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**卡姆丹克太陽能系統集團有限公司**  
**Comtec Solar Systems Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 712)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**HIGHLIGHTS**

- Revenue for the year was approximately RMB1,025.6 million, representing a year-on-year increase of 0.9% from approximately RMB1,016.7 million for the year ended 31 December 2011;
- Gross profit for the year was approximately RMB83.5 million, representing a year-on-year drop of 9.8% from RMB92.5 million for the year ended 31 December 2011;
- Gross profit margin for the year was approximately 8.1%, representing a decrease of 1% from 9.1% for the year ended 31 December 2011;
- Net loss for the year was approximately RMB165.1 million, increased from the net loss of RMB46.3 million for the year ended 31 December 2011;
- Net loss margin for the year was approximately 16.1%, increased from 4.6% for the year ended 31 December 2011;
- Our loss per share for the year was RMB14.55 cents, increased from the loss per share of RMB4.09 cents for the year ended 31 December 2011;
- Adjusted net profit for the year was approximately RMB68.5 million by excluding the non-cash other losses of approximately RMB190.9 million which mainly included losses on redemption of convertible bonds and cancellation of warrants, net losses on fair value changes of warrants and other financial liabilities, net exchange losses and losses on disposal of property, plant and equipments, non-cash write-down of inventory of approximately RMB5.1 million, non-cash share-based payment expenses of approximately RMB20.3 million and non-cash accounting interest expenses in relation to convertible bonds before the repurchase of approximately RMB17.3 million;

- Adjusted earnings per share for the year was approximately RMB6.04 cents by excluding the non-cash other losses of approximately RMB190.9 million which mainly included losses on redemption of convertible bonds and cancellation of warrants, net losses on fair value changes of warrants and other financial liabilities, net exchange losses and losses on disposal of property, plant and equipments, non-cash write-down of inventory of approximately RMB5.1 million, non-cash share-based payment expenses of approximately RMB20.3 million and non-cash accounting interest expenses in relation to convertible bonds before the repurchase of approximately RMB17.3 million;
- Overall shipment for the year was 561.7MW;
- The annualized production capacity was approximately 600MW during the year;
- Achieved cash inflow from operating activities of approximately RMB208.0 million during the year;
- Maintained cash and restricted cash balances of approximately RMB515.2 million and lowered net debt to equity ratio to approximately 2.8% as at 31 December 2012; and
- Raised funding of approximately HK\$56.0 million and HK\$203.8 million respectively on 17 December 2012 and 22 January 2013 respectively by issuing new Shares by way of placing.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the audited annual results of the Group for the year ended 31 December 2012. During the year, the worldwide excess capacity and the industry consolidation continued. It drove the selling price to decline across the value chain. These challenging commercial conditions adversely affected the operating results of every solar company. Despite the challenges facing the market, we still achieved year-on-year growth in the shipments, shifted the focus to our premium products "Super Mono Wafers", achieved reasonable profit margins, generated cash inflow from operating activities and maintained healthy financial position.

Here are some financial and business highlights for the year:

- Revenue for the year was approximately RMB1,025.6 million, representing a year-on-year increase of 0.9% from approximately RMB1,016.7 million for the year ended 31 December 2011;
- Gross profit for the year was approximately RMB83.5 million, representing a year-on-year drop of 9.8% from RMB92.5 million for the year ended 31 December 2011;
- Gross profit margin for the year was approximately 8.1%, representing a decreased of 1% from 9.1% for the year ended 31 December 2011;

- Net loss for the year was approximately RMB165.1 million, increased from the net loss of RMB46.3 million for the year ended 31 December 2011;
- Net loss margin for the year was approximately 16.1%, increased from 4.6% for the year ended 31 December 2011;
- Our loss per share for the year was RMB14.55 cents, increased from the loss per share of RMB4.09 cents for the year ended 31 December 2011;
- Adjusted net profit for the year was approximately RMB68.5 million by excluding the non-cash other losses of approximately RMB190.9 million which mainly included losses on redemption of convertible bonds and cancellation of warrants, net losses on fair value changes of warrants and other financial liabilities, net exchange losses and losses on disposal of property, plant and equipments, non-cash write-down of inventory of approximately RMB5.1 million, non-cash share-based payment expenses of approximately RMB20.3 million and non-cash accounting interest expenses in relation to convertible bonds before the repurchase of approximately RMB17.3 million;
- Adjusted earning per share for the year was approximately RMB6.04 cents by excluding the non-cash other losses of approximately RMB190.9 million which mainly included losses on redemption of convertible bonds and cancellation of warrants, net losses on fair value changes of warrants and other financial liabilities, net exchange losses and losses on disposal of property, plant and equipments, non-cash write-down of inventory of approximately RMB5.1 million, non-cash share-based payment expenses of approximately RMB20.3 million and non-cash accounting interest expenses in relation to convertible bonds before the repurchase of approximately RMB17.3 million;
- Overall shipment for the year was 561.7MW;
- The annualized production capacity was approximately 600MW during the year;
- Achieved cash inflow from operating activities of approximately RMB208.0 million during the year;
- Maintained cash and restricted cash balances of approximately RMB515.2 million and lowered net debt to equity ratio to approximately 2.8% as at 31 December 2012; and
- Raised funding of approximately HK\$56.0 million and HK\$203.8 million respectively on 17 December 2012 and 22 January 2013 respectively by issuing new Shares by way of placing.

Despite the challenges facing the market, we achieved notable shipment growth of approximately 152.9% from 222.1MW in the corresponding period in 2011 to 561.7MW in 2012. With the continuous decrease in the selling price of polysilicons and modules, our customers increasingly realized the benefits of buying high efficient products to assist them to reduce the overall system costs and to strengthen their competitive advantages. It strengthens the demand on high efficient solar products.

