMB113,658,000 for the year ended 31 December 2006 have been subsequently settled prior to the Listing with funds generated from the Group's operations.

(b) Summary of combined balance sheet data

	31 December			30 September
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	15,645	93,222	115,258	160,701
Lease prepayments	–	7,933	7,772	26,621
Prepayments for acquisition of property, plant and equipment	2,321	8,097	10,715	52,332
Deferred tax assets	15	198	755	1,860
	17,981	109,450	134,500	241,514
Current assets				
Inventories	6,592	15,516	127,571	142,383
Trade and other receivables	20,706	82,606	85,152	191,977
Current tax recoverable	–	653	–	–
Pledged deposits	10,000	1,004	5,508	310
Cash and cash equivalents	20,317	35,554	46,704	301,445
	57,615	135,333	264,935	636,115
Current liabilities				
Short-term bank loans	20,429	61,400	40,000	192,000
Trade and other payables	6,929	13,518	88,183	100,300
Current tax payable	210	625	1,102	11,351
	27,568	75,543	129,285	303,651
Net current assets	30,047	59,790	135,650	332,464
Total assets less current liabilities	48,028	169,240	270,150	573,978
Non-current liabilities				
Municipal government loan	–	1,888	2,785	2,864
Deferred income	150	13,093	12,559	24,726
	150	14,981	15,344	27,590
Net assets	47,878	154,259	254,806	546,388

2. The Acquired Group

(a) Summary of combined income statement data

	Years ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	52,630	141,237	262,912	99,021	220,935
Cost of sales	(41,607)	(114,402)	(187,264)	(78,742)	(149,582)
Gross profit	11,023	26,835	75,648	20,279	71,353
Other revenue	150	160	487	125	566
Other net (loss)/gain	(29)	(91)	(639)	28	(628)
Selling and distribution expenses	(297)	(430)	(1,126)	(298)	(953)
Administrative expenses	(2,850)	(4,254)	(9,378)	(2,775)	(10,027)
Profit from operations	7,997	22,220	64,992	17,359	60,311
Finance costs	(150)	(91)	(154)	–	(223)
Profit before taxation	7,847	22,129	64,838	17,359	60,088
Income tax	(2,159)	(6,169)	(10,542)	(4,705)	(11,633)
Profit for the year/period	5,688	15,960	54,296	12,654	48,455
Earnings per share (RMB cents) – Basic	N/A	N/A	N/A	N/A	N/A

(b) Summary of combined balance sheet data

	31 December			30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	6,650	7,370	23,894	25,127
Prepayments for acquisition of property, plant and equipment	–	–	613	224
Goodwill	–	–	3,539	3,539
	6,650	7,370	28,046	28,890
Current assets				
Inventories	15,154	36,385	46,303	60,094
Trade and other receivables	12,045	31,709	96,817	157,279
Cash and cash equivalents	5,946	3,211	35,922	68,479
	33,145	71,305	179,042	285,852
Current liabilities				
Interest-bearing borrowings	1,655	–	6,000	15,000
Trade and other payables	17,531	38,875	34,253	64,723
Current tax payable	1,558	4,789	6,389	8,362
	20,744	43,664	46,642	88,085
Net current assets	12,401	27,641	132,400	197,767
Net assets	19,051	35,011	160,446	226,657

3. Financial Statements data of the Enlarged Group

(a) Summary of unaudited pro forma combined income statement data

	Year ended 31 December 2006	Nine months ended 30 September 2007
	RMB'000	*RMB'000*
Turnover	654,612	882,465
Cost of sales	(431,664)	(592,116)
Gross profit	222,948	290,349
Other revenue	80,716	4,757
Other net loss	(1,824)	(4,451)
Selling and distribution expenses	(3,251)	(3,794)
Administrative expenses	(24,564)	(33,950)
Profit from operations	274,025	252,911
Finance cost	(4,029)	(5,574)
Profit before tax	269,996	247,337
Income tax	(11,229)	(23,421)
Profit for the year	258,767	223,916
Attributable to:		
Equity shareholders of the Company	221,296	199,668
Minority interests	37,471	24,248
Profit for the year	258,767	223,916

(b) Summary of unaudited pro forma combined balance sheet data as at 31 December 2006 and summary of audited combined balance sheet data as at 30 September 2007

	31 December 2006	30 September 2007
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	139,152	160,701
Lease prepayments	7,772	26,621
Prepayments for acquisition of property, plant and equipment	11,328	52,332
Deferred tax assets	755	1,860
	159,007	241,514
Current assets		
Inventories	188,121	142,383
Trade and other receivables	163,189	191,977
Pledged deposits	5,508	310
Cash and cash equivalents	82,626	301,445
	439,444	636,115
Current liabilities		
Short-term bank loans	46,000	192,000
Other short-term borrowings	155,340	–
Trade and other payables	111,321	100,300
Current tax payable	7,491	11,351
	320,152	303,651
Net current assets	119,292	332,464
Total assets less current liabilities	278,299	573,978

	31 December 2006	30 September 2007
	RMB'000	*RMB'000*
Non-current liabilities		
Municipal government loan	2,785	2,864
Deferred income	12,559	24,726
Deferred tax liabilities	3,347	–
	18,691	27,590
Net assets	259,608	546,388

Note: As the acquisition of the Acquired Group was completed on 26 June 2007, the balance sheet items of the Original Group as at 30 September 2007 were consolidated with those of the Acquired Group.

E. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains certain forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those discussed below. Please refer to the sections headed "Risk Factors" and "Business" of this prospectus.

1. OVERVIEW

The Group is China's second largest manufacturer of monocrystalline silicon ingots, measured in terms of production output and sales, in 2004, 2005 and 2006, according to China Electronics Material Industry Association. The Group has achieved a significant growth in revenue and profit attributable to equity shareholders over the three years ended 31 December 2006, increasing at a CAGR of 168% and 371%, respectively. In June 2007, the Original Group acquired the Acquired Group to further expand its market share in the manufacturing and sale of monocrystalline silicon ingots and secure supplies of silicon raw material. The Acquired Group has achieved a growth in revenue and profit attributable to equity shareholders over the three years ended 31 December 2006, increasing at a CAGR of 124% and 209%, respectively.

The following tables show certain key performance measures of the Original Group for each of the three years ended 31 December 2006 and nine months ended 30 September 2006 and 2007 and of the Acquired Group for each of the three years ended 31 December 2006 and six months ended 30 June 2006 and 2007, respectively, as derived from the financial information in appendices I and II to this prospectus. As the Acquired Group was acquired in late June 2007, its results were separately disclosed up to the end of June 2007. The key performance measures of the Original Group for the nine months ended 30 September 2006 and those of the Acquired Group for the six months ended 30 June 2006 are unaudited.

Original Group	Years ended 31 December 2004	2005	2006	CAGR	Nine months ended 30 September 2006	2007	Growth
	RMB'000	*RMB'000*	*RMB'000*	(04-06)	*RMB'000*	*RMB'000*	(06-07)
Turnover	57,658	173,697	413,303	168%	277,730	715,390	158%
Profit from operations	7,988	62,842	156,025	342%	104,896	249,366	138%
Profit for the year/period attributable to equity shareholders of the Company	4,941	41,303	109,670	371%	72,487	211,326	192%

Acquired Group	Years ended 31 December 2004	2005	2006	CAGR	Six months ended 30 June 2006	2007	Growth
	RMB'000	*RMB'000*	*RMB'000*	(04-06)	*RMB'000*	*RMB'000*	(06-07)
Turnover	52,630	141,237	262,912	124%	99,021	220,935	123%
Profit from operations	7,997	22,220	64,992	186%	17,359	60,311	247%
Profit for the year/period attributable to equity shareholders of Solartech	5,688	15,960	54,296	209%	12,654	48,455	283%

Set out below are the unaudited pro forma turnover, profit from operations and profit for the year/period attributable to equity shareholders of the Enlarged Group for the year ended 31 December 2006 and the nine months ended 30 September 2007 extracted from the unaudited pro forma financial information set out in appendix III to this prospectus:

Enlarged Group	Year ended 31 December 2006	Nine months ended 30 September 2007
	RMB'000	*RMB'000*
Turnover	654,612	882,465
Profit from operations	274,025	252,911
Profit for the year/period attributable to equity shareholders	221,296	199,668

Note: The basis of preparation of the above unaudited pro forma key performance measures are set out in appendix III to this prospectus. For the preparation of the unaudited pro forma combined income statements, the acquisition of the Acquired Group is assumed to be completed on 1 January 2006. As such, the unaudited pro forma profit attributable to the equity shareholders for the year ended 31 December 2006 reflected several significant individual non-recurring items arisen from the acquisition, which increased the pro forma profit by approximately RMB53.2 million. The significant individual non-recurring items include: (i) gain on acquisition of the Acquired Group of approximately RMB74.8 million; (ii) increase in cost of sales of approximately RMB18.0 million and decrease in income tax expenses thereon of approximately RMB3.3 million as a result of fair value adjustment of inventory and (iii) a non-operating expense of approximately RMB6.9 million arose for the period related to the allotment of certain shares of a subsidiary of the Company as employee incentive compensation.

2. FACTORS AFFECTING RESULT OF OPERATIONS

The operations and financial condition of the Original Group and the Acquired Group have recently been, and are expected to be, significantly affected by the following factors:

(i) Increase in the price of the polysilicon

The average selling prices of monocrystalline silicon ingots manufactured and produced by the Original Group were approximately RMB596, RMB994, RMB1,189 and RMB1,290 per kg for the years ended 31 December 2004, 2005, 2006 and the nine months ended 30 September 2007, respectively. The increase in the selling prices of ingots was partly due to the increase in the market price of polysilicon (as raw material) during the Track Record Period. Given that the current market is a seller market, the Original Group was able to pass a substantial part of the increase onto the customers.

The average selling prices of monocrystalline silicon wafers manufactured by the Original Group recorded a slight increase of RMB1.1 per piece for the nine months ended 30 September 2007 when compared with the average selling price of RMB44.9 per piece for 2006. With the rumour of the quality of PRC wafers towards the end of 2006, there was an overall pressure on the selling price of the wafers sold by the Group. After the successful demonstration of the quality of the products of the Group, the Company recorded a higher average selling price of wafers for the nine months ended 30 September 2007 when compared with the average selling price of wafers in 2006.

The Acquired Group recorded an increase of RMB4.1 in the average selling price of wafers it traded for the six months ended 30 June 2007 when compared with the average selling price of RMB30.3 per piece of wafer in 2006. As far as the trading of wafers is concerned, the Acquired Group was mainly engaged in the trading and manufacturing of monocrystalline silicon wafers for solar energy application and monocrystalline silicon wafers for Diode Application. Such increase in the average selling price was mainly due to an increase in the average selling price of monocrystalline silicon wafers for Diode Application in the first half of 2007, resulting from a change in the mix of product specifications of the Acquired Group. The average selling price of monocrystalline silicon wafers for solar energy application, the major wafer category traded by the Acquired Group, accounted for over 70% of the total turnover of wafers traded in 2006 and over 80% of the total turnover of wafers traded in the first half of 2007. The average selling price of monocrystalline silicon wafers for solar energy application recorded a reduction of RMB4.2 per piece for the six months ended 30 June 2007 when compared with the average selling price for 2006, resulting from the overall pressure in the price of wafers and a strategy to expand into the trading of multicrystalline silicon wafers.

(ii) Expansion in production capacity and product mix

During the Track Record Period, the Original Group's ingot production capacity has increased from 18 to 100 ingot pullers. In addition, the Original Group began to manufacture monocrystalline silicon wafer in 2006 partly to satisfy the demand from its customers to offer one-stop shop service for wafers and partly to increase the overall profit of the Original Group.

(iii) Increase in the price of raw materials

During the Track Record Period, over 60% of the Original Group's raw material cost incurred was for the acquisition of polysilicon, the price of which has increased significantly. Given the tight working capital position of the Original Group, the Group has not been able to order polysilicon raw materials in bulk with advance payment. Such prepayment arrangement is a common practice in the solar industry. Due to the shortage of polysilicon raw material, the Original Group had to use mostly reclaimed polysilicon materials extracted from tops and tails of ingots, pot scrap and broken wafers in its manufacturing process during the Track Record Period.

(iv) Improvement in process technology

The Group has been continuously engaging in research and development for the reduction of production cost by improving its ingot crystallisation process and the wafer slicing process. The Group aims to reduce usage of silicon in its ingot and wafer manufacturing process by reclaiming and upgrading silicon from the silicon waste it produces. In addition, the Group also conducted research to increase the volume of ingots produced in a crystallization process and the number of wafers that may be sliced from a ground ingot.

(v) Taxation

Income tax

The Jinzhou Plants and the Shanghai Plant are registered as production oriented enterprises, and therefore can enjoy a preferential PRC Enterprise Income Tax rate of 27% according to the income tax rules and regulations in the PRC. Moreover, pursuant to 《中華人民共和國外商投資企業和外國企業所得稅法》(The Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises of the People's Republic of China*), foreign investment enterprises in the PRC which are production oriented are eligible for a 100% concession from PRC Enterprise Income Tax for two years from the first year they record assessable profits, and are subject to PRC Enterprise Income Tax at 50% of the applicable income tax rate for the following three years.

During the Track Record Period, the Original Group's effective tax rate (income tax divided by profit before taxation) ranged from approximately 2% to 6%. This was mainly due to the fact that the Original Group established new PRC companies every year and therefore enjoyed an effective tax rate lower than the standard rate. The fluctuation was mainly due to the different proportion of profit derived from the PRC companies with different applicable tax rates each year.

* *English translation of Chinese official name is for identification purpose only*

On the other hand, the effective tax rate of the Acquired Group decreased from approximately 28% in 2004 and 2005 to approximately 16% in 2006, as Jinzhou Youhua was acquired in September 2006 and it was fully exempted from income tax in the year of 2006. The effective tax rate for the six months ended 30 June 2007 increased to 19%, as Jinzhou Youhua has been subject to 13.5% income tax rate since 1 January 2007. Change in Jinzhou Youhua's tax rate was due to the fact that it recorded first year of assessable profits in 2005, and started to be subject to 50% of the income tax rate after two years of full tax exemption.