In an increasingly competitive market of solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. During the year, we shifted our focus to production of premium product “Super Mono Wafers”. Based on the feedback from our major customer, the high efficient solar cell with our “Super Mono Wafers” can achieve an average conversion efficiency of approximately 23%. All of our existing 600MW capacity is qualified for the production of “Super Mono Wafers”. We keep working on the qualification process with other potential customers and target to commence pilot shipments to a Japan customer during first half of 2013. We expect to gradually replace the traditional P-type monocrystalline wafers by our “Super Mono Wafers”. We believe our ability to manufacture more advanced and efficient products would differentiate us in the market and strengthen the barrier to entry to our business.

Further, our continual efforts to improve technology, manufacturing process and conversion efficiency of our wafers also enabled us to reduce our costs of production. Cost competitiveness driven by technical advancement would be crucial to the development of solar industry. Our origin as a manufacturer of semiconductor ingots and wafers since 1999 provided us with a strong technical background. We also benefited from the significant decrease in polysilicon prices in the market. During the year, we actively renegotiated with our major polysilicon suppliers and were able to lower our average cost of polysilicon to approximately RMB171.6 per kg, decreased from RMB327.4 per kg for the corresponding period in 2011. We will continue to focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive landscape of solar industry.

We recorded cash inflow from operating activities of approximately RMB208.0 million during the year. Coupled with the sounding cash flow from our operating activities and our disciplined financial and operational initiatives, we lowered the net debt balance to approximately RMB41.5 million and the net debt to equity ratio to approximately 2.8% by the end of 2012. Our strong balance sheet positions us well to manage and mitigate the risks arising from the volatile and challenging industry environment.

During 2012, the Group maintained strict financial disciplines and continuously repaid outstanding debts. In March 2012, we repurchased 75% of the issued convertible bonds by paying approximately RMB491 million in cash and cancelled 75% of the issued warrants and issued new warrants of approximately HK\$117 million with the initial exercise price at HK\$1.24 per Share, subject to the agreed adjustment mechanism. As part of the repurchase, the investor agreed to consent to the level of borrowing of the Group relative to EBITDA exceeding the level specified in the original bonds instrument until 20 February 2013, to cancel 75% of outstanding originally issued warrants, to cancel the early redemption premium of 30% on the outstanding convertible bonds and to change the use of proceeds of the remaining outstanding amount of the original proceeds to general corporate purposes. We believed that it is a prudent step to take in view of the challenging industry environment the Group is facing. It allowed the Group to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant during 2012, to avoid over-leveraging on debt-financing in a challenging industry environment and to obtain more flexibility on the use of proceeds.

On 9 November 2012, the Group sent a call option notice to the investor to exercise the call option under the repurchase deed to (i) repurchase all of the outstanding convertible bonds from the investor for an amount in cash equal to the aggregate principal amount of all these outstanding bonds, being RMB163,625,000, and (ii) cancel all of the outstanding original warrants for no additional consideration. The Group shall pay the amount for the repurchase of all the outstanding convertible bonds by instalments starting from 9 November 2012 and ending on 24 July 2013.

On 17 December 2012, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, as the placing agent, entered into a placing and subscription agreement pursuant to which the placing agent agreed to place, on best efforts basis, up to 50,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK\$1.15 per Share, and Fonty conditionally agreed to subscribed, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK\$1.15 per Share. Details of these transactions are set out in the Company's announcement dated 17 December 2012. The subscription price for the Subscription represents a discount of 8.0% to the closing price of HK\$1.25 per Share as stated in the Stock Exchange's daily quotations sheet on 17 December 2012. Approximately HK\$56.0 million was raised from the subscription to fund the Group's capital expenditure and general working capital.

On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK\$1.74 per Share, and Fonty conditionally agreed to subscribed, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK\$1.74 per Share. Details of these transactions are set out in the Company's announcement dated 22 January 2013. The subscription price for the Subscription represents a discount of 7.5% to the closing price of HK\$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2012. Approximately HK\$203.8 million was raised from the subscription to fund the Group's capital expenditure and general working capital.

We expect the consolidation in the global solar industry would continue in 2013. We believe we are particularly well positioned with our strong financial position, competitive cost structure and our strong technical capabilities to benefit from the emerging opportunities. We are continuously evaluating the market environment and the equipment pricing to maximize our benefits from the consolidation of production capacity in the industry. We are planning to expand production capacity in Malaysia which would enable the Group to lower production costs and to increase the scale of operation. We are in the process of evaluating various opportunities from purchasing low costs second hand equipments and acquiring low costs existing production facilities in Malaysia. Due to the rapid changing market environment, the Group does not fix a capacity target upon a predetermined timeline and prefer to maintain flexibilities. We believe this strategy would maximise our benefits from the industry consolidation process.

During the year, there were further decreases in module and total system costs. It had accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The cost of solar power is now below user-paid rates for increasing number of markets and user categories. We see a ramping up in PV adoption and planning in emerging markets in Africa, the Americas and the Middle East. We are also excited to see the increasing commitments from various Asia countries on solar power, such as China and Japan which continuously raised their target for solar power contribution to the national grid capacity.

We are confident that we have the reputation, the top-tier suppliers and customers relationships and the capability to adapt to the new economics and competitive landscape of the solar industry. Looking ahead, we will remain focused on our core wafer business where we have demonstrated solid track records and established competitive advantages. We believe such focus will best position our Group in the fast growing and increasingly competitive market of solar products. We are confident to capture enormous opportunities during the industry consolidation process and to drive continued and healthy growth for the Group in the future.

On behalf of the Board, I would like to express my sincere gratitude to our Shareholders and business partners for their support and trust in us, and also to our management and employees for their hard work. We look forward to creating greater value and return for our Shareholders.