Set out below is a summary of the effective income tax rates of each of the members of the Original Group and the Acquired Group during the Track Record Period:

	Years ended 31 December			Six/nine months ended 30 June/ September	
	2004	**2005**	**2006**	**2006** *(note 3)*	**2007**
Effective Tax Rate					
Original Group	4%	6%	3%	3%	3% *(note 4)*
Acquired Group	28%	28%	16%	27%	19%
Preferential PRC Enterprise Income Tax Rate					
Original Group					
Jinzhou Xinri	13.5%	13.5%	13.5%	13.5%	13.5%
Jinzhou Huachang *(note 2)*	0.0%	13.5%	13.5%	13.5%	13.5%
Jinzhou Huari *(note 1, 2)*	na	0.0%	0.0%	0.0%	13.5%
Jinzhou Yangguang *(note 1, 2)*	na	na	0.0%	0.0%	0.0%
Acquired Group					
Jinzhou Youhua *(note 1, 2)*	na	0.0%	0.0%	0.0%	13.5%
Shanghai Jingji	27.0%	27.0%	27.0%	27.0%	27.0%

Note 1: "na" refers to the period where the related companies have not been incorporated or they have yet to have assessable profits for tax payment.

Note 2: These companies enjoyed zero tax rate during the indicated periods as they were eligible for a 100% concession from PRC Enterprise Income Tax for 2 years from the first year with assessable profits and, thereafter, they are subject to 50% of the applicable income tax rate for the following 3 years.

Note 3: The effective tax rates of the Original Group and the Acquired Group were derived from the results for the first nine and six months of 2006 and 2007, respectively.

Note 4: Profit before taxation of the Original Group for the nine months ended 30 September 2007 included non-taxable gain on acquisition of the Acquired Group of RMB74.8 million.

The first year Jinzhou Xinri recorded assessable profits was 2001 and therefore Jinzhou Xinri was subject to 50% tax exemption starting from 2003. Further, being engaged in advanced technology business in the PRC, Jinzhou Xinri has been granted an extension of 50% tax exemption for a further three years. Accordingly, Jinzhou Xinri was subject to a preferential tax rate of 13.5% for the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007.

The Group's PRC subsidiaries are registered as production oriented enterprises in Shanghai and Jinzhou, Liaoning Province, both of which are coastal open areas of the PRC, and hence enjoy a preferential income tax rate of 27% according to the income tax rules and regulations of the PRC. On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. Starting from 1 January 2008, the standard PRC Enterprise Income Tax rate is 25%. State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which set out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the PRC subsidiaries of the Group, which are eligible for a 100% or 50% relief from PRC Enterprise Income tax, will continue to enjoy the preferential income tax rate up to the end of the derating period, after which, the 25% standard rate applies. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheets in respect of current tax payable.

Further under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 20% on various types of passive income such as dividends derived from sources in the PRC. Investors incorporated in Hong Kong are only subject to withholding tax at a rate of 5%. Accordingly, it is intended that Wealthy Rise, a Hong Kong incorporated company, acts as the holding company of the Company's PRC established subsidiaries. As at the Latest Practicable Date, save for Shanghai Jingji and its subsidiary, all the Company's PRC established subsidiaries were subsidiaries of Wealthy Rise.

Cancellation or reduction in PRC's VAT rebate

As an enterprise engaging in the export of ingots and wafers, the Group enjoyed a value-added tax ("VAT") rebate of 13% prior to 1 July 2007. From 1 July 2007, there is no VAT rebate for the export of ingots and the VAT rebate for wafers has been reduced to 5%. The cash received for

VAT rebates of the Original Group and Acquired Group during the Track Record Period were as follows:

	Years ended 31 December			Six months/ nine months ended 30 June/ September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Original Group	2,081	4,564	4,780	17,874
Acquired Group	270	327	2,167	4,227

To reduce the impact of the cancellation of the VAT rebate, the Group has implemented certain measures including changing the contractual arrangement with its customers from a sales and purchase relationship to a processing services arrangement.

3. RECENT DEVELOPMENTS

While the Directors expects the continued increase in business volume of the Group, they also expect continued pressure on the Group's profit margin due to (but not limited to) the continued increase in purchase price of polysilicon raw materials and the reduction and cancellation of the VAT rebate as discussed above. On the other hand, as the Group has been negotiating with its customers to change the contractual arrangement to a processing arrangement to reduce the VAT rebate reduction impact, the Directors expect that the processing services (which in general has a higher gross margin but smaller turnover than the manufacturing and sales of products) will account for a large portion of the Group's activities. However, as all these developments are evolving on an ongoing basis, the Directors consider that it is not practicable to quantify the impact at the current stage.

4. FINANCIAL INFORMATION PRESENTATION

The unaudited pro forma combined financial information of the Enlarged Group is included in appendix III to this prospectus, including the unaudited pro forma combined income statements and unaudited pro forma combined cash flow statements for the year ended 31 December 2006 and the nine months ended 30 September 2007, which give effect to the acquisition as if the acquisition had been completed on 1 January 2006, and the unaudited pro forma combined balance sheet prepared based on the combined balance sheets of the Original Group and the Acquired Group as at 31 December 2006, which give effect to the acquisition as if the acquisition had been completed on 31 December 2006. The unaudited pro forma combined financial information has been prepared from the financial information of the individual companies making up the Original Group and the Acquired Group and is set forth in the unaudited pro forma financial information included as appendix III to this prospectus. As the acquisition of the Acquired Group was completed on 26 June 2007, the balance sheet items of the Original Group as at 30 September 2007 were consolidated with those of the Acquired Group. On the other hand, the audited combined income statement data of the Original Group only includes the contribution of the Acquired Group for the period after the acquisition on 26 June 2007.

(a) Description of Certain Income Statement Items

Revenue

(i) The Original Group

The Original Group generates revenue primarily from (i) the manufacturing and sales of, and (ii) provision of processing and upgrading services in respect of, monocrystalline silicon ingots and wafers. For the nine months ended 30 September 2007, a majority of the Original Group's revenue was derived from the manufacture and sale of monocrystalline silicon ingots and wafers. The following tables show the breakdown of the Original Group's revenue by product category, as well as by geographical regions, for each of the three years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007:

	Years ended 31 December									Nine months ended 30 September					
	2004			2005			2006			2006			2007		
	Volume	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*
Processing and upgrading:															
Upgrading polysilicon	– kg	–	0.0%	– kg	–	0.0%	39,687 kg	271	0.1%	– kg	–	0.0%	299,876	7,156	1.0%
Processing solar ingots	– kg	–	0.0%	4,885 kg	1,686	1.0%	39,432 kg	12,394	3.0%	16,886 kg	5,346	1.9%	385,207	61,939	8.6%
Processing solar wafers	– pc	–	0.0%	– pc	–	0.0%	907,442 pc	9,703	2.3%	428,979 pc	6,249	2.3%	901,137	7,675	1.1%
Subtotal		–	0.0%		1,686	1.0%		22,368	5.4%		11,595	4.2%		76,770	10.7%
Trading and manufacturing:															
Polysilicon	– kg	–	0.0%	– kg	–	0.0%	– kg	–	0.0%	– kg	–	0.0%	16,867	20,717	2.9%
Monocrystalline silicon ingots	96,769 kg	57,658	100.0%	172,549 kg	171,474	98.7%	123,924 kg	147,325	35.7%	79,401 kg	86,145	31.0%	144,312	186,136	26.0%
Monocrystalline silicon wafers	– pc	–	0.0%	21,518 pc	537	0.3%	5,428,620 pc	243,610	58.9%	3,937,250 pc	179,990	64.8%	9,659,876	431,765	60.4%
Others	–	–	0.0%	–	–	0.0%	–	–	0.0%	–	–	0.0%	–	2	0.0%
Subtotal		57,658	100.0%		172,011	99.0%		390,935	94.6%		266,135	95.8%		638,620	89.3%
Total		57,658	100.0%		173,697	100.0%		413,303	100.0%		277,730	100.0%		715,390	100.0%

Notes:

1. The sale of monocrystalline silicon wafers in 2005 represented wafers manufactured by subcontractor using the Original Group's manufactured ingots. Actual wafers production of the Original Group commenced in 2006.

2. In 2006, approximately 98,000 kg ingots manufactured by the Original Group were sold as wafers further manufactured from such ingots, thus reducing the sale of ingots. The Original Group acquired approximately 29,000 kg of ingots from Jinzhou Youhua for its wafers production.

	Years ended 31 December						Nine months ended 30 September			
	2004		2005		2006		2006		2007	
	RMB'000	*% of Turnover*	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*
Japan	43,653	75.7%	96,677	55.7%	99,334	24.0%	67,562	24.3%	284,666	39.8%
Taiwan	3,722	6.5%	–	0.0%	32,220	7.8%	18,434	6.6%	91,506	12.8%
Europe	–	0.0%	7,237	4.2%	8,158	2.0%	240	0.1%	61,874	8.6%
North America	–	0.0%	–	0.0%	–	0.0%	–	0.0%	68,286	9.6%
PRC	9,368	16.2%	61,713	35.5%	272,639	66.0%	191,494	69.0%	203,895	28.5%
Hong Kong	915	1.6%	8,070	4.6%	952	0.2%	–	0.0%	–	0.0%
Other	–	0.0%	–	0.0%	–	0.0%	–	0.0%	5,163	0.7%
Turnover	57,658	100.0%	173,697	100.0%	413,303	100.0%	277,730	100.0%	715,390	100.0%

The average selling prices of monocrystalline silicon ingots manufactured and produced by the Original Group were approximately RMB596, RMB994, RMB1,189 and RMB1,290 per kg for the years ended 31 December 2004, 2005, 2006 and the nine months ended 30 September 2007, respectively. The average selling prices of monocrystalline silicon wafers manufactured and produced by the Original Group were approximately RMB44.9 per piece for the year ended 31 December 2006 and RMB46.0 per piece for the nine months ended 30 September 2007.

The Original Group's top 5 customers are mainly solar wafer or cell manufacturers or traders, except for two of them that also engage in the semiconductor industry.

(ii) The Acquired Group

The Acquired Group generates revenue primarily from (i) the sales of polysilicon and monocrystalline silicon ingots and wafers and (ii) provision of processing and upgrading services in respect of silicon related raw materials. For the six months ended 30 June 2006, a majority of the Acquired Group's revenue was derived from the sales of polysilicon and monocrystalline silicon ingots and wafers. The following table shows the breakdown of the Acquired Group's revenue by product category, as well as the geographical breakdown of revenue, for each of the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007:

	Years ended 31 December									Six months ended 30 June					
	2004			2005			2006			2006			2007		
	Volume	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*	*Volume*	*Turnover RMB'000*	*% Total*
Processing and upgrading:															
Upgrading polysilicon	308,863 kg	6,563	12.5%	394,373 kg	11,431	8.1%	421,677 kg	12,010	4.6%	172,187 kg	4,779	4.8%	259,735 kg	6,740	3.1%
Processing solar ingots	– kg	–	0.0%	– kg	–	0.0%	– kg	–	0.0%	– kg	–	0.0%	5,094 kg	1,550	0.7%
Processing solar wafers	190,136 pc	552	1.0%	405,892 pc	775	0.5%	247,912 pc	357	0.1%	94,677 pc	118	0.2%	99,023 pc	195	0.1%
Subtotal		7,115	13.5%		12,206	8.6%		12,367	4.7%		4,897	5.0%		8,485	3.9%
Trading and manufacturing:															
Polysilicon *(note 1)*	121,180 kg	29,276	55.6%	184,296 kg	69,170	49.0%	139,864 kg	88,994	46.0%	96,096 kg	54,296	54.8%	55,171 kg	37,724	17.1%
Monocrystalline silicon ingots *(note 2)*	12,419 kg	6,516	12.4%	10,439 kg	12,109	8.6%	82,276 kg	120,984	33.8%	18,245 kg	29,087	29.4%	75,787 kg	147,545	66.8%
Monocrystalline silicon wafers *(note 3)*	828,097 pc	9,685	18.4%	1,319,048 pc	47,741	33.8%	1,333,070 pc	40,426	15.4%	301,023 pc	10,603	10.7%	787,149 pc	27,121	12.2%
Others	na	38	0.1%	na	11	0.0%	na	141	0.1%	na	138	0.1%	na	60	0.0%
Subtotal		45,515	86.5%		129,031	91.4%		250,545	95.3%		94,124	95.0%		212,450	96.1%
Total		52,630	100.0%		141,237	100.0%		262,912	100.0%		99,021	100.0%		220,935	100.0%

Notes:

1. All the polysilicon sales are trading in nature, in which the Acquired Group purchased scrap silicon and upgraded it into higher quality polysilicon in its Shanghai Plant.

2. Most of the monocrystalline silicon ingots sales are trading in nature, in which the Acquired Group purchased scrap silicon and upgraded it into higher quality polysilicon and then sub-contracted the production of monocrystalline silicon ingots to third party solar ingot manufacturers. Starting from September 2006, certain portion of the monocrystalline silicon ingot production has been conducted by Jinzhou Youhua. Approximately RMB90,174,000 and RMB116,832,000 of the turnover in 2006 and the six-month period ended 30 June 2007, respectively, were generated through the sales of monocrystalline silicon ingots which were manufactured by Jinzhou Youhua.

3. All of the monocrystalline silicon wafer sales are trading in nature, in which the Acquired Group purchased scrap silicon and upgraded it into higher quality polysilicon and then sub-contracted the production of monocrystalline silicon wafer to third party monocrystalline silicon ingot and wafer manufacturers.

	Years ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	RMB'000	*% of Turnover*	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*
Japan	1,045	2.0%	336	0.2%	6,414	2.4%	–	0.0%	–	0.0%
Taiwan	4,699	8.9%	8,459	6.0%	60,123	22.9%	11,314	11.4%	108,271	49.0%
Europe	–	0.0%	520	0.4%	2,443	0.9%	183	0.2%	1,322	0.6%
North America	1,540	2.9%	3,129	2.2%	5,554	2.1%	943	1.0%	4,866	2.2%
PRC	44,520	84.6%	127,189	90.1%	183,086	69.7%	80,530	81.3%	104,913	47.5%
Hong Kong	826	1.6%	61	0.0%	–	0.0%	–	0.0%	–	0.0%
Other	–	0.0%	1,543	1.1%	5,292	2.0%	6,051	6.1%	1,563	0.7%
Turnover	52,630	100.0%	141,237	100.0%	262,912	100.0%	99,021	100.0%	220,935	100.0%

The silicon ingots and wafers traded by the Acquired Group are of various grades and qualities and selling prices vary significantly.