**John Zhang**  
*Chairman*

Shanghai, 25 March 2013

## ANNUAL RESULTS

The Board of Comtec Solar Systems Group Limited hereby announces the audited consolidated financial results of the Group for the year ended 31 December 2012, together with the comparative figures for the corresponding year in 2011. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors and a non-executive Director, with one of the independent non-executive Directors chairing the committee.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2012*

|                                                                                                 | <i>Notes</i> | <b>2012</b><br><b><i>RMB'000</i></b> | <b>2011</b><br><b><i>RMB'000</i></b> |
|-------------------------------------------------------------------------------------------------|--------------|--------------------------------------|--------------------------------------|
| Revenue                                                                                         | 3            | <b>1,025,615</b>                     | 1,016,746                            |
| Cost of sales                                                                                   |              | <b>(942,163)</b>                     | (924,276)                            |
| Gross profit                                                                                    |              | <b>83,452</b>                        | 92,470                               |
| Other income                                                                                    |              | <b>48,015</b>                        | 40,062                               |
| Other gains and losses, expenses and provision                                                  | 4            | <b>(190,931)</b>                     | (61,375)                             |
| Distribution and selling expenses                                                               |              | <b>(4,751)</b>                       | (1,815)                              |
| Administrative expenses                                                                         |              | <b>(60,578)</b>                      | (48,745)                             |
| Finance costs                                                                                   |              | <b>(39,036)</b>                      | (38,596)                             |
| Loss before taxation                                                                            | 5            | <b>(163,829)</b>                     | (17,999)                             |
| Taxation                                                                                        | 6            | <b>(1,220)</b>                       | (28,328)                             |
| Loss and total comprehensive expense for the year,<br>attributable to the owners of the Company |              | <b>(165,049)</b>                     | (46,327)                             |
|                                                                                                 |              | <b><i>RMB cents</i></b>              | <b><i>RMB cents</i></b>              |
| Loss per share                                                                                  |              |                                      |                                      |
| — Basic                                                                                         | 7            | <b>(14.55)</b>                       | (4.09)                               |
| — Diluted                                                                                       | 7            | <b>(14.55)</b>                       | (4.09)                               |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2012*

|                                                                   | <i>Notes</i> | <b>2012</b><br><b>RMB'000</b> | 2011<br>RMB'000 |
|-------------------------------------------------------------------|--------------|-------------------------------|-----------------|
| <b>Non-current assets</b>                                         |              |                               |                 |
| Property, plant and equipment                                     |              | <b>796,195</b>                | 855,626         |
| Prepaid lease payments — non-current                              |              | <b>20,556</b>                 | 40,143          |
| Deposits paid for acquisition of property,<br>plant and equipment |              | <b>6,927</b>                  | 5,105           |
| Advance to suppliers                                              |              | <b>355,137</b>                | 396,425         |
| Deferred tax assets                                               |              | <b>638</b>                    | 689             |
| Other financial assets                                            |              | <b>26,491</b>                 | 26,491          |
|                                                                   |              | <b>1,205,944</b>              | 1,324,479       |
| <b>Current assets</b>                                             |              |                               |                 |
| Inventories                                                       | 8            | <b>295,864</b>                | 217,959         |
| Trade and other receivables                                       | 9            | <b>295,567</b>                | 213,987         |
| Bills receivable                                                  | 9            | <b>28,808</b>                 | 36,700          |
| Advance to suppliers                                              |              | <b>70,186</b>                 | 82,249          |
| Prepaid lease payments — current                                  |              | <b>458</b>                    | 854             |
| Tax recoverable                                                   |              | <b>3,690</b>                  | 15,156          |
| Pledged bank deposits                                             |              | <b>172,866</b>                | 17,289          |
| Bank balances and cash                                            |              | <b>342,381</b>                | 746,100         |
|                                                                   |              | <b>1,209,820</b>              | 1,330,294       |
| Assets classified as held for sale                                |              | <b>24,335</b>                 | —               |
|                                                                   |              | <b>1,234,155</b>              | 1,330,294       |
| <b>Current liabilities</b>                                        |              |                               |                 |
| Trade and other payables                                          | 10           | <b>384,666</b>                | 198,692         |
| Customers' deposits received                                      |              | <b>2,368</b>                  | 229             |
| Short-term bank loans                                             |              | <b>470,100</b>                | 318,230         |
| Deferred revenue                                                  |              | <b>287</b>                    | —               |
|                                                                   |              | <b>857,421</b>                | 517,151         |
| Liabilities associated with assets classified as<br>held for sale |              | <b>336</b>                    | —               |
|                                                                   |              | <b>857,757</b>                | 517,151         |
| <b>Net current assets</b>                                         |              | <b>376,398</b>                | 813,143         |
| <b>Total assets less current liabilities</b>                      |              | <b>1,582,342</b>              | 2,137,622       |

|                                 | <i>Notes</i> | <b>2012</b><br><b><i>RMB'000</i></b> | 2011<br><i>RMB'000</i> |
|---------------------------------|--------------|--------------------------------------|------------------------|
| <b>Capital and reserves</b>     |              |                                      |                        |
| Share capital                   |              | <b>1,039</b>                         | 999                    |
| Reserves                        |              | <b>1,463,647</b>                     | 1,652,778              |
| <b>Total equity</b>             |              | <b>1,464,686</b>                     | 1,653,777              |
| <b>Non-current liabilities</b>  |              |                                      |                        |
| Deferred tax liabilities        |              | <b>9,569</b>                         | 9,560                  |
| Long-term bank loans            |              | <b>13,112</b>                        | 18,134                 |
| Provision for onerous contracts |              | <b>39,107</b>                        | 39,107                 |
| Warrants                        | <i>11</i>    | <b>39,400</b>                        | 14,600                 |
| Other financial liabilities     |              | <b>11,024</b>                        | —                      |
| Deferred revenue                |              | <b>5,444</b>                         | —                      |
| Convertible bonds               | <i>11</i>    | <b>—</b>                             | 402,444                |
|                                 |              | <b>117,656</b>                       | 483,845                |
|                                 |              | <b>1,582,342</b>                     | 2,137,622              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company is a public limited company incorporated in the Cayman Island, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 October 2009. Its parent company and ultimate holding company is Fonty Holdings Limited (“Fonty”) incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Zhang (“Mr. Zhang”). The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are the manufacturing and sales of solar wafers and related products.

The consolidated financial statements are presented in Renminbi (“RMB”), the functional currency of the Company.