The technical specifications of silicon ingots and wafers used by the semiconductor industry and solar power industry are very different. In short, semiconductor industry requires a higher purity content of silicon. Since there is such a high demand in the solar power industry, the Jinzhou Plants' production capacity is therefore allocated for production of solar silicon ingots and wafers. On the other hand, Shanghai Jingji is engaged in polysilicon material processing and upgrading and therefore it often processes and trades polysilicon raw materials of different grades. On occasions, where Shanghai Jingji receives polysilicon raw materials that are more suitable for the semiconductor industry, Shanghai Jingji will trade and supply the polysilicon raw materials to customers in the semiconductor industry. Ingots and wafers produced by the Acquired Group are mainly applied towards the manufacturing of PV cell for solar power generator.

The Acquired Group's top 5 customers include a semiconductor industry participant.

Cost of sales

(i) The Original Group

During the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, cost of sales accounted for approximately 81.7%, 60.3%, 59.1% and 71.9% of total turnover of the Original Group, respectively. During the Track Record Period, raw material costs accounted for over 60% of the Original Group's cost of sales. The following table sets forth the breakdown of the Original Group's cost of sales for the three years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007:

	Years ended 31 December						Nine months ended 30 September			
	2004		2005		2006		2006		2007	
	RMB'000	*% of COSG*	*RMB'000*	*% of COSG*	*RMB'000*	*% of COSG*	*RMB'000*	*% of COSG*	*RMB'000*	*% of COSG*
Raw Materials *(note 1)*	28,801	61.1%	67,341	64.3%	165,823	67.9%	103,735	64.2%	353,692	68.8%
Ancillary Materials *(note 2)*	10,685	22.7%	20,229	19.3%	45,227	18.5%	30,192	18.7%	89,010	17.3%
Utilities	2,939	6.2%	5,865	5.6%	12,973	5.3%	12,217	7.6%	21,267	4.1%
Depreciation	1,608	3.4%	2,371	2.3%	6,178	2.5%	4,271	2.6%	8,540	1.7%
Staff Cost	1,006	2.1%	2,098	2.0%	3,804	1.6%	2,611	1.6%	7,661	1.5%
Others	2,076	4.5%	6,893	6.5%	10,235	4.2%	8,581	5.3%	34,229	6.6%
Cost of sales	47,115	100.0%	104,797	100.0%	244,240	100.0%	161,607	100.0%	514,399	100.0%

Notes:

1. Raw materials comprised mainly polysilicon raw material.

2. Ancillary materials primarily include crucibles and graphite.

(ii) The Acquired Group

During the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, cost of sales accounted for approximately 79.1%, 81.0%, 71.2% and 67.7% of total turnover of the Acquired Group, respectively. Raw material costs accounted for over 80% of the Acquired Group's cost of sales during the Track Record Period. The following table set forth the breakdown of the Acquired Group's cost of sales for the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007:

	Years ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
		% of		*% of*		*% of*		*% of*		*% of*
	RMB'000	*COSG*	*RMB'000*	*COSG*	*RMB'000*	*COSG*	*RMB'000*	*COSG*	*RMB'000*	*COSG*
Raw Materials	35,378	85.0%	105,147	91.9%	167,454	89.4%	73,249	93.0%	129,379	86.5%
Ancillary Materials	2,115	5.1%	3,046	2.7%	6,072	3.2%	1,541	2.0%	7,503	5.0%
Utilities	377	0.9%	408	0.4%	2,044	1.1%	257	0.3%	3,049	2.0%
Depreciation	535	1.3%	686	0.6%	1,412	0.8%	378	0.5%	1,133	0.8%
Staff Cost	2,047	4.9%	3,159	2.8%	5,035	2.7%	1,865	2.4%	2,966	2.0%
Others	1,155	2.8%	1,956	1.6%	5,247	2.8%	1,452	1.8%	5,552	3.7%
Cost of sales	41,607	100.0%	114,402	100.0%	187,264	100.0%	78,742	100.0%	149,582	100.0%

Notes:

1. Raw materials comprised mainly polysilicon raw material and silicon wafer.

2. Ancillary materials primarily include crucibles, graphite and cleansing chemical.

Other operating expenses

(i) The Original Group

During each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007, other operating expenses accounted for 5.4%, 5.0%, 4.5%, 4.5% and 4.3% of total turnover of the Original Group.

(ii) The Acquired Group

During each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007, other operating expenses accounted for 6.0%, 3.4%, 4.2%, 3.1% and 5.3% of total turnover.

Other operating expenses consisted of selling and distribution expenses, administration expenses and other net (loss)/gain.

(b) Critical Accounting Policies and Estimates

The significant accounting policies of the Original Group and the Acquired Group are set forth in Note 1 to the respective accountants' reports set out in appendix I and appendix II to this prospectus. The reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the combined financial information. The Original Group and the Acquired Group base their respective estimates on historical experience, the experience of other companies in the industry and on various other assumptions that were believed to be reasonable, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities and the financial results. The respective management of the Original Group and the Acquired Group evaluates the estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions and conditions.

The selection of critical accounting policies, the judgment and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Original Group and the Acquired Group's respective combined financial information. The following critical accounting policies involve the most significant judgments and estimates used in the preparation of their combined financial information.

The critical accounting policies of the Original Group and the Acquired Group are substantially the same and include:

(i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of each asset, after taking into account the estimated residual value. The useful life of an asset and its residual value, if any, are reviewed annually. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Impairment

In considering the impairment losses that may be required for property, plant and equipment and construction in progress, the recoverable amount of the asset would be required to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate the net selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgement relating to items such as the level of sales volume, selling price and amount of operating costs. All readily available information is used in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling prices and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the Directors' regular review of ageing analyses and evaluation of collectibility. A considerable level of judgement is exercised by the Directors when assessing the credit-worthiness and past collection history of each individual customer.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

(iii) Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in technique and competitor actions in response to adverse industry cycles. Management reassesses these estimates at each balance sheet date.

5. RESULTS OF OPERATIONS

(a) The Original Group

The following table shows the line items of the Original Group's income statement expressed as a percentage of total turnover for each of the years ended 31 December 2004, 2005 and 2006 and for the nine months ended 30 September 2006 and 2007 as derived from the financial information of the Original Group set out in appendix I to this prospectus. The combined results of the Original Group for the nine months ended 30 September 2006, which are extracted from the accountants' report are unaudited:

	Years ended 31 December						Nine months ended 30 September			
	2004		2005		2006		2006		2007	
	RMB'000	*% to turnover*	*RMB'000*	*% to turnover*	*RMB'000*	*% to turnover*	*RMB'000*	*% to turnover*	*RMB'000*	*% to turnover*
Turnover	57,658		173,697		413,303		277,730		715,390	
Cost of sales	(47,115)	(81.7%)	(104,797)	(60.3%)	(244,240)	(59.1%)	(161,607)	(58.2%)	(514,399)	(71.9%)
Gross profit	10,543	18.3%	68,900	39.7%	169,063	40.9%	116,123	41.8%	200,991	28.1%
Other revenue	585	1.0%	2,648	1.5%	5,458	1.3%	1,301	0.5%	78,962	11.0%
Other net loss	(42)	(0.1%)	(480)	(0.3%)	(1,185)	(0.3%)	(553)	(0.2%)	(3,823)	(0.5%)
Selling and distribution expenses	(474)	(0.8%)	(915)	(0.5%)	(2,125)	(0.5%)	(1,345)	(0.5%)	(2,841)	(0.4%)
Administrative expenses	(2,624)	(4.6%)	(7,311)	(4.2%)	(15,186)	(3.7%)	(10,630)	(3.8%)	(23,923)	(3.3%)
Profit from operations	7,988	13.8%	62,842	36.2%	156,025	37.7%	104,896	37.8%	249,366	34.9%
Finance costs	(733)	(1.3%)	(2,422)	(1.4%)	(3,875)	(0.9%)	(3,469)	(1.2%)	(5,351)	(0.7%)
Profit before taxation	7,255	12.5%	60,420	34.8%	152,150	36.8%	101,427	36.6%	244,015	34.2%
Income tax	(325)	(0.6%)	(3,417)	(2.0%)	(4,034)	(1.0%)	(2,608)	(0.9%)	(8,441)	(1.2%)
Profit for the year/ period	6,930	11.9%	57,003	32.8%	148,116	35.8%	98,819	35.7%	235,574	33.0%

Nine months ended 30 September 2007 compared to the nine months ended 30 September 2006

Turnover

The Original Group's turnover increased by RMB437.7 million, or 157.6%, from RMB277.7 million for the nine months ended 30 September 2006 to RMB715.4 million for the nine months ended 30 September 2007. This increase was mainly due to an increase in the manufacturing and sale of monocrystalline silicon ingots of RMB100.0 million, or 116.1%, from RMB86.1 million for the nine months ended 30 September 2006 to RMB186.1 million for the nine months ended 30 September 2007, and an increase of RMB251.8 million, or 139.9%, from RMB180.0 million for the nine months ended 30 September 2006 to RMB431.8 million for the nine months ended 30 September 2007 in the manufacturing and sale of monocrystalline silicon wafers, both fueled by the full operations of the facilities of Jinzhou Yangguang since mid 2006. Volume of ingot sold increased from 79,401 kg to 144,312 kg and Volume of wafers sold increased from 3.94 million pieces of wafers to 9.66 million pieces of wafers. In addition, the increase in turnover was also due to the increase in the market price of monocrystalline silicon ingots. The average selling prices of ingots were RMB1,085 per kg and RMB1,290 per kg for the nine months ended 30 September 2006 and the nine months ended 30 September 2007, respectively.

During the period, there was an increase in the processing work conducted by the Original Group. Revenue from processing work increased by RMB65.2 million, or 5.6 times, from RMB11.6 million for the nine months ended 30 September 2006 to RMB76.8 million for the nine months ended 30 September 2007, and accounted for 4.2% and 10.7% of the Original Group's total turnover for the nine months ended 30 September 2006 and 2007, respectively. The volume of ingot processed increased from 16,886 kg to 385,207 kg while the volume of wafer processed increased from 428,979 pieces to 901,137 pieces.

After the acquisition of the Acquired Group, there was an increase in the upgrading work of polysilicon. The revenue from upgrading polysilicon amounted to RMB7.2 million by upgrading polysilicon of 299,876 kg for the nine months ended 30 September 2007.

Cost of sales

The Original Group's cost of sales increased by RMB352.8 million, or 218.3%, from RMB161.6 million for the nine months ended 30 September 2006 to RMB514.4 million for the nine months ended 30 September 2007. This increase was due to the substantial increase in turnover as well as the increase in raw material price. As a percentage of total turnover, cost of sales increased from approximately 58.2% to 71.9%.

Raw materials costs represented approximately 48.2% and 61.9% of the total turnover of the Original Group for the nine months ended 30 September 2006 and 2007, respectively, and accounted for 82.9% and 86.1% of the total cost of sales for the nine months ended 30 September 2006 and 2007, respectively. The increase in the relevant percentage was mainly due to shortage of polysilicon, which led to (i) an increase in price of the silicon raw material, as well as (ii) more intensive upgrading steps taken in order to make use of a lower quality silicon in the ingot production process. Another reason for the increase was that there was RMB18 million fair value adjustments on the inventories of the Acquired Group upon the acquisition so the cost of sales of the Original Group in the third quarter of 2007 increased by RMB18 million upon sales of those inventories.

As a result of the acquisition of production facilities from the Acquired Group in June 2007, and as additional monocrystalline silicon ingot and wafer production facilities began production since 2006, there was an increase in depreciation expenses. Staff cost also increased with the expansion of the Original Group's production, but remained stable as a percentage of total cost of sales.

Other Revenue

Other revenue comprised mainly of gain on acquisition of the Acquired Group, which amounted to approximately RMB74.8 million for the nine months ended 30 September 2007, government grants and interest income from bank deposits. Gain on acquisition of the Acquired Group was the difference between fair value of net assets of the Acquired Group at the acquisition date and the acquisition consideration. Various government grants have been received by the Original Group for generating export sales and constructing a manufacturing plant in Jinzhou, Liaoning Province, the PRC. In addition, certain government grants have been received by the Original Group for encouraging its research and development expenses in relation to the manufacturing of monocrystalline ingots and solar wafers and compensating interest expense for certain specific loans. RMB798,000 and RMB2,834,000 of government grant for the nine months ended 30 September 2006 and 2007, respectively have been recognised as other revenue. With the increase in the deposit with banks as a result of the increase in turnover and the increase in deposit interest rate, the Original Group also recorded an increase in its interest income from RMB500,000 for the nine months ended 30 September 2006 to RMB1,339,000 for the nine months ended 30 September 2007.

Other Net Loss

Other net loss mainly comprised of net foreign exchange loss. Net foreign exchange loss increased from RMB584,000 for the nine months ended 30 September 2006 to RMB3,838,000 for the nine months ended 30 September 2007, as a result of an increase in sales to foreign customers from RMB86,236,000 to RMB511,496,000. The losses arose mainly because of appreciation in value of RMB, the reporting currency, during the time gap between the transaction date and the settlement date, and the fact that the Original Group's foreign sales amount was larger than its purchase in foreign currencies.

Selling and distribution expenses

Selling and distribution expenses comprised mainly of packaging expenses, freight charges and insurance expenses. The Original Group's selling and distribution expenses was minimal as compared with its turnover. Although there was an increase by RMB1,496,000, or 111.2%, from RMB1,345,000 for the nine months ended 30 September 2006 to RMB2,841,000 for the nine months ended 30 September 2007 which was in line with the increase in turnover, selling and distribution expenses still accounted for less than 0.5% of the Original Group's total turnover.