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”).

|                      |                                                                    |
|----------------------|--------------------------------------------------------------------|
| Amendments to IAS 12 | Deferred Tax — Recovery of Underlying Assets                       |
| Amendments to IFRS 7 | Financial Instruments: disclosures — Transfers of Financial Assets |

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

|                                            |                                                                                                                                       |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to IFRSs                        | Annual Improvements to IFRSs 2009–2011 Cycle <sup>1</sup>                                                                             |
| Amendments to IAS 1                        | Presentation of Financial Statements <sup>1</sup>                                                                                     |
| Amendments to IAS 1                        | Presentation of Items of Other Comprehensive Income <sup>4</sup>                                                                      |
| Amendments to IFRS 7                       | Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>1</sup>                                                      |
| Amendments to IFRS 9 and IFRS 7            | Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>3</sup>                                                            |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup> |
| Amendments to IFRS 10, IFRS 12 and IAS 27  | Investment Entities <sup>2</sup>                                                                                                      |
| IFRS 9                                     | Financial Instruments <sup>3</sup>                                                                                                    |
| IFRS 10                                    | Consolidated Financial Statements <sup>1</sup>                                                                                        |
| IFRS 11                                    | Joint Arrangements <sup>1</sup>                                                                                                       |
| IFRS 12                                    | Disclosure of Interests in Other Entities <sup>1</sup>                                                                                |
| IFRS 13                                    | Fair Value Measurement <sup>1</sup>                                                                                                   |
| IAS 19 (as revised in 2011)                | Employee Benefits <sup>1</sup>                                                                                                        |
| IAS 27 (as revised in 2011)                | Separate Financial Statements <sup>1</sup>                                                                                            |
| IAS 28 (as revised in 2011)                | Investments in Associates and Joint Ventures                                                                                          |
| Amendments to IAS 1                        | Presentation of Items of Other Comprehensive Income <sup>4</sup>                                                                      |
| Amendments to IAS 32                       | Offsetting Financial Assets and Financial Liabilities <sup>2</sup>                                                                    |
| IFRIC-Int 20                               | Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>                                                                |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012.

## **Amendments to IAS 1 Presentation of Financial Statements**

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The directors anticipate that the amendments to IAS 1 will have no effect on the disclosure of the Group's consolidated financial statements.

## **Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

## **Annual Improvements to IFRSs 2009–2011 Cycle issued in June 2012**

The Annual Improvements to IFRSs 2009–2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements as the Group's spare parts are inventory by nature.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

## **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

## **IFRS 9 Financial Instruments**

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors are of the opinion that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors do not anticipate that the application of the standards and amendments will have a material effect on the Group's consolidated financial statements.

### **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group is mainly operating in manufacturing and sales of solar wafers and related products. Mr. Zhang, the chief operating decision maker of the Group, regularly reviews revenue analysis and the results of the Group as a whole for the purposes of performance assessment and making decisions about resources allocation. Accordingly, the Group has only one operating and reporting segment for financial reporting purpose. The Group's segment loss is the loss before taxation of the Group.

#### Entity-wide disclosures

##### *Revenue analysed by major products*

The following table sets forth a breakdown of the Group's revenue from manufacturing and sales of solar wafers and related products for the year:

|                                                   | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|---------------------------------------------------|------------------------|------------------------|
| <b>Manufacturing and sales of solar products:</b> |                        |                        |
| Monocrystalline solar wafers                      | 851,397                | 975,466                |
| Monocrystalline solar ingots                      | 5,128                  | 9,991                  |
|                                                   | <hr/>                  | <hr/>                  |
|                                                   | 856,525                | 985,457                |
| Others ( <i>note</i> )                            | 169,090                | 31,289                 |
|                                                   | <hr/>                  | <hr/>                  |
| Total revenue                                     | <u>1,025,615</u>       | <u>1,016,746</u>       |

*Note:* Included revenue mainly from sales of polysilicon and ingots.

Revenue reported above represents revenue generated from external customers.

##### **Revenue and assets analysed by place of domicile of group entities**

The analysis of the Group's revenue based on geographical location of external customers attributed to the country of domicile of the relevant group entities, which is the PRC, and to other foreign countries during the year is as follows:

|                                             | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|---------------------------------------------|------------------------|------------------------|
| <b>Place of domicile of group entities:</b> |                        |                        |
| Mainland China                              | 225,495                | 659,205                |
| <b>Other countries/places:</b>              |                        |                        |
| Philippines and Malaysia                    | 796,873                | 318,785                |
| Other countries ( <i>note</i> )             | 3,247                  | 38,756                 |
|                                             | <hr/>                  | <hr/>                  |
| Total revenue                               | <u>1,025,615</u>       | <u>1,016,746</u>       |

All of the Group's non-current assets, including property, plant and equipment, prepaid lease payments, deposits paid for acquisition of property, plant and equipment and advance to suppliers, are located in the group entities' country of domicile, the PRC, at the end of each reporting period.

*Note:* The customers located in other countries/places are mainly from other Asian countries, Germany and the United States of America.

## Information about major customers

Details of the customers accounting for 10% or more of total revenue of the Group are as follows:

|            | 2012<br>RMB'000 | 2011<br>RMB'000 |
|------------|-----------------|-----------------|
| Customer A | *               | 258,190         |
| Customer B | <b>796,873</b>  | <b>318,785</b>  |