Administrative expenses

Administrative expenses comprised mainly of staff costs and bonus. As a result of Jinzhou Yangguang commencing full operation in mid 2006 and the recruitment of senior management to manage the expanded business after the acquisition of the Acquired Group, staff costs and related expenses have increased accordingly. Although there was an increase of RMB13.3 million, or 125.1%, from RMB10.6 million for the nine months ended 30 September 2006 to RMB23.9 million for the nine months ended 30 September 2007, the percentage ratio of administration expenses to total turnover reduced from 3.8% for the nine months ended 30 September 2006 to 3.3% for the nine months ended 30 September 2007, as a result of the increase in turnover.

Finance costs

The Original Group's finance costs increased by RMB1.9 million, or 54.3%, from RMB3.5 million for the nine months ended 30 September 2006 to RMB5.4 million for the nine months ended 30 September 2007. Finance costs represented mainly interest on bank loans and other borrowings wholly repayable within five years and interests on municipal government loan. The reason for the increase in finance costs was due to increase in borrowings to finance operation expansion and the acquisition of the Acquired Group. However, with the increase in turnover, the percentage ratio of finance costs to total turnover reduced from approximately 1.2% to 0.7%.

Income Tax

Income tax increased by RMB5.8 million or 223.7% from RMB2.6 million for the nine months ended 30 September 2006 to RMB8.4 million for the nine months ended 30 September 2007 as the profit before taxation of the Original Group increased from RMB101.4 million for the nine months ended 30 September 2006 to RMB244.0 million for the nine months ended 30 September 2007. The effective income tax rate increased from 2.6% for the nine months ended 30 September 2006 to 3.5% for the nine months ended 30 September 2007, mainly because Shanghai Jingji's income tax rate of 27% is higher than those of the companies comprising the Jinzhou Plants, which have income tax rates ranging from zero to 13.5%. Such effect was partially offset by the non-taxable gain on acquisition of the Acquired Group.

Gross profit, profit from operations, profit before taxation and profit for the period

The gross profit of the Original Group increased by RMB84.9 million, or 73.1%, from RMB116.1 million for the nine months ended 30 September 2006 to RMB201.0 million for the nine months ended 30 September 2007 because of the substantial increase in the revenue as a result of the increased sale of monocrystalline silicon ingots and wafers.

Gross profit margin dropped from approximately 41.8% for the nine months ended 30 September 2006 (with gross profit margin for the year ended 31 December 2006 being approximately 40.9%) to 28.1% for the nine months ended 30 September 2007. This was mainly because of the increase in raw materials cost during the nine months period ended 30 September 2007 and the increase in inventories by approximately RMB18.0 million, resulting from the fair value adjustment on the acquisition of the Acquired Group. Excluding this individually significant non-recurring impact, the gross profit margin for the nine months ended 30 September 2007 would be approximately 30.6%.

The Original Group's profit from operations increased by RMB144.5 million, or 137.7%, from RMB104.9 million for the nine months ended 30 September 2006 to RMB249.4 million for the nine months ended 30 September 2007 as a result of the increase in gross profit, the relatively stable and low operating expenses and gain on acquisition of the Acquired Group. Profits from operations represented 37.8% and 34.9% of the total turnover of the Original Group for the nine months ended 30 September 2006 and 2007, respectively.

Profit before taxation increased from RMB101.4 million for the nine months ended 30 September 2006 to RMB244.0 million for the nine months ended 30 September 2007, representing an increase of 140.6%. A substantial portion of such increase was attributable to gain on acquisition of the Acquired Group and the increase in profit of Jinzhou Yangguang. The percentage ratio of profit before taxation to total turnover decreased from 36.5% for the nine months ended 30 September 2006 to 34.1% for the nine months ended 30 September 2007.

Profit for the period increased by RMB136.8 million, or 138.4%, from RMB98.8 million for the nine months ended 30 September 2006 to RMB235.6 million for the nine months ended 30 September 2007. Profit for the period represented 35.6% and 32.9% of the total turnover for the nine months ended 30 September 2006 and 2007, respectively. This increase in profit for the period was mainly due to the increase in profit before taxation and the tax concession effect of Jinzhou Yangguang as well as the gain on acquisition of the Acquired Group.

Year ended 31 December 2006 compared to year ended 31 December 2005

Turnover

The Original Group's turnover increased by RMB239.6 million, or 137.9%, from RMB173.7 million for the year ended 31 December 2005 to RMB413.3 million for the year ended 31 December 2006. This increase was mainly due to the contribution by the newly introduced solar monocrystalline silicon wafers, which contributed RMB243.6 million to the Original Group's turnover in 2006. On the other hand, sales of solar ingots recorded a reduction of RMB24.1 million, because a portion of the solar ingots produced were used in production of wafers by the Original Group instead of being sold to third parties. The Original Group's ingot sale volume decreased from 172,549 kg to 123,924 kg and the Original Group recorded a wafer sale volume increase from 0.02 million pieces to 5.43 million pieces between 2005 and 2006. There was also an increase in the processing work conducted by the Original Group. Turnover from processing work increased by RMB20.7 million, or 12.3 times, from RMB1.7 million for the year ended 31 December 2005 to RMB22.4 million for the year ended 31 December 2006, and accounted for 1.0% and 5.4% of the Original Group's total turnover for the year ended 31 December 2005 and 2006, respectively. The average selling price of ingots increased from RMB994 per kg for the year ended 31 December 2005 to RMB1,189 per kg for the year ended 31 December 2006. The average selling price of wafers for the year ended 31 December 2006 was RMB44.9 per piece.

The Original Group commenced its production of silicon wafers when Jinzhou Yangguang commenced production in 2006. The sale of 21,518 pieces of silicon wafers in 2005 was an individually significant non-recurring transaction in which external subcontractors were hired to cut and slice silicon ingots produced by the Original Group into silicon wafers.

Cost of sales

The Original Group's cost of sales increased by RMB139.4 million, or 133.1%, from RMB104.8 million for the year ended 31 December 2005 to RMB244.2 million for the year ended 31 December 2006. This increase was due to the substantial increase in turnover as well as the increase in raw material price. As a percentage of total turnover, the cost of sales decreased from 60.3% for the year ended 31 December 2005 to 59.1% for the year ended 31 December 2006.

Cost of sales comprised mainly polysilicon raw material and crucibles and other auxiliary raw materials. Polysilicon raw material and auxiliary raw materials together amounted to 50.4% and 51.1% of the total turnover of the Original Group for the 31 December 2005 and 2006, respectively, and they together accounted for 83.6% and 86.4% of the total cost of sales for the relevant period, respectively.

With the addition of the monocrystalline silicon ingot and wafer production facilities in 2006 as a result of the commercial operation of Jinzhou Yangguang, which substantially increased the annual ingot production from approximately 184,000 kg to 577,000 kg, there was a corresponding increase in depreciation expenses and staff cost.

Other Revenue

Other revenue comprised mainly of government grants and interest income from bank deposits. Government grants amounted to RMB1.7 million and RMB4.4 million for the year ended 31 December 2005 and 2006, respectively. With the increase in the deposit with banks as a result of the increase in turnover and the increase in deposit interest rate, the Original Group also recorded an increase in its interest income from RMB204,000 for the year ended 31 December 2005 to RMB593,000 for the year ended 31 December 2006.

Various government grants have been received by the Group for generating export sales and constructing a manufacturing plant in Jinzhou, Liaoning Province, the PRC. These government grants are provided by local governments (both Liaoning and Jingzhou relevant government bodies) according to the relevant rules and regulations in the PRC, such as notice numbered 39 of 2003 issued by the Finance Bureau of the People's Government of Jinzhou (200339號－《關於財政扶持外向型經濟發展若干政策的通知》) and《關於財政資金支持企業(單位)科技進步與發展的若干政策的通知》. Those government grants are open for qualified companies in Liaoning to apply. The increase in government grants in 2006 was because of the receipt of several government grants for generating export sales amounting to approximately RMB1.5 million in total and the receipt of a government grant for research and development expenses of RMB1 million by Jinzhou Yangguang which only began its operation in February 2006.

Other Net Loss

Other net loss mainly comprised of net foreign exchange loss. Net foreign exchange loss increased from RMB480,000 for the year ended 31 December 2005 to RMB1.2 million for the year ended 31 December 2006 as a result of the appreciation of RMB against US dollars and the increase in sales to foreign customers from RMB112.0 million to RMB140.7 million.

Selling and distribution expenses

Selling and distribution expenses comprised mainly of packaging expenses, freight charges and insurance premium. The Original Group's selling and distribution expenses recorded an increase of RMB1.2 million, or 132.2%, from RMB0.9 million for the year ended 31 December 2005 to RMB2.1 million for the year ended 31 December 2006, which was in line with the increase in turnover, the expansion of the Original Group's business into the sale and production of wafers and the increased sales efforts in the domestic market in the PRC. The Original Group's selling and distribution expenses represented approximately 0.5% of total turnover in 2005 and 2006.

Administrative expenses

Administrative expenses comprised mainly of staff costs and bonus. As a result of Jinzhou Yangguang in full operation in mid 2006 and the recruitment of senior management to manage the expanded business, the staff costs and related expenses were increased. In addition, as bonus was calculated with reference to net profits, with the increase in net profits, staff bonus increased accordingly. Although there was an increase of RMB7.9 million, or 107.7%, from RMB7.3 million for the year ended 31 December 2005 to RMB15.2 million for the year ended 31 December 2006, the percentage ratio of administrative expenses to turnover reduced from 4.2% to 3.7% as a result of the increase in turnover.

Finance costs

The Original Group's finance costs increased by RMB1.5 million, or 60.0%, from RMB2.4 million for the year ended 31 December 2005 to RMB3.9 million for the year ended 31 December 2006. The increase was mainly due to increase in bank loans and other borrowings to finance the commencement of operations of Jinzhou Yangguang.

Income Tax

Income tax increased from RMB3.4 million for the year ended 31 December 2005 to RMB4.0 million for the year ended 31 December 2006. The increase of RMB0.6 million or 18.1% was mainly due to increase in profit. Effective tax rate decreased from 5.7% for the year ended 31 December 2005 to 2.7% for the year ended 31 December 2006. This was mainly because Jinzhou Yangguang started operation in 2006, and it was fully exempt from income tax in 2006.

Gross profit, profit from operations, profit before taxation and profit for the period

The gross profit of the Original Group increased by RMB100.2 million or 145.4% from RMB68.9 million for the year ended 31 December 2005 to RMB169.1 million for the year ended 31 December 2006 because of the substantial increase in the revenue derived from the sale of wafers and the increase in income from processing work. Through the increase in production capacity and extension in the Original Group's production line to downstream solar wafer products, the Original Group was able to earn a higher margin. However, the benefits from the economies of scale and vertical integration was partially off-set by the increase in the purchase price of polysilicon raw materials. The gross profit margin improved from 39.7% for the year ended 31 December 2005 to 40.9% for the year ended 31 December 2006 due to the higher gross profit margin of solar wafers.

The Original Group's profit from operations increased by RMB93.2 million or 148.3% from RMB62.8 million for the year ended 31 December 2005 to RMB156.0 million for the year ended 31 December 2006 as a result of higher gross profits and the relatively stable operating expenses. Profits from operations represents 36.2% and 37.8% of the total turnover of the Original Group for the year ended 31 December 2005 and 2006, respectively.

Profit before taxation for the period increased from RMB60.4 million to RMB152.2 million, representing an increase of 151.8%. The percentage ratio of profit before taxation to turnover also increased from 34.8% to 36.8%.

Profit for the period increased by RMB91.1 million, or 159.8%, from RMB57.0 million for the year ended 31 December 2005 to RMB148.1 million for the year ended 31 December 2006. Profit for the period represented 32.8% and 35.8% of the total turnover for the year ended 31 December 2005 and 2006, respectively. This was mainly due to the increase in profit before taxation and the tax concession effect of Jinzhou Yangguang.

Year ended 31 December 2005 compared to year ended 31 December 2004

Turnover

The Original Group's turnover, then comprised mainly of sale of monocrystalline silicon ingots, increased by RMB116.0 million, or 201.3%, from RMB57.7 million for the year ended 31 December 2004 to RMB173.7 million for the year ended 31 December 2005. This increase was mainly due to the expansion of production facilities of the Original Group during 2005 as a result of the commencement of production by Jinzhou Huari in the first quarter of 2005, the increase in sales volume of ingots from 96,769 kg to 172,549 kg and the increase in the average ingot selling price from RMB596 per kg to RMB994 per kg as a result of the increase in demand of solar products in 2005.

During the period, the Original Group also commenced the provision of processing services for its customers. The Original Group recorded processing fees of RMB1.7 million during the period.

Cost of sales

The Original Group's cost of sales increased by RMB57.7 million, or 122.4%, from RMB47.1 million for the year ended 31 December 2004 to RMB104.8 million for the year ended 31 December 2005. This increase was due to the substantial increase in the turnover, coupled with an increase in purchase cost of polysilicon raw material that was mainly driven by the industry wide shortage.

As a percentage of total turnover, the cost of sales decreased from 81.7% for the year ended 31 December 2004 to 60.3% for the year ended 31 December 2005, due to the economies of scale in the Original Group's production activities and the increase in the amount of reclaimable silicon used in the ingot crystallisation process.

Cost of sales comprised mainly of polysilicon raw material and crucibles and other auxiliary raw materials. Polysilicon raw material and auxiliary raw material together represented 68.5% and 50.4% of the total turnover of the Original Group for the 31 December 2004 and 2005, respectively, and together accounted for 83.8% and 83.6% of the total cost of sales for the years ended 31 December 2004 and 2005, respectively. However, the effect of the increase in the cost of polysilicon raw material was partially set off by the economies of scale and the improvement in the production method of the Original Group.

As the additional monocrystalline silicon ingot production facilities began production in 2005, there was an increase in depreciation expenses and staff cost but at a reduced rate due to economies of scale.

Other Revenue

Other revenue increased by RMB2.1 million, or 352.6%, from RMB0.6 million for the year ended 31 December 2004 to RMB2.6 million for the year ended 31 December 2005. The increase was mainly caused by the increase in government grants from RMB0.4 million in 2004 to RMB1.7 million in 2005.

Other Net Loss

Net foreign exchange loss increased from RMB42,000 to RMB0.5 million as a result of an increase in sales to foreign customers from RMB48.3 million to RMB112.0 million when RMB had been appreciating against the foreign currencies with which sales with foreign customers were settled during that period.