\* Less than 10% of the total revenue of the Group for the year

## 4. OTHER GAINS AND LOSSES, EXPENSES AND PROVISION

|                                                                          | 2012<br>RMB'000  | 2011<br>RMB'000 |
|--------------------------------------------------------------------------|------------------|-----------------|
| (Loss) gain on fair value changes of 2011 Warrants (defined in note 11)  | <b>(9,800)</b>   | 72,112          |
| Net foreign exchange losses                                              | <b>(5,459)</b>   | (2,958)         |
| (Loss) gain on disposal of property, plant and equipment                 | <b>(4,878)</b>   | 4,860           |
| Loss on fair value changes of other financial liabilities                | <b>(11,024)</b>  | —               |
| Loss on fair value changes of Call Option (defined in note 11)           | <b>(1,965)</b>   | —               |
| Gain on fair value changes of 2012 Warrants (defined in note 11)         | <b>19,900</b>    | —               |
| Loss on redemption of convertible bonds and cancellation of warrants     | <b>(177,705)</b> | —               |
| Impairment losses recognised in respect of property, plant and equipment | —                | (89,133)        |
| Impairment losses recognised in respect of advance to suppliers          | —                | (7,149)         |
| Provision for onerous contracts                                          | —                | (39,107)        |
|                                                                          | <b>(190,931)</b> | <b>(61,375)</b> |

## 5. LOSS BEFORE TAXATION

|                                                                         | 2012<br>RMB'000 | 2011<br>RMB'000 |
|-------------------------------------------------------------------------|-----------------|-----------------|
| Loss before taxation has been arrived at after charging:                |                 |                 |
| Directors' remuneration (note (i))                                      | <b>7,171</b>    | 3,889           |
| Other staff costs                                                       | <b>47,038</b>   | 44,358          |
| Other staff's retirement benefits scheme contributions                  | <b>5,768</b>    | 5,425           |
| Share-based payments expense for other staff and consultants (note (i)) | <b>16,659</b>   | 678             |
| Total staff costs                                                       | <b>76,636</b>   | 54,350          |
| Auditor's remuneration                                                  | <b>1,094</b>    | 1,487           |
| Non-audit service                                                       | <b>746</b>      | 991             |
|                                                                         | <b>1,840</b>    | 2,478           |
| Cost of inventories recognised as expense (note (ii))                   | <b>942,163</b>  | 924,276         |
| Depreciation of property, plant and equipment                           | <b>76,990</b>   | 52,859          |
| Release of prepaid lease payments                                       | <b>854</b>      | 720             |
| Research and development expenses                                       | <b>7,841</b>    | 7,130           |
| Operating lease rentals in respect of rented premises                   | <b>1,522</b>    | 1,564           |

Notes:

- i. During the year ended 31 December 2012, share-based payments expenses included in directors' remuneration, other staff costs and expenses to consultants which was recognised in administrative expenses in respect of share options of the Company recognised were approximately RMB20,301,000 (2011: RMB750,000).
- ii. Included in cost of inventories recognised as expense represented write-down of inventories of approximately RMB5,084,000 (2011: RMB66,011,000) to their net realisable values.

## 6. TAXATION

|                                | 2012<br>RMB'000 | 2011<br>RMB'000 |
|--------------------------------|-----------------|-----------------|
| Current tax:                   |                 |                 |
| Hong Kong Profits Tax          | 291             | —               |
| PRC Enterprise Income Tax      |                 |                 |
| — Current year                 | 3,695           | 25,264          |
| — Overprovision in prior years | (2,826)         | (2,040)         |
|                                | 1,160           | 23,224          |
| Deferred tax charge:           |                 |                 |
| — Current year                 | 60              | 5,104           |
|                                | 1,220           | 28,328          |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2012. No Hong Kong Profits Tax was provided for the year ended 31 December 2011 as the group entities either had no relevant assessable profits or incurred tax losses.

PRC income tax is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

## 7. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the following data:

|                                                                                                  | 2012<br>RMB'000 | 2011<br>RMB'000 |
|--------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Loss</b>                                                                                      |                 |                 |
| Loss for the year attributable to owners of the Company for the purposes of basic loss per share | (165,049)       | (46,327)        |
| <b>Number of shares</b>                                                                          |                 |                 |
| Weighted average number of ordinary shares for the purpose of basic loss per share               | 1,134,574,932   | 1,133,820,471   |

The Company's outstanding convertible bonds did not have dilutive effect to the Company's loss per share during the year ended 31 December 2012 and 31 December 2011 because their potential conversion to ordinary shares would decrease the loss per share.

The Company's outstanding 2011 Warrants (defined in note 11) did not have dilutive effect to the Company's loss per share during the year ended 31 December 2012 and 31 December 2011 because the exercise prices of the 2011 Warrants (defined in note 11) were higher than the average market prices of the Company during the reporting period (2011: the period from the issue of the warrants of the Company, i.e. 17 June 2011, to 31 December 2011).

The Company's outstanding 2012 Warrants (defined in note 11) did not have dilutive effect to the Company's loss per share for the six months ended 31 December 2012 since their exercise price was higher than the average market prices of the Company's shares during the period from the issue of the 2012 Warrants (defined in note 11), i.e. 14 March 2012, to 31 December 2012.

The Company's outstanding share options did not have dilutive effect to the Company's loss per share during the year ended 31 December 2012 and 31 December 2011 as their exercise prices were higher than the average market prices of the Company during both years.

## 8. INVENTORIES

|                  | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|------------------|-------------------------------|------------------------|
| Raw materials    | <b>177,870</b>                | 105,163                |
| Work-in-progress | <b>45,038</b>                 | 34,147                 |
| Finished goods   | <b>72,956</b>                 | 78,649                 |
|                  | <u><b>295,864</b></u>         | <u>217,959</u>         |

## 9. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

|                                   | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|-----------------------------------|-------------------------------|------------------------|
| Trade receivables                 | <b>163,703</b>                | 71,606                 |
| Utility deposits                  | <b>5,903</b>                  | 4,219                  |
| Value-added-tax recoverable       | <b>116,939</b>                | 133,472                |
| Other receivables and prepayments | <b>9,022</b>                  | 4,690                  |
|                                   | <u><b>295,567</b></u>         | <u>231,987</u>         |
| Bills receivable                  | <u><b>28,808</b></u>          | <u>36,700</u>          |

The Group requested prepayment from customers before delivery of goods and allows a credit period of 7 to 180 days on case-by-case basis. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

|                | <b>2012</b><br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| <b>Age</b>     |                               |                        |
| 0 to 30 days   | <b>43,054</b>                 | 52,607                 |
| 31 to 60 days  | <b>78,031</b>                 | 10,909                 |
| 61 to 90 days  | <b>17,464</b>                 | 8,090                  |
| 91 to 180 days | <b>21,554</b>                 | —                      |
| Over 180 days  | <b>3,600</b>                  | —                      |
|                | <b>163,703</b>                | 71,606                 |

Included In the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB3,600,000 which are past due as at the reporting date for which the Group has not provided for impairment losses as it has been substantially settled subsequent to 31 December 2012. The Group did not hold collateral over these balances. The average age of these receivables is 270 days. Majority of the balances are settled after the reporting period. At 31 December 2011, none of the Group's trade receivables are past due but not impaired.