Selling and distribution expenses

Selling and distribution expenses comprised mainly of packaging expenses, freight charges and insurance premium. The Original Group's selling and distribution expenses recorded an increase of RMB0.4 million, or 93.0%, from RMB0.5 million to RMB0.9 million, which was in line with the increase in turnover.

Administrative expenses

Administrative expenses comprised mainly of staff costs. As a result of Jinzhou Huari's operation since the first quarter of 2005, staff costs and related expenses increased accordingly. In addition, as bonus was calculated with reference to net profits, with the increase in net profits, the bonus to staff increased accordingly. On the other hand, although there was an increase of RMB4.7 million, or 178.6%, in administrative expenses from RMB2.6 million to RMB7.3 million, the percentage ratio of administration expenses to turnover reduced from 4.6% to 4.2% as a result of the turnover increase.

Finance costs

The Original Group's finance costs increased by RMB1.7 million, or 230.4%, from RMB0.7 million for the year ended 31 December 2004 to RMB2.4 million for the year ended 31 December 2005 as a result of increase in bank borrowing to support production capacity expansion.

Income Tax

Income tax increased from RMB0.3 million to RMB3.4 million, an increase of RMB3.1 million or 9.5 times as a result of higher profit. The effective tax rate of the Group increased from 4.5% for the year 2004 to 5.7% for the year 2005 because Jinzhou Huachang's tax concession decreased from 100% to 50% for the corresponding year, The companies comprising the Original Group enjoyed preferential income rates of zero to 13.5% in both 2004 and 2005.

Gross profit, profit from operations, profit before taxation and profit for the period

The gross profit of the Original Group increased by RMB58.4 million or 5.5 times from RMB10.5 million for the year ended 31 December 2004 to RMB68.9 million for the year ended 31 December 2005. The Original Group's gross profit margin significantly increased from 18.3% for the year ended 31 December 2004 to 39.7% for the year ended 31 December 2005. Despite the increase in the purchase cost of silicon raw material since 2005, the Original Group started to develop the technology of purifying and mixing polysilicon raw materials and re-cycling scrap silicon in order to save cost.

The Original Group's profit from operations increased by RMB54.9 million or 6.9 times from RMB8.0 million for the year ended 31 December 2004 to RMB62.8 million for the year ended 31 December 2005 as a result of higher gross profits and the relatively stable operating expenses. Profits from operations represents 13.9% and 36.2% of the total turnover of the Original Group for the year ended 31 December 2004 and 2005, respectively.

Profit before taxation increased from RMB7.3 million for the year ended 31 December 2004 to RMB60.4 million for the year ended 31 December 2005, representing an increase of 7.3 times. The percentage ratio of profit before taxation to total turnover also increased from 12.6% for the year ended 31 December 2004 to 34.8% for the year ended 31 December 2005.

Profit for the period increased by RMB50.1 million, or 7.2 times, from RMB6.9 million for the year ended 31 December 2004 to RMB57.0 million for the year ended 31 December 2005. Profit for the period represented 12.0% and 32.8% of the total turnover for the year ended 31 December 2004 and 2005, respectively.

The Acquired Group

The following table shows the line items of the Acquired Group's income statement expressed as a percentage of total turnover for each of the years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2006 and 2007, as derived from the financial information of the Acquired Group set out in appendix II to this prospectus. The combined results of the Acquired Group for the six months ended 30 June 2006, which are extracted from the accountants' report are unaudited:

	Years ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	RMB'000	*% to turnover*	*RMB'000*	*% to turnover*	*RMB'000*	*% to turnover*	*RMB'000*	*% to turnover*	*RMB'000*	*% to turnover*
Turnover	52,630		141,237		262,912		99,021		220,935	
Cost of sales	(41,607)	(79.1%)	(114,402)	(81.0%)	(187,264)	(71.2%)	(78,742)	(79.5%)	(149,582)	(67.7%)
Gross profit	11,023	20.9%	26,835	19.0%	75,648	28.8%	20,279	20.5%	71,353	32.3%
Other revenue	150	0.3%	160	0.1%	487	0.2%	125	0.1%	566	0.3%
Other net (loss)/gain	(29)	(0.1%)	(91)	(0.1%)	(639)	(0.2%)	28	0.1%	(628)	(0.3%)
Selling and distribution expenses	(297)	(0.6%)	(430)	(0.3%)	(1,126)	(0.4%)	(298)	(0.3%)	(953)	(0.4%)
Administrative expenses	(2,850)	(5.4%)	(4,254)	(3.0%)	(9,378)	(3.6%)	(2,775)	(2.8%)	(10,027)	(4.5%)
Profit from operations	7,997	15.2%	22,220	15.7%	64,992	24.7%	17,359	17.5%	60,311	27.3%
Finance costs	(150)	(0.3%)	(91)	(0.1%)	(154)	(0.1%)	–	–	(223)	(0.1%)
Profit before taxation	7,847	14.9%	22,129	15.7%	64,838	24.7%	17,359	17.5%	60,088	27.2%
Income tax	(2,159)	(4.1%)	(6,169)	(4.4%)	(10,542)	(4.0%)	(4,705)	(4.8%)	(11,633)	(5.3%)
Profit for the year/ period	5,688	10.8%	15,960	11.3%	54,296	20.7%	12,654	12.8%	48,455	21.9%

Note: Prior to the completion of the acquisition of Jinzhou Youhua in September 2006, a majority of the Acquired Group's business was in the trading of polysilicon. After the acquisition, the main business of the Acquired Group has become manufacturing and trading of monocrystalline silicon ingots.

Six months ended 30 June 2007 compared to the six months ended 30 June 2006

Turnover

The Acquired Group's turnover increased by RMB121.9 million, or 123.1%, from RMB99.0 million for the six months ended 30 June 2006 to RMB220.9 million for the six months ended 30 June 2007. The increase was mainly due to the increase in sales of silicon ingots by RMB118.5 million and of silicon wafers by RMB16.5 million, which was partly offset by the decrease in the sales of polysilicon of RMB16.6 million. The increase was mainly contributed by the sale of the monocrystalline silicon products by Jinzhou Youhua, which was acquired by the Acquired Group in September 2006 and has an annual production capacity of approximately 160 tonnes of monocrystalline silicon ingots. In addition, the increase in turnover was also caused by the increase in the market price of monocrystalline silicon ingots.

After the Acquired Group acquired Jinzhou Youhua in September 2006, Shanghai Jingji sold upgraded polysilicon mainly to Jinzhou Youhua for ingot production. As a result, there was a reduction in the external sales of polysilicon in the first six months of 2007 when compared with that of the first six months of 2006.

During the period, there was an increase in the processing work conducted by the Acquired Group. Turnover from processing work increased by RMB3.6 million, or 73.3%, from RMB4.9 million for the six months ended 30 June 2006 to RMB8.5 million for the six months ended 30 June 2007.

Cost of sales

The Acquired Group's cost of sales increased by RMB70.9 million, or 90.0%, from RMB78.7 million for the six months ended 30 June 2006 to RMB149.6 million for the six months ended 30 June 2007. This increase was due to the substantial increase in turnover as a result of the acquisition of Jinzhou Youhua in September 2006. As a percentage of total turnover, cost of sales decreased from 79.5% to 67.7%.

Cost of sales comprised mainly cost of raw materials and auxiliary raw materials, which together accounted for 95.0% and 91.5% of the total cost of sales for the six months ended 30 June 2006 and 2007, respectively. Shanghai Jingji, the Acquired Group's principal subsidiary before its acquisition of Jinzhou Youhua, was mainly engaged in polysilicon processing, upgrading and polysilicon related products trading, and the Acquired Group's raw materials cost accounted for approximately 95.0% of total cost of sales for the six months ended 30 June 2006. Since Jinzhou Youhua is engaged in the production of monocrystalline ingots, the percentage of raw material cost to the total cost of sales at Jinzhou Youhua was smaller than Shanghai Jingji. With the acquisition of Jinzhou Youhua by the Acquired Group in September 2006, the Acquired Group's cost of sales structure has changed slightly in which the raw materials cost (polysilicon and related raw materials) percentage to total cost of sales decreased to 91.5% in the six months ended 30 June 2007.

Other Revenue

Other revenue comprised mainly of rental income from an operating lease and interest income from bank deposits. With the increase in the deposit with banks as a result of the increase in profit/cash and the increase in deposit interest rate, the Acquired Group recorded an increase in its interest income from RMB59,000 for the six months ended 30 June 2006 to RMB274,000 for the six months ended 30 June 2007.

Other Net Loss

Other net loss mainly comprised of net foreign exchange loss. The Acquired Group recorded a net foreign exchange gain of RMB28,000 for the six months ended 30 June 2006 but a net foreign exchange loss of RMB611,000 for the six months ended 30 June 2007, as a result of an increase in sales to foreign customers from in the amount equivalent to RMB18.5 million to RMB116.0 million and the appreciation of RMB.

Selling and distribution expenses

Selling and distribution expenses comprised mainly of custom declaration fee, quarantine and inspection fee and freight charges. The Acquired Group's selling and distribution expenses was minimal as compared to the turnover. There was an increase by RMB655,000, or 219.8%, from RMB298,000 for the six months ended 30 June 2006 to RMB953,000 for the six months ended 30 June 2007 because of the increase in turnover. Selling and distribution expenses accounted for less than 0.5% of the Acquired Group's total turnover in the relevant periods.

Administrative expenses

Administrative expenses comprised mainly of staff costs and bonus. As a result of the acquisition of Jinzhou Youhua and expansion of production capacity in 2006 and the recruitment of senior management from Jinzhou Youhua to manage the expanded business, the staff costs and related expenses have increased accordingly. In addition, administrative expenses include equity-settled share based payment expense of RMB2.5 million for the six months ended 30 June 2007. Administrative expenses increased by RMB7.2 million, or 261.3%, from RMB2.8 million for the six months ended 30 June 2006 to RMB10.0 million for the six months ended 30 June 2007. The percentage ratio of administrative expenses to total turnover also increased from 2.8% for the six months ended 30 June 2006 to 4.5% for the six months ended 30 June 2007.

Finance costs

The Acquired Group recorded minimal finance costs for the six months ended 30 June 2007, which were mainly interest on bank loans and other borrowings. There was no finance costs for the six months ended 30 June 2006.

Income Tax

Income tax increased from RMB4.7 million to RMB11.6 million, an increase of RMB6.9 million or 146.8%, which was mainly attributable to the increase in profit before taxation from RMB17.4 million to RMB60.1 million. The lower effective tax rate for the first half of 2007 was due to the 13.5% percent income tax preferential treatment enjoyed by Jinzhou Youhua, which was acquired by the Acquired Group in September 2006.

Gross profit, profit from operations, profit before taxation and profit for the period

The gross profit of the Acquired Group increased by RMB51.1 million or 251.9% from RMB20.3 million for the six months ended 30 June 2006 to RMB71.4 million for the six months ended 30 June 2007 as a result of the substantial increase in the revenue derived from the sales of monocrystalline silicon ingots. Gross profit represented 20.5% and 32.3% of the total turnover of the Acquired Group for the six months ended 30 June 2006 and 2007, respectively. Such increase in profit margin was mainly due to the relatively higher gross margin of the ingot manufacturing business conducted by Jinzhou Youhua than the business of trading and upgrading polysilicon and trading ingots and wafers conducted by Shanghai Jingji.

The Acquired Group's profit from operations increased by RMB42.9 million or 247.4% from RMB17.4 million for the six months ended 30 June 2006 to RMB60.3 million for the six months ended 30 June 2007 as a result of the increase in sale of silicon related products. Profits from operations represented 17.5% and 27.3% of the total turnover of the Acquired Group for the six months ended 30 June 2006 and 2007, respectively.

Profit before taxation for the six months ended 30 June 2006 and 2007 were substantially the same as profit from operations, save for the insignificant finance costs for the six months ended 30 June 2007.

Profit for the period increased by RMB35.8 million, or 282.9%, from RMB12.7 million for the six months ended 30 June 2006 to RMB48.5 million for the six months ended 30 June 2007. Profit for the period represented 12.8% and 21.9% of the total turnover for the six months ended 30 June 2006 and 2007, respectively.

Year ended 31 December 2006 compared to year ended 31 December 2005

Turnover

The Acquired Group's turnover increased by RMB121.7 million, or 86.1%, from RMB141.2 million for the year ended 31 December 2005 to RMB262.9 million for the year ended 31 December 2006. This increase was mainly due to (a) an increase in the sales of monocrystalline silicon ingots by RMB108.9 million or 899.1% from RMB12.1 million in 2005 resulting from the acquisition of Jinzhou Youhua in September 2006 and (b) an increase in the sales of polysilicon products by RMB19.8 million or 28.6% from RMB69.2 million resulting from the increase in the selling price of polysilicon in 2006, notwithstanding a decrease in the quantity of polysilicon products sold.

During the period, there was an increase in the processing fee by RMB0.2 million, or 1.3%, from RMB12.2 million for the year ended 31 December 2005 to RMB12.4 million for the year ended 31 December 2006.

Cost of sales

The Acquired Group's cost of sales increased by RMB72.9 million, or 63.7%, from RMB114.4 million for the year ended 31 December 2005 to RMB187.3 million for the year ended 31 December 2006. This increase was mainly due to the increase in turnover as a result of the acquisition of Jingzhou Youhua in September 2006, which contributed RMB34.7 million to the Acquired Group's cost of sales in 2006.

Cost of sales comprised mainly of the cost of raw materials and auxiliary raw materials, which together represented approximately 94.6% and 92.6% of the total cost of sales of the Acquired Group for 2005 and 2006, respectively.

Other Revenue

Other revenue comprised mainly of rental income from an operating lease, interest income from bank deposits and government grants. Other revenue was insignificant in 2005 and 2006.

Other Net Loss

Other net loss mainly comprised of net foreign exchange loss. Net foreign exchange loss increased from RMB91,000 for the year ended 31 December 2005 to RMB0.7 million for the year ended 31 December 2006 as a result of an increase in sales to foreign customers from RMB14.0 million to RMB79.8 million. The losses arose mainly because of currency fluctuation during the period commencing from the transaction date and the settlement date and the appreciation of RMB, the functional currency adopted in the preparation of the financial statements of the Acquired Group.

Selling and distribution expenses

Selling and distribution expenses comprised mainly of custom declaration fee, quarantine and inspection fee and freight charges. The Acquired Group spent an insignificant amount in its selling and distribution. The Acquired Group's selling and distribution expenses recorded an increase by RMB0.7 million, or 161.9%, from RMB0.4 million for the year ended 31 December 2005 to RMB1.1 million for the year ended 31 December 2006, which was in line with the increase in turnover and the expansion of the Acquired Group's business into the sale and production of monocrystalline silicon ingots.

Administrative expenses

Administrative expenses comprised mainly of staff costs and bonus. As a result of the acquisition of Jinzhou Youhua in September 2006 and the recruitment of senior management from Jinzhou Youhua to manage the expanded business, the staff costs and related expenses have increased accordingly. There was an increase of RMB5.1 million, or 120.5%, from RMB4.3 million for the year ended 31 December 2005 to RMB9.4 million for the year ended 31 December 2006. The percentage ratio of administrative expenses to turnover increased from 3.0% to 3.6%.

Finance costs

The Acquired Group's finance costs were insignificant in 2005 and 2006.

Income Tax

Income tax increased from RMB6.2 million for the year ended 31 December 2005 to RMB10.5 million for the year ended 31 December 2006, an increase of RMB4.3 million or 70.9% as a result of increased profit. As a result of the acquisition of Jinzhou Youhua, which enjoyed a 100% income tax relief preferential treatment, the effective tax rate of the Acquired Group decreased from 27.9% in 2005 to 16.3% in 2006.

Gross profit, profit from operations, profit before taxation and profit for the period

The gross profit of the Acquired Group increased by RMB48.8 million or 181.9% from RMB26.8 million for the year ended 31 December 2005 to RMB75.6 million for the year ended 31 December 2006 as a result of the increase in the sale of silicon related products. Through the increase in production capacity and extension in the Acquired Group's product offering to solar ingots, the Acquired Group was able to earn a higher margin. As such, the gross profits improved from 19.0% to 28.8% of the total turnover of the Acquired Group from 2005 to 2006.

The Acquired Group's profit from operations increased by RMB42.8 million or 192.5% from RMB22.2 million for the year ended 31 December 2005 to RMB65.0 million for the year ended 31 December 2006 as a result of higher gross profit and the relatively stable and low operating expenses. Profits from operations represents 15.7% and 24.7% of the total turnover of the Acquired Group for the year ended 31 December 2005 and 2006, respectively.

Profit before taxation increased from RMB22.1 million to RMB64.8 million, representing an increase of 193.0% from that of the year ended 31 December 2005. The percentage ratio of profit before taxation to total turnover also increased from 15.7% to 24.7%.

Profit for the period increased by RMB38.3 million, or 240.2%, from RMB16.0 million for the year ended 31 December 2005 to RMB54.3 million for the year ended 31 December 2006. Profit for the period represented 11.3% and 20.7% of the total turnover for the year ended 31 December 2005 and 2006, respectively.

Year ended 31 December 2005 compared to year ended 31 December 2004

Turnover

The Acquired Group's turnover increased by RMB88.6 million, or 168.4%, from RMB52.6 million for the year ended 31 December 2004 to RMB141.2 million for the year ended 31 December 2005. This increase was mainly due to the substantial increase in the sales of polysilicon raw material and solar silicon ingots and wafers by RMB83.5 million, or 183.5%, from RMB45.5 million for the year ended 31 December 2004 to RMB129.0 million for the year ended 31 December 2005. The sale volume of polysilicon materials of various grades and qualities increased from 121,180 kg to 184,296 kg.

During the period, the demand for the Acquired Group's processing services also increased. The Acquired Group recorded an increase in the processing fee by RMB5.1 million, or 71.6%, from RMB7.1 million for the year ended 31 December 2004 to RMB12.2 million for the year ended 31 December 2005.

Cost of sales

The Acquired Group's cost of sales increased by RMB72.8 million, or 175.0%, from RMB41.6 million for the year ended 31 December 2004 to RMB114.4 million for the year ended 31 December 2005. This increase was due to the substantial increase in the turnover and an increase in the price of polysilicon raw material.

The ratio of cost of sales to revenue increased from 79.1% for the year ended 31 December 2004 to 81.0% for the year ended 31 December 2005.

Cost of sales comprised mainly raw material and auxiliary raw material, which together accounted for 90.1% and 94.6% of the total cost of sales for the years ended 31 December 2004 and 2005, respectively.

Other Revenue

Other revenue comprised mainly of rental income from an operating lease and interest income from bank deposits. The Acquired Group's other revenue was insignificant in 2004 and 2005.

Other Net Loss

Net foreign exchange loss increased from RMB29,000 to RMB91,000 as a result of an increase in sales to foreign customers from RMB8.1 million to RMB14.0 million.

Selling and distribution expenses

Selling and distribution expenses comprised mainly of custom declaration fee, quarantine inspection fee and freight charges. The Acquired Group's selling and distribution expenses increased by RMB133,000, or 44.8%, from RMB297,000 to RMB430,000, which was in line with the increase in turnover.

Administrative expenses

Administrative expenses comprised mainly of staff costs and bonus. Although there was an increase of RMB1.4 million, or 49.3%, from RMB2.9 million to RMB4.3 million, the percentage ratio of administrative expenses to turnover reduced from 5.4% to 3.0% as a result of increase in economies of scale.

Finance costs

The Acquired Group's finance costs for the period were insignificant.

Income Tax

Income tax increased from RMB2.2 million to RMB6.2 million, an increase of RMB4.0 million as a result of increase in profit.

Gross profit, profit from operations, profit before taxation and profit for the period

The gross profit of the Acquired Group increased by RMB15.8 million or 143.4% from RMB11.0 million for the year ended 31 December 2004 to RMB26.8 million for the year ended 31 December 2005 as a result of increase in the sales of silicon related products. However, the Acquired Group's gross profit margin decreased slightly from 20.9% for the year ended 31 December 2004 to 19.0% for the year ended 31 December 2005 as a result of a larger increase in cost of sales than revenue.

The Acquired Group's profit from operations increased by RMB14.2 million or 177.9% from RMB8.0 million for the year ended 31 December 2004 to RMB22.2 million for the year ended 31 December 2005. Profits from operations represents 15.2% and 15.7% of the total turnover of the Acquired Group for the year ended 31 December 2004 and 2005, respectively.

Profit before taxation increased from RMB7.8 million for the year ended 31 December 2004 to RMB22.1 million for the year ended 31 December 2005, representing an increase of 182.0% from that of the year ended 31 December 2004. The percentage ratio of profit before taxation to total turnover also increased from 14.9% for the year ended 31 December 2004 to 15.7% for the year ended 31 December 2005, mainly attributable to the increase in revenue and economies of scale.

Profit for the period increased by RMB10.3 million, or 180.6%, from RMB5.7 million for the year ended 31 December 2004 to RMB16.0 million for the year ended 31 December 2005. Profit for the period represented 10.8% and 11.3% of the total turnover for the year ended 31 December 2004 and 2005, respectively.

Pro Forma financial Information of the Enlarged Group

The following table shows selected data from the unaudited pro forma income statements of the Enlarged Group (including the Original Group and the Acquired Group) expressed as a percentage of total turnover for the year ended 31 December 2006 and for the nine months ended 30 September 2007, as derived from the unaudited pro forma financial information set out in appendix III to this prospectus:

	Year ended 31 December 2006		**Nine months ended 30 September 2007**	
	RMB'000	*% to turnover*	*RMB'000*	*% to turnover*
Turnover	654,612		882,465	
Cost of sales	(431,664)	(65.9)	(592,116)	(67.1)
Gross profit	222,948	34.1	290,349	32.9
Other revenue	80,716	12.3	4,757	0.5
Other net loss	(1,824)	(0.3)	(4,451)	(0.5)
Selling and distribution expenses	(3,251)	(0.5)	(3,794)	(0.4)
Administrative expenses	(24,564)	(3.8)	(33,950)	(3.8)
Profit from operations	274,025	41.8	252,911	28.7
Finance cost	(4,029)	(0.6)	(5,574)	(0.6)
Profit before tax	269,996	41.2	247,337	28.0
Income tax	(11,229)	(1.7)	(23,421)	(2.7)
Profit for the year/period	258,767	39.5	223,916	25.4

As the acquisition of the Acquired Group was completed on 26 June 2007, the balance sheet items of the Original Group as at 30 September 2007 were consolidated with those of the Acquired Group. Accordingly, for comparison purpose, the following table shows selected data from the unaudited pro forma balance sheets of the Enlarged Group (including the Original Group and the Acquired Group) expressed as a percentage of total net assets as at 31 December 2006 as derived from the unaudited pro forma financial information set out in appendix III to this prospectus and the audited combined balance sheet of the Original Group expressed as a percentage of total net assets as at 30 September 2007 as derived from the financial information of the Original Group set out in appendix I to this prospectus:

	31 December 2006	*% to total net asset*	**30 September 2007**	*% to total net asset*
Non-current assets				
Property, plant and equipment	139,152	53.6%	160,701	29.4%
Lease prepayments	7,772	3.0%	26,621	4.9%
Prepayments for acquisition of property, plant and equipment	11,328	4.4%	52,332	9.6%
Deferred tax assets	755	0.3%	1,860	0.3%
	159,007		241,514	
Current assets				
Inventories	188,121	72.5%	142,383	26.0%
Trade and other receivables	163,189	62.9%	191,977	35.1%
Pledged deposits	5,508	2.1%	310	0.0%
Cash and cash equivalents	82,626	31.8%	301,445	55.2%
	439,444		636,115	
Current liabilities				
Short-term bank loans	46,000	17.7%	192,000	35.1%
Other short-term borrowings	155,340	59.8%	–	
Trade and other payables	111,321	42.9%	100,300	18.3%
Current tax payable	7,491	2.9%	11,351	2.1%
	320,152		303,651	
Net current assets	119,292		332,464	
Total assets less current liabilities	278,299		573,978	

	31 December 2006	*% to total net asset*	30 September 2007	*% to total net asset*
Non-current liabilities				
Municipal government loan	2,785	1.1%	2,864	0.5%
Deferred income	12,559	4.8%	24,726	4.5%
Deferred tax liabilities	3,347	1.3%	–	0.0%
	18,691		27,590	
Net assets	259,608		546,388	
Capital and reserves				
Paid-in/issued capital	74,858	28.8%	279	0.1%
Reserves	119,725	46.2%	546,109	99.9%
Total equity attributable to equity shareholders of the Company	194,583	75.0%	546,388	100%
Minority interests	65,025	25.0%	–	0.0%
Total equity	259,608		546,388	

For details of the adjustments in respect of the unaudited pro forma combined income statements for the year ended 31 December 2006 and for the nine months ended 30 September 2007 and the unaudited pro forma combined balance sheet as at 31 December 2006, please refer to appendix III to this prospectus.

F. LIQUIDITY AND CAPITAL RESOURCES

Overview

The principal sources of liquidity and capital resources of both the Original Group and the Acquired Group have been, and that of the Group is expected to continue to be, cash flow from operations, the issuance of new shares and debt financing from banks. The principal uses of cash of both the Original Group and the Acquired Group have been, and that of the Group is expected to continue to be, operational costs and the expansion of production.

Net current assets

(i) The Original Group

The Original Group had net current assets of RMB135.7 million and approximately RMB412.0 million as at 31 December 2006 and 30 November 2007, respectively. As the acquisition of the Acquired Group was completed on 26 June 2007, the balance sheet items of the Original Group as at 30 September 2007 were consolidated with those of the Acquired Group.

The current assets of the Original Group comprised mainly of inventories (including monocrystalline silicon ingots and wafers) and trade and other receivables. The main components of the Original Group's current assets as at the various balance sheet dates are as follows:

	31 December 2004 *RMB'000*	% to current assets	31 December 2005 *RMB'000*	% to current assets	31 December 2006 *RMB'000*	% to current assets	30 September 2007 *RMB'000*	% to current assets
Inventories	6,592	11.4%	15,516	11.5%	127,571	48.2%	142,383	22.4%
Trade and other receivables	20,706	35.9%	82,606	61.0%	85,152	32.1%	191,977	30.2%

(a) Inventory analysis

The following table sets forth the classification of inventories as at the balance sheet dates:

	31 December 2004 *RMB'000*	2005 *RMB'000*	2006 *RMB'000*	30 September 2007 *RMB'000*
Raw Materials	5,264	12,200	79,989	95,424
Work in progress	1,328	2,810	5,513	11,177
Finished Goods	–	506	42,069	35,782
	6,592	15,516	127,571	142,383

The inventories of the Original Group comprised mainly raw materials (namely polysilicon raw materials, crucibles and other auxiliary raw materials) and a small amount of finished goods as at 31 December 2005. The increase in inventory balance of the Original Group during the Track Record Period was mainly due to the expansion in the production capacity of the Original Group and the inclusion of the balance of the Acquired Group as at 30 September 2007. As a result of the shortage of polysilicon raw materials in the solar energy industry, the Original Group's inventory was kept at a relatively low level. However, due to the expansion of the Original Group's business as well as its good relationship with suppliers, the Original Group was able to increase its inventory of raw materials. The Directors consider that the Group's optimal inventory level should be around 3 months for polysilicon raw material and 1 month for other auxiliary raw materials to meet the Group's production requirements. As at 30 September 2007, the Group has yet to attain such optimal level in respect of polysilicon raw material.

The inventory turnover days were 51 days, 39 days, 107 days and 76 days for the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, respectively. Inventory turnover days for 2004, 2005 and 2006 are calculated based on the average of the beginning and ending balances of the inventory divided by the cost of sales for the year, multiplied by 365 days. An exception is for 2004 where inventory balance as at 31 December 2004, instead of average inventory balance, was used. The increase in inventory turnover days to 107 days for the year ended 31 December 2006 was mainly due to polysilicon shortage in the solar energy industry and the Group's strategy to increase its polysilicon raw material inventory balance in order to maintain a continuous and effective operation of the Group's production.