The following is an aged analysis of bills receivable presented based on the invoice date at the end of the reporting period:

|                | <b>2012</b><br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| <b>Age</b>     |                               |                        |
| 0 to 30 days   | <b>16,344</b>                 | 29,165                 |
| 31 to 60 days  | <b>3,075</b>                  | 4,585                  |
| 61 to 90 days  | <b>7,000</b>                  | —                      |
| 91 to 180 days | <b>2,389</b>                  | 2,950                  |
|                | <b>28,808</b>                 | 36,700                 |

No interest is charged on the trade receivables and bills receivable. The Group has provided fully for all receivables over 365 days as historical experience indicates that such amount may not be recoverable. Trade receivables and bills receivable aged between 30 and 365 days are provided for based on estimated irrecoverable amounts from the sales of goods, determined by reference to subsequent settlement, past default experience and objective evidences of impairment.

At the end of each reporting period, the Group's trade receivables and bills receivable that are neither past due nor impaired for which the Group has not provided for as the debtors have no default history and of good credit quality.

Included in the Group's allowance for doubtful debts are individually impaired trade receivables with an aggregate carrying amount of approximately RMB2,744,000 as at 31 December 2012 and 31 December 2011 which are past due as at the end of each reporting period. The Group did not make any impairment losses during the year ended 31 December 2012 and 31 December 2011. The Group did not hold any collateral over the balance at the end of each reporting period.

In determining the recoverability of the trade and bills receivables, the Group reassesses any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the directors of the Company believe that no further allowance is required.

The Group's trade and other receivables and bills receivable that were denominated in USD, foreign currencies of the relevant group entities, were re-translated in RMB and stated for financial reporting purposes as:

|                                                | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|------------------------------------------------|-------------------------------|------------------------|
| Trade and other receivables denominated in USD | <b>130,105</b>                | 59,668                 |

#### 10. TRADE AND OTHER PAYABLES

|                                                           | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|-----------------------------------------------------------|-------------------------------|------------------------|
| Trade payables                                            | <b>249,221</b>                | 100,679                |
| Payables for acquisition of property, plant and equipment | <b>20,415</b>                 | 81,757                 |
| Other payables and accrued charges                        | <b>15,022</b>                 | 16,256                 |
| Outstanding Principal Payments (defined in note 11)       | <b>100,008</b>                | –                      |
|                                                           | <b>384,666</b>                | 198,692                |

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

|                | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| Age            |                               |                        |
| 0 to 30 days   | <b>59,454</b>                 | 28,248                 |
| 31 to 60 days  | <b>40,436</b>                 | 21,930                 |
| 61 to 90 days  | <b>46,787</b>                 | 30,651                 |
| 91 to 180 days | <b>77,720</b>                 | 17,768                 |
| Over 180 days  | <b>24,824</b>                 | 2,082                  |
|                | <b>249,221</b>                | 100,679                |

The average credit period on purchases of goods is 30 days to 90 days and certain suppliers grant longer credit period on case-by-case basis.

The Group's trade and other payables that were denominated in USD, Euro and JPY the foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

|                                          | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|------------------------------------------|-------------------------------|------------------------|
| Trade and other payables denominated in: |                               |                        |
| Euro                                     | –                             | 73                     |
| USD                                      | <b>192,271</b>                | 54,049                 |
| JPY                                      | <b>219</b>                    | 527                    |

## 11. CONVERTIBLE BONDS AND WARRANTS

### For the year ended 31 December 2011

The Company issued RMB-denominated convertible bonds at a par value of RMB100,000 each with an aggregate principal amount of approximately RMB655 million on 17 June 2011 to an independent third party who is not related to the Group (the “Bondholder”). The convertible bonds would be matured in five years since issuance. The conversion price was fixed at HK\$3.90 (at the fixed exchange rate of HK\$1.1917494 = RMB1 as pre-determined).

The principal terms of the bonds were as follows:

- (1) Denomination of the bonds — The convertible bonds were denominated in RMB.
- (2) Maturity date — Five years from the date of issuance, which was 16 June 2016 (“Maturity Date”).
- (3) Interest — The bonds did not bear any interest.
- (4) Conversion —
  - (A) Conversion price — The price was HK\$3.90 per each new share to be issued upon conversion of the bonds (“Conversion Share”), subject to anti-dilutive adjustment in accordance with the terms of the bonds, including subdivision or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.
  - (B) Conversion period — The Bondholder had the right to convert the bonds into shares at any time on or after the issue date of the bonds up to the close of business on the Maturity Date or if such bonds shall have been called or put for redemption at any time on or after the issue date, then up to the close of business on a date no later than five business days prior to the date fixed for redemption, which the events were discussed below.
  - (C) Number of Conversion Shares issuable — 200,000,000 Conversion Shares would be issued upon full conversion of the bonds based on the initial conversion price of HK\$3.90 (translated at the fixed exchange rate of HK\$1.1917494 = RMB1 as pre-determined).
  - (D) Rights — The Conversion Shares would rank pari passu in all respects with the shares of the Company then in issue on the relevant conversion date.
- (5) Redemption —
  - (A) At the option of the Company:
    - (I) Redemption at maturity — The Company would redeem the bonds outstanding at an amount equivalent to the HK\$ equivalent of the RMB principal amount on the Maturity Date.
    - (II) Redemption for tax reasons — The Company would redeem the bonds outstanding at an amount of HK\$ equivalent of the RMB principal amount of the bonds if the Company would become obliged to pay additional amounts in accordance with changes or amendments of relevant taxation or statutory rules and regulations in the Cayman Islands or Hong Kong, which changes or amendments become effective on or after the date on which the bonds are first issued.