For 2007, as the inventory balances as at 30 September 2007 of the Original Group were consolidated with those of the Acquired Group, the inventory turnover days for the nine months ended 30 September 2007 is calculated based on the average balance of the unaudited pro forma inventory balance of the Enlarged Group as at 31 December 2006 and the audited combined inventory balance of the Original Group as at 30 September 2007 divided by the unaudited pro forma cost of sales of the Enlarged Group for the nine months ended 30 September 2007, which is then multiplied by 273 days. The drop of inventory turnover days to 76 days was due to the acquisition of the Acquired Group which had a lower inventory turnover days.

(b) Trade receivable analysis

The Original Group's trade receivables increased during the Track Record Period as a result of increases in turnover of the Original Group itself and the acquisition of the Acquired Group in June 2007. Set out below is the ageing analysis of the Original Group's trade receivables as at the various balance sheet dates:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	3,139	9,774	55,811	79,302
1 – 3 months	–	93	11,159	27,914
3 – 6 months	–	1,456	333	2,083
6 – 12 months	–	2,789	987	3,368
1 – 2 years	262	50	49	262
	3,401	14,162	68,339	112,929

The trade receivable turnover days were 22 days, 18 days, 36 days and 36 days for the year ended 31 December 2004, 2005, 2006 and nine months ended 30 September 2007, respectively. Trade receivable turnover days for 2004, 2005 and 2006 are calculated based on the average of the beginning and ending balances of the trade receivables divided by the turnover for the year, multiplied by 365 days. An exception is for 2004 where trade receivable balance as of 31 December 2004, instead of average trade receivable balance, was used.

For 2007, as the trade receivable balances as at 30 September 2007 of the Original Group were consolidated with those of the Acquired Group, the trade receivable turnover days for the nine months ended 30 September 2007 of the Original Group is calculated based on the average balance of the unaudited pro forma trade receivable balance of the Enlarged Group as at 31 December 2006 and the audited trade receivable balance of the Original Group as at 30 September 2007 divided by the unaudited pro forma turnover of the Enlarged Group for the nine months ended 30 September 2007, which is then multiplied by 273 days.

The Original Group has strategically chosen to co-operate with leading international solar cell producers, measured in terms of production capacity, during the Track Record Period, whose credit periods were normally longer than other local customers. Even though the trade receivable turnover days of the Original Group has increased from 22 days to 36 days during the Track Record Period, the Directors consider that such turnover days were at low levels and were within the credit periods of the Original Group granted to its customers. The Original Group normally allows a credit period of 30 to 90 days to its customers.

(ii) The Acquired Group

As at 31 December 2006 and 30 June 2007, the Acquired Group had net current assets of RMB132.4 million and RMB197.8 million, respectively.

The current assets of the Acquired Group comprised mainly of inventories (including monocrystalline silicon ingots and wafers) and trade and other receivables. The main components of the Acquired Group's current assets as at the various balance sheet dates are as follows:

	31 December 2004	% to current assets	31 December 2005	% to current assets	31 December 2006	% to current assets	30 June 2007	% to current assets
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Inventories	15,154	45.7%	36,385	51.0%	46,303	25.9%	60,094	21.0%
Trade and other receivables	12,045	36.3%	31,709	44.5%	96,817	54.1%	157,279	54.3%

(a) Inventory analysis

The following table sets forth the classification of Inventories as at the balance sheet dates:

	31 December			30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw Materials	7,224	34,769	41,660	44,629
Work in progress	488	302	1,430	2,408
Finished Goods	7,442	1,314	3,213	13,057
Total	15,154	36,385	46,303	60,094

The increase in inventories balance of the Acquired Group from 2004 to 2006 was mainly due to the expansion of the business of the Acquired Group. The increase in inventory balance of the Acquired Group as at 30 June 2007 from 31 December 2006 was mainly due to substantial increases in sales of ingots since the acquisition of Jinzhou Youhua in September 2006. Finished goods as at 30 June 2007 have been subsequently sold.

The inventory turnover days were 133 days, 82 days, 81 days and 64 days for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively. Inventory turnover days are calculated based on the average of the beginning and ending balances of the inventory divided by the cost of sales for the period, multiplied by the number of days during the corresponding period, which is 365 days for the years ended 2004, 2005 and 2006 and 181 days for the six months ended 30 June 2007. The only exception is for 2004 where inventory as of 31 December 2004 was used instead. Due to the strong demand for ingots, ingots produced by the Acquired Group were delivered to its customers immediately after completion of the manufacturing process, therefore inventory balance of the Acquired Group did not increase in proportion to the sales. As a result, the inventory turnover days of the Acquired Group during the Track Record Period decreased.

(b) Trade receivable analysis

The Acquired Group's trade receivables increased during the Track Record Period as a result of increases in turnover. Set out below is the ageing analysis of the Acquired Group's trade receivables as at the balance sheet dates:

		31 December		**30 June**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	5,658	23,947	37,199	38,890
1 – 3 months	3,578	2,844	27,577	28,090
3 – 6 months	1,112	3,226	4,352	40,253
6 – 12 months	29	–	3,580	16,200
1 – 2 years	–	–	143	42
	10,377	30,017	72,851	123,475

The trade receivables turnover days were 72 days, 52 days, 71 days and 80 days for the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007, respectively. Trade receivable turnover days are calculated based on the average of the beginning and ending balances of the trade receivables divided by the sales for the period and multiplied by the number of days during the corresponding period, which is 365 days for the years ended 2004, 2005 and 2006 and 181 days for the six months ended 30 June 2007. The only exception is for 2004 where trade receivables as of 31 December 2004 was used instead.

Since the acquisition of the entire equity interest in Jinzhou Youhua by the Acquired Group in September 2007, there has been a close business relationship established between the Original Group and the Acquired Group. The increases in the trade receivable turnover days of the Acquired Group for the year 2006 and the six months ended 30 June 2007 were mainly due to the increases in amount due from the Original Group amounting to RMB18.8 million and RMB77.9 million, respectively. Given the good business relationship with the Original Group, the Acquired Group extended a longer payment period to the Original Group, hence the turnover days increased accordingly. The Directors of the Company considered that such turnover days were reasonable and were within the credit period of the Acquired Group granted to its customers as the Acquired Group normally allows a credit period of 30 to 90 days to its customers.

Although during the Track Record Period, both the Original Group and the Acquired Group have been able to satisfy their respective working capital needs from cash flow from operations, the ability of the Enlarged Group (being the combination of the Original Group and the Acquired Group) to expand its production facilities in the PRC will depend in part on its ability to finance these activities through the issuance of equity securities, long-term borrowings and the issuance of convertible and other debt securities.

Current liabilities

(i) The Original Group

The Original Group's current liabilities during the Track Record Period mainly comprised of trade and other payables and short term bank loans.

The Original Group's total trade payable increased as the Original Group expanded its production capacity. Set out below is the ageing analysis of the Original Group's trade payable as at the various balance sheet dates:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	156	7,163	44,216	20,339
1 – 3 months	531	1,374	9,411	8,715
3 – 6 months	136	541	1,306	6,677
6 – 12 months	40	131	3,230	7,492
1 – 2 years	1,463	276	218	315
	2,326	9,485	58,381	43,538

The trade payable turnover days were 18 days, 21 days, 51 days and 25 days for the years ended 31 December 2004, 2005, 2006 and the nine months ended 30 September 2007, respectively. Trade payable turnover days for 2004, 2005 and 2006 is calculated based on the average of the beginning and ending balances of the trade payables divided by the cost of sales for the year, multiplied by 365 days. An exception is for 2004 where trade payable balance as of year end 2004, instead of average trade payable balance, was used.

For 2007, for illustrative purpose and as the trade payable balances as at 30 September 2007 of the Original Group were consolidated with those of the Acquired Group, the trade payable turnover days for the nine months ended 30 September 2007 of the Original Group is calculated based on the average balance of the unaudited pro forma trade payable balance of the Enlarged Group as at 31 December 2006 and the audited trade payable balance of the Original Group as at 30 September 2007 divided by the pro forma cost of sales of the Enlarged Group for the nine months ended 30 September 2007, which is then multiplied by 273 days.

Given the established relationship, the Acquired Group, as a supplier, allowed the Original Group to have a longer payment period in 2006 leading to higher trade payable turnover days of the Original Group in 2006.

The drop to 25 days for the nine months ended 30 September 2007 was due to the elimination of trade payable to the Acquired Group for this period as the acquisition of the Acquired Group was completed in June 2007.

The carrying amounts of interest-bearing borrowings as at balance sheet dates are as follows:

		31 December		30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	20,429	61,400	40,000	192,000

(ii) The Acquired Group

The net current liabilities of the Acquired Group comprised mainly of trade and other payables. Set out below is the ageing analysis of the trade payable of the Acquired Group as at the various balance sheet dates:

		31 December		30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	2,629	5,095	5,595	22,804
1 – 3 months	9,474	20,738	18,757	27,101
3 – 6 months	–	–	–	380
	12,103	25,833	24,352	50,285

The overall increases in the trade payables of the Acquired Group during the Track Record Period was mainly due to the increases in volume of business.

Trade payables turnover days were 106 days, 61 days, 49 days and 45 days for the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007, respectively. Trade payable turnover days is calculated based on the average of the beginning and ending balances of the trade payables divided by the cost of sales for the period, multiplied by the number of days during the corresponding periods, which are 365 days for the years ended 2004, 2005 and 2006 and 181 days for the six months ended 30 June 2007. The only exception is for 2004 where trade payables as of year end 2004 was used instead.

Working capital

The Directors are of the opinion that, taking into account the present available banking facilities and internal resources of the Group and the estimated net proceeds of the Global Offering, the Group has sufficient working capital for its requirements in the 12 months commencing from the date of this prospectus.

If adequate funds are not available, whether on satisfactory terms or at all, the Group may be forced to curtail its expansion plans. The Group's ability to meet its working capital needs from cash flow from operations will be affected by the Group's production and sales of silicon ingot and silicon wafer, which in turn may be affected by several factors. Many of these factors are outside of its control, such as market price of its products and competition from other manufacturers and competition from other non-silicon base PV products.

Cash Flows

Summary of Cash Flow Statement data

The summary of cash flow statement data of the Original Group and the Acquired Group are extracted from the accountants' reports set out in appendices I and II to this prospectus respectively. The summary of cash flow statement data of the Original Group for the nine months ended 30 September 2006 and that for the Acquired Group for the six months ended 30 June 2006 are unaudited.

(i) The Original Group

	Years ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in)/ generated from operating activities	(7,659)	10,027	118,920	90,471	249,541
Net cash used in investing activities	(4,605)	(93,601)	(31,319)	(22,887)	(258,059)
Net cash generated from/(used in) financing activities	28,565	98,811	(76,451)	(82,164)	263,433

Net cash (used in)/generated from operating activities

The Original Group's net cash inflow from operating activities increased by RMB159.0 million for the nine months ended 30 September 2007, from RMB90.5 million net cash inflow for the nine months ended 30 September 2006 to a net cash inflow of RMB249.5 million for the nine months ended 30 September 2007. The Original Group's net cash inflow from operating activities increased by RMB108.9 million for the year ended 31 December 2006, from RMB10.0 million for the year ended 31 December 2005 to RMB118.9 million for the year ended 31 December 2006. The Original Group's net cash inflow from operating activities increased by RMB17.7 million for the year ended 31 December 2005, from a net cash outflow of RMB7.7 million for the year ended 31 December 2004 to RMB10.0 million inflow for the year ended 31 December 2005. The Original Group's changes in net cash generated from operating activities mostly reflected increases in the Original Group's operating profit.

The net cash inflow generated from operating activities for the nine months ended 30 September 2007 of RMB249.5 million was mainly attributable to an operating profit before changes in working capital of RMB187.0 million generated by the Original Group and the decrease in inventories as well as trade and other receivables totaling RMB114.0 million, and such effect on cash inflow was partially offset by the decrease in trade and other payables of RMB52.6 million.

Net cash used in investing activities

The Original Group's investment activities include primarily the acquisition of property, plant and equipments and the prepayment of lease rental of RMB8 million in the year ended 31 December 2005. In addition, an acquisition of equity interests of PRC subsidiaries for the nine months ended 30 September 2007 led to a cash outflow of RMB74.8 million. A net cash outflow of RMB94.5 million was also arisen from the acquisition of the Acquired Group. These activities led to cash outflows from investing activities in 2004, 2005, 2006 and the first nine months of 2006 and 2007.

Net cash generated from/(used in) financing activities

The Original Group recorded a cash inflow from financing activities in 2004 and 2005 primarily as a result of capital contribution from shareholders to the registered capital of Jinzhou Yangguang and Jinzhou Huari in 2004 and 2005 of RMB26.7 million and RMB55.7 million, respectively, and a net increase in bank borrowings of RMB13.8 million and RMB42.9 million in 2004 and 2005, respectively. The net cash outflow in 2006 was mainly due to a repayment of bank loans and dividend payment. For the nine months ended 30 September 2007, the net cash inflow from financing activities was RMB263.4 million, comprising mainly net proceeds from bank loans of RMB137.0 million, a shareholder's loan of RMB77.2 million, which was capitalised into Shares of TIL in the Reorganisation, and an issuance of new shares by the Company to the then shareholders of the Acquired Group, which subscribed for the shares at a cash consideration of RMB163 million. The effect of the foregoing factors was partially offset by a dividend payment of RMB113.7 million.

(ii) The Acquired Group

Summary of Cash Flow Statement data

	Years ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from operating activities	5,237	524	13,071	27,208	22,703
Net cash (used in)/ generated from investing activities	(365)	(1,513)	19,794	(48)	(1,952)
Net cash (used in)/ generated from financing activities	(150)	(1,746)	(154)	–	11,806

Net cash generated from operating activities

The Acquired Group's net cash inflow from operating activities deceased by RMB4.5 million, from RMB27.2 million for the six months ended 30 June 2006 to RMB22.7 million for the six months ended 30 June 2007. The decrease in net cash inflow was mainly due to the increase in trade receivables (mainly due from Jinzhou Yangguang) by approximately RMB48 million in the six months ended 30 June 2007. The Acquired Group's net cash inflow from operating activities increased by RMB12.6 million, from RMB0.5 million for the year ended 31 December 2005 to RMB13.1 million for the year ended 31 December 2006. The Acquired Group's net cash inflow from operating activities decreased by RMB4.7 million, from a net cash inflow of RMB5.2 million for the year ended 31 December 2004 to RMB0.5 million for the year ended 31 December 2005. The decrease in net cash inflow was mainly due to the expansion in operation of Shanghai Jingji which required more working capital, as well as increase in inventory balance and trade receivables in 2005 by RMB21.2 million and RMB19.7 million, respectively. The Acquired Group's changes in net cash generated from operating activities mostly reflected increases in the Acquired Group's operating profit.

Net cash (used in)/generated from investing activities

The Acquired Group did not conduct any major investment activities save in respect of acquisition of fixed assets. The cash generated from investment activities in 2006 was mainly contributed by RMB22.2 million net cash acquired upon completion of the acquisition of Jinzhou Youhua in September 2006.

Net cash (used in)/generated from financing activities

The cash inflow and outflow of the Acquired Group in respect of financing activities mainly represented borrowing of a loan and repayment of a loan respectively.

Capital Expenditures

(i) The Original Group

Throughout the Track Record Period, the Original Group made capital expenditures, typically in connection with the expansion of its production capacity. The production capacity of the Original Group was expanded by way of establishment of two subsidiaries, namely Jinzhou Huari and Jinzhou Yangguang. Costs incurred in the construction of the building and addition of plant, equipment and machinery amounted to RMB2.3 million, RMB80.0 million, RMB29.9 million and RMB29.5 million for the three years ended 31 December 2006 and for the nine months ended 30 September 2007, respectively.

(ii) The Acquired Group

During the Track Record Period, the Acquired Group's main capital expenditures were addition of plant, equipment and machinery. The total capital expenditures amounted to RMB0.4 million, RMB1.5 million, RMB2.4 million and RMB2.7 million for the three years ended 31 December 2006 and for the six months ended 30 June 2007, respectively.

Capital Commitments

(i) The Original Group

Capital commitments of the Original Group in respect of property, plant and equipment outstanding at each balance sheet date were as follows:

		31 December		30 November
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised and contracted for	540	4,713	6,505	114,324
Authorised but not contracted for	290	3,600	11	9,697

As at 30 November 2007, capital commitment contracted for was RMB95.1 million in respect of acquisition of 96 ingot pullers and 16 wiresaws and RMB2.2 million for factory building expenditure. Capital commitment approved but not contracted for amounted to RMB9.7 million for building the factory premises and the acquisition of other equipment and machineries. The above capital commitments were for the construction of the production facilities of Jinzhou Rixin. In addition, the Group has capital commitment contracted for amounting to RMB62.4 million for investment in the joint venture company with 錦州新世紀石英玻璃有限公司 (Jinzhou New Century Quartz Glass Co., Ltd.*) and US$10 million for the investment in Jinzhou Jingji. Furthermore, there was a capital commitment contracted for of RMB17 million for the acquisition of land and building in Jinzhou and was funded by internal cash resources.

Pursuant to a framework agreement and a supplemental agreement entered into between Jinzhou Yangguang and an Independent Third Party in 25 June 2007 and 31 December 2007 respectively, Jinzhou Yangguang agreed to invest RMB62,400,000 for 40% of the registered capital of a joint venture company to be formed, subject to fulfillment of certain conditions precedent including the approval of the project by the relevant authorities (including the environmental approvals) and the technological proposal being affirmed by not later than 29 February 2008. As at the Latest Practicable Date, the conditions precedent have yet to be fully satisfied. The joint venture company will engage in the production of polysilicon raw material.

To further enhance the Group's plan to develop its wafer production business, Jinzhou Jingji, a subsidiary of Shanghai Jingji, was established on 19 December 2007. It is expected to be equipped with 13 wiresaws and has an initial annual design production capacity of 8 million pieces of wafers by the end of 2008. The investment of Shanghai Jingji in Jinzhou Jingji will be funded by the proceeds of the Global Offering.

(ii) The Acquired Group

Capital commitments of the Acquired Group outstanding at each balance sheet date not provided for were as follows:

		31 December		**30 June**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised and contracted for	–	–	1,185	105

The capital commitment as at 30 June 2007 was in respect of the modification of factory air purification system and the installation of equipment for the treatment of exhaust fumes.

Market Risks

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Original Group and the Acquired Group. These risks are limited by the respective group's financial management policies and practices described below.

(a) Credit risk

Credit risk is primarily attributable to cash and cash equivalents, and trade and other receivables. Credit risks and exposures are controlled and monitored on an on-going basis by performing credit evaluation on customers on a case-by-case basis.

* *English translation of Chinese official name is for identification purpose only*

The Original Group recorded a certain concentration of credit risk as 27%, 13%, 11% and 16% of the total trade and other receivables was due from the Original Group's largest customer as at 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, respectively, and 28%, 20%, 49% and 44% was due from the five largest customers of the Original Group as at 31 December 2004, 2005 and 2006 and 30 September 2007, respectively.

As at the balance sheet dates, the Acquired Group also has a concentration of credit risk as 45%, 28%, 34% and 20% of the total trade and other receivables was due from the Acquired Group's largest customer, and 67%, 68%, 53% and 70% was due from the five largest customers of the Acquired Group as at 31 December 2004, 2005 and 2006 and 30 June 2007, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheet. Neither the Original Group nor the Acquired Group provides any other guarantees which would expose it to credit risk.

(b) Liquidity risk

Both the Original Group and the Acquired Group regularly monitor their respective current and expected liquidity requirements to ensure that sufficient reserves of cash and adequate committed lines of funding from major financial institutions were maintained so as to meet their liquidity requirements in the short and longer term.

The Original Group recorded net current assets of RMB332.5 million as at 30 September 2007.

The Acquired Group recorded net current assets of RMB197.8 million as at 30 June 2007.

(c) Interest rate risk

As at 30 September 2007, the Original Group had interest bearing borrowings of RMB194.9 million, of which RMB192 million would mature within a year, with effective interest rates of 6.71% per annum.

As at 30 June 2007, the Acquired Group had interest bearing borrowings of RMB15.0 million which would mature within one year with effective interest rates ranging of 6.02% per annum.

The Original Group and the Acquired Group may not be in a position to replace or renew their outstanding loans at the current effective interest rates upon their respective maturity.

(d) Foreign currency risk

During the three years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, approximately 83.8%, 64.5%, 34.0% and 71.5% of the turnover of the Original Group were denominated other than in Renminbi. During the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, approximately 15.4%, 9.9%, 30.4% and 52.5% of the turnover of the Acquired Group were denominated other than in Renminbi.

Each of the Original Group and the Acquired Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than Renminbi, the functional currency of the operations to which they relate. The currencies giving rise to this risk to the Original Group are primarily US dollars and JPY and those to the Acquired Group are primarily US dollars and Euro. The Directors do not expect any significant impact from the exchange rate movement since the Original Group and the Acquired Group both use foreign currencies collected from customers to settle the amount in foreign currencies due to suppliers. In addition, the Directors ensure that the net exposure is kept to an acceptable level by buying or selling US dollars and JPY or Euro at spot rates where necessary to address short-term imbalances.

Please see "Risk Factors – Risks Relating to the PRC – Fluctuation in the value of the Renminbi may have a material adverse effect on the Group's financial condition" for further discussion of currency risks the Group faces.

UNAUDITED PROFIT ESTIMATE

The following unaudited pro forma estimated basic earnings per Share for the year ended 31 December 2007 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2007. The unaudited pro forma estimated basic earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Unaudited estimated combined profit attributable to the equity shareholders of the Company for the year ended 31 December 2007 *(Notes 1 and 2)*	not less than RMB290 million
Unaudited pro forma estimated basic earnings per Share *(Note 5)*	not less than RMB0.17

Notes:

(1) The bases and assumptions on which the above unaudited profit estimate for the year ended 31 December 2007 have been prepared are summarised in appendix IV to this prospectus.

(2) The unaudited estimated combined profit attributable to the equity shareholders of the Company for the year ended 31 December 2007 prepared by the Directors is based on the audited combined results of the Group for the nine months ended 30 September 2007, the Group's unaudited combined management accounts for the two months ended 30 November 2007 and an estimate of the combined results of the Group for the one month ended 31 December 2007. The estimate has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by the Group as set out in note 1 of section C of the accountants' report, contained in appendix I to this prospectus.

(3) The unaudited estimated combined profit attributable to the equity shareholders of the Company for the year ended 31 December 2007 includes individually significant non-recurring items: (i) gain on acquisition of the Acquired Group of approximately RMB74.8 million recorded by the Original Group, which represents the excess of the fair value of the acquired net assets over the cost of acquisition; (ii) as a result of the fair value adjustment of inventory, the cost of sales increased by approximately RMB18.0 million and income tax expenses thereon decreased by approximately RMB3.3 million; and (iii) a non-operating expense of approximately RMB8.9 million arose for the year related to the allotment of certain shares of a subsidiary of the Company as employee incentive compensation, details of which are disclosed in the subsection headed "Shares offered to certain senior management, employees and consultants of the Group" under the section headed "Director, senior management, staff and compliance advisor" of, and appendix I, to this prospectus. For more details of the acquisition of the Acquired Group by the Original Group, please refer to the subsection headed "Reorganisation" under the section headed "History and Business Development" section of this prospectus.

(4) The unaudited estimated combined profit attributable to the equity shareholders of the Company for the year ended 31 December 2007 does not include the pre-acquisition combined profit of the Acquired Group of approximately RMB48.5 million during the year. Moreover, as a results of the Reorganisation, all the subsidiaries of the Group had become directly or indirectly owned by the Company in 2007. If such group structure had been in place since 1 January 2007, there would not be a profit attributable to the minority interests of the Group during 2007. According to the audited financial statements of the Original Group for the period ended 30 September 2007, the profit attributable to the minority interests amounted to approximately RMB24.2 million.

(5) The unaudited pro forma estimated basic earnings per Share is calculated by dividing the unaudited estimated combined profit attributable to equity shareholders of the Company for the year ended 31 December 2007 and a total of 1,690,766,500 Shares in issue, assuming that the Global Offering has been completed on 1 January 2007 (without taking into account the Over-allotment Option and any shares that may be issued upon the exercise of options granted under the Shares Option Scheme).

The text of the letters from the Company's reporting accountants, KPMG, and from the Sponsor, BNP Paribas, in respect of the profit estimate, are set out in appendix IV to this prospectus.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends

The Directors are of the view that the amount of any dividends to be declared in the future will depend on, among other things, the Group's results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable PRC laws and regulations in respect of repatriation of dividends and distributions, the other applicable laws and regulations and all other relevant factors.

The Directors intend to declare and recommend dividends which would amount in total to not less than 30% of the net profit if any, from ordinary activities attributable to shareholders of the Company for full financial years (as determined in accordance with HKFRS) subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

Distributable reserves

The aggregate amount of reserves available for distribution to equity shareholders of the Company as at 30 September 2007 was RMB367,562,000.

The aggregate amounts of distributable reserves as at 31 December 2004, 2005 and 2006 of the companies comprising the Original Group were RMB4,364,000, RMB36,860,000 and RMB97,797,000 respectively.

PROPERTY INTEREST

Vigers Appraisal & Consulting Limited, an independent property valuer, has valued the property interests of the Original Group and the Acquired Group, as at 30 November 2007 at approximately RMB37.9 million. The text of its letter, summary of valuation and valuation certificates are set out in appendix V to this prospectus.

A reconciliation of the net book value of the relevant property interest, as at 30 September 2007 to their fair value as at 30 November 2007 as stated in appendix V to the prospectus is as follows:

	RMB'000
Net book value of the properties as at 30 September 2007 as per appendix I to this prospectus	
Leasehold properties *(note)*	13,959
Leasehold land and land use rights	26,621
	40,580
Movement for the 2 months ended 30 November 2007	
Depreciation on leasehold properties (unaudited)	(71)
Amortisation on leasehold land and land use rights (unaudited)	(90)
Net book value of properties as at 30 November 2007	40,419
Valuation deficit	(2,519)
Valuation as at 30 November 2007 as per appendix V to this prospectus	37,900

Note: Among the leasehold properties to an aggregate of RMB21,577,000 as at 30 September 2007, an aggregate book value of approximately RMB7,618,000 is excluded from the valuation in appendix V to this prospectus and is therefore also excluded from the above reconciliation.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the statement of unaudited pro forma adjusted net tangible assets per Share of the Group which has been prepared in accordance with Rule 4 29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if the Global Offering had been completed on 30 September 2007 It is based on the net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 September 2007 as shown in appendix I to this prospectus The statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Global Offering

	Net tangible assets of the Group attributable to the equity shareholders of the Company	Estimated net proceeds to be received by the Company from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on the Offer Price of HK$4.08 per Share	546,388	898,203	1,444,591	0.85	0.91
Based on the Offer Price of HK$4.88 per Share	546,388	1,082,105	1,628,493	0.96	1.03

Notes:

1. The net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 September 2007 is extracted from the Group's audited financial statements included in the Group's accountants' report as set out in appendix I to this prospectus. The Group has already acquired the Acquired Group on 26 June 2007.

2. The estimated net proceeds of the Global Offering are based on the Offer Price of HK$4.08 and HK$4.88 per Share, after deduction of underwriting fees and other related expenses payable by the Company. No account has been taken of any shares which may be allotted and issued upon exercise of the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis of a total of 1,690,766,500 Shares that are expected to be in issue immediately following the completion of the Global Offering, but takes no account of any shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any shares that may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of the shares referred to under "Repurchase by the Company of Shares" in appendix VII to this prospectus.

4. With reference to the valuation of the property interests of the Group as set out in appendix V to this prospectus, the aggregate revalued amount of the property interests of the Enlarged Group as at 30 November 2007 were approximately RMB37,900,000. The unaudited net book value of these property interests as at 30 November 2007 was approximately RMB40,419,000. The revaluation deficit is approximately RMB2,519,000 and has not been included in the above adjusted net tangible assets of the Group. Such revaluation deficit has not been recorded in the accountants' report as set out in appendix I to this prospectus and will not be recorded in the financial statements of the Group for the year ended 31 December 2007 as the Group's property interests are carried at cost model. If such revaluation deficit would be included to the financial statements of the Group for the year ended 31 December 2007, a reduction of depreciation of approximately RMB87,000 per annum would be incurred.