(B) At the option of the Bondholder:

- (I) Redemption on change of control — Upon the occurrence of a Change of Control (as defined in announcement of the Company dated 19 April 2011), the Bondholder would have the right, at such holder's option, to require the Company to redeem in whole but not in part such holder's bonds on the Change of Control put date at the amount equal to 130% of the principal amount of the bonds.
  - (II) Redemption on delisting of the Company — Upon the occurrence of delisting of the Company's shares on the Stock Exchange, the Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem the bonds outstanding at the amount equal to 130% of the principal amount of the bonds.
- (6) Transferability — The bonds and any Conversion Shares were freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the Bondholder on 17 June 2011.
- (7) Voting right — The Bondholder would not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder of a bond. The Bondholder would not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder of the bonds.
- (8) Listing of the bonds — No application would be made for the listing of the bonds on the Stock Exchange or any other exchange.
- (9) Collateral — The Bondholder did not hold any collateral over the bonds.

The convertible bonds at 17 June 2011 included fair value of the liability component, equity component and embedded derivative in respect of the early redemption feature of the convertible bonds. The fair value of the liability component and the equity component of the convertible bonds on initial recognition were approximately RMB378,949,000 and RMB188,839,000, respectively.

The equity component would remain in other reserve until the embedded conversion option was exercised. The embedded derivative in respect of the early redemption feature of the convertible bonds was measured at fair value with changes in fair value recognised in profit or loss. In the opinion of the directors of the Company, the fair value of the embedded derivative in respect of the early redemption feature was immaterial.

Subsequent to the initial recognition, the liability component of the convertible bonds was carried at amortised cost using effective interest method. The effective interest rate of the liability component of the convertible bonds was 12% per annum. The movement of the liability component of the convertible bonds for the year ended 31 December 2011 was set out below:

|                                     | <i>RMB'000</i> |
|-------------------------------------|----------------|
| Carrying amount at 17 June 2011     | 378,949        |
| Interest charge                     | 23,495         |
|                                     | <hr/>          |
| Carrying amount at 31 December 2011 | 402,444        |
|                                     | <hr/> <hr/>    |

Concurrent with the issuance of the bonds, 95,121,951 fully detachable and transferrable warrants (“2011 Warrants”) each to purchase one ordinary share of the Company were issued. The exercise price of the 2011 Warrants was HK\$4.10 and the 2011 Warrants would be expired in five years since issuance. The principal terms of the warrants were as follows:

- (A) Exercise price — Each 2011 Warrant carried the right to subscribe for one share. The exercise price at which a share would be issued upon exercise of a warrant, as adjusted from time to time, would initially be RMB3.4403 per share (translated at the fixed exchange rate of HKD1.1917494 = RMB1 as pre-determined and the exercise price would be settled in HKD) but would be subject to anti-dilutive adjustment in the manner provided in the warrant instrument, including subdivision or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.
- (B) Exercisable period — At the option of the holder thereof, at any time on or after the date of the issue of each 2011 Warrant up to the close of business (at the place where the warrant certificate evidencing such 2011 Warrant is deposited for exercise) on the fifth anniversary of the date of issue of such 2011 Warrant, that was 16 June 2016 (the “Expiration Date”), (but in no event thereafter) (the “Exercise Period”). After the close of business on the Expiration Date, the exercise right shall lapse and each 2011 Warrant shall cease to be valid for any purpose.
- (C) Rights — The 2011 Warrant would rank pari passu in all respects with one another.
- (D) Transferability — The 2011 Warrants were freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the holder of the 2011 Warrants on 17 June 2011.
- (E) Voting right — The holder of the 2011 Warrants would not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder of the 2011 Warrants. The holder of the warrants would not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder of the 2011 Warrant.
- (F) Listing of the 2011 Warrants — No application would be made for the listing of the 2011 Warrants on the Stock Exchange or any other exchange.

The fair value of the 2011 Warrants on 17 June 2011 was approximately RMB86,712,000. The 2011 Warrants were measured at fair value with changes in fair value recognised in profit or loss.

The fair values of the 2011 Warrants of the Company at 17 June 2011 and 31 December 2011 were calculated using the Binomial pricing model. The inputs into the model were as follows:

|                         | <b>17 June<br/>2011</b> | <b>31 December<br/>2011</b> |
|-------------------------|-------------------------|-----------------------------|
| Share price             | HK\$2.96                | HK\$1.08                    |
| Exercise price          | HK\$4.10                | HK\$4.10                    |
| Expected volatility     | 53.00%                  | 62.73%                      |
| Warrant life            | 5 years                 | 4.5 years                   |
| Risk-free interest rate | 1.3928%                 | 0.8270%                     |

The risk-free interest rates were based on yield of Hong Kong government bonds at the dates of valuation. Expected volatility was determined by using the historical volatility of the Company’s share price over the previous years. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of behavioral considerations. Changes in variables and assumptions might result in changes in the fair values of the share options.

The movement of the fair value of the 2011 Warrants for the year ended 31 December 2011 was set out below:

|                                                                             | <i>RMB'000</i> |
|-----------------------------------------------------------------------------|----------------|
| Carrying amount at 17 June 2011                                             | 86,712         |
| Gain on change in fair value recognised in profit or loss ( <i>note 4</i> ) | (72,112)       |
|                                                                             | <hr/>          |
| Carrying amount at 31 December 2011                                         | <u>14,600</u>  |

Transaction costs related to the issuance of the bonds and 2011 Warrants of approximately RMB8,776,000 have been recognised in the profit or loss or consolidated statement of changes in equity in accordance with the Group's accounting policy.

#### **For the year ended 31 December 2012**

On 20 January 2012 and 9 November 2012, the Company and the Bondholder entered into agreements ("Repurchase Deeds"), pursuant to which the Company agreed to repurchase, and the Bondholder (which also held the outstanding 2011 Warrants of the Company) agreed to sell, 75% ("Repurchase Transaction I") and 25% ("Repurchase Transaction II"), respectively, the convertible bonds and 2011 Warrants issued by the Company, in consideration for a cash payment of approximately RMB491 million and RMB164 million, respectively, which these considerations were equal to the aggregate principal amount of the bonds and 2011 Warrants.

Under the Repurchase Deed dated 20 January 2012, the Bondholder granted to the Company an option ("Call Option") to request the Bondholders to (i) cancel of all remaining 2011 Warrants at no cost; and (ii) sell all (but not some only) of the outstanding bonds to the Company for an amount in cash equal to the aggregate principal amount of all such original bonds, at any time from the date of such Repurchase Deed to 31 January 2013. The Repurchase Transaction I was completed on 14 March 2012.

Under the Repurchase Deed dated 9 November 2012, the Company exercised the Call Option in full and the parties agreed that the Company shall pay the amount for the repurchase of all the outstanding bonds by instalments (each an "Outstanding Principal Payments"). The Company shall pay each Outstanding Principal Payments on the below relevant payment date:

| <b>Payment Date Outstanding</b>                   | <b>Principal Payment</b> |
|---------------------------------------------------|--------------------------|
| Repurchase completion date, being 9 November 2012 | RMB21,205,800            |
| 24 November 2012                                  | RMB21,205,800            |
| 24 December 2012                                  | RMB21,205,800            |
| 24 January 2013                                   | RMB21,205,800            |
| 24 February 2013                                  | RMB21,205,800            |
| 24 March 2013                                     | RMB21,205,800            |
| 24 April 2013                                     | RMB9,097,550             |
| 24 May 2013                                       | RMB9,097,550             |
| 24 June 2013                                      | RMB9,097,550             |
| 24 July 2013                                      | RMB9,097,550             |

The Outstanding Principal Payments are unsecured and interest-free. As at 31 December 2012, the aggregate unsettled Outstanding Principal Payments were approximately RMB100,008,000.

The Repurchase Transaction II was completed on 9 November 2012.

The Call Option was measured at fair value with changes in fair value recognised in profit or loss. The fair values of the Call Option on 14 March 2012 and 9 November 2012 were approximately RMB2,077,000 and RMB112,000, respectively. The fair values of the Call Option of the Company on 14 March 2012 and 9 November 2012 was calculated using the Binomial pricing model. The inputs into the model were as follows:

|                         | 14 March<br>2012 | 9 November<br>2012 |
|-------------------------|------------------|--------------------|
| Expected volatility     | 62.73%           | 67.36%             |
| Call Option life        | 4.3 years        | 3.6 years          |
| Risk-free interest rate | 0.571%           | 0.210%             |

The risk-free interest rates were based on yield of Hong Kong government bonds at the dates of valuation. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the Call Option.

The movement of the fair values of the Call Option for the period from 14 March 2012 to 9 November 2012 was set out below:

|                                                        | <i>RMB'000</i> |
|--------------------------------------------------------|----------------|
| Carrying amount at 14 March 2012                       | 2,077          |
| Loss on fair value change recognised in profit or loss | (1,965)        |
|                                                        | <hr/>          |
| Carrying amount at 9 November 2012                     | 112            |
|                                                        | <hr/> <hr/>    |

On 20 January 2012, the Company and the Bondholder also entered into a warrant subscription agreement, pursuant to which the Company agreed to issue new warrants to the Bondholder, in consideration for (i) repurchase by the Company of the bonds at par value and (ii) significant value-added services provided by the Bondholder to the Company in respect of new customers, production yields, financial planning and business development ("Warrants Issue Transaction"). The Company agreed to issue detachable and transferrable warrants ("2012 Warrants"), exercisable for a period of four years from the date of issue, to the Bondholder who was entitled to subscribe for up to 94,354,839 shares at a price of HK\$1.24 per share. The Warrants Issue Transaction were completed on 14 March 2012.

The principal terms of the 2012 Warrants are as follows:

- (A) Exercise price — Each 2012 Warrant carried the right to subscribe for one share. The exercise price at which a share would be issued upon exercise of a 2012 Warrant, as adjusted from time to time, will initially be RMB1.00874 per share (translated at the fixed exchange rate of HK\$1.22926 = RMB1 as pre-determined and the exercise price will be settled in HKD) but would be subject to anti-dilutive adjustment in the manner provided in the warrant instrument, including subdivision or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.
- (B) Exercisable period — At the option of the holder thereof, at any time on or after the date of the issue of each 2012 Warrant up to the close of business (at the place where the warrant certificate evidencing such warrant is deposited for exercise) on the forth anniversary of the date of issue of such warrant, that was 16 June 2016 (the "Expiration Date"), (but in no event thereafter). After the close of business on the Expiration Date, the exercise right shall lapse and each 2012 Warrant shall cease to be valid for any purpose.

- (C) Rights — The 2012 Warrant would rank pari passu in all respects with one another.
- (D) Transferability — The 2012 Warrants were freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the holder of the 2012 Warrants.
- (E) Voting right — The holder of the 2012 Warrants would not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder of the warrants. The holder of the 2012 Warrants would not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder of the 2012 Warrant.
- (F) Listing of the 2012 Warrants — No application would be made for the listing of the 2012 Warrants on the Stock Exchange or any other exchange.

The fair values of the 2012 Warrants on 14 March 2012 and 31 December 2012 were approximately RMB59,300,000 and RMB39,400,000, respectively. The 2012 Warrants are measured at fair value with changes in fair value recognised in profit or loss. The fair values of the 2012 Warrants of the Company at 14 March 2012 and 31 December 2012 were calculated using the Binomial pricing model. The inputs into the model were as follows:

|                         | 14 March<br>2012 | 31 December<br>2012 |
|-------------------------|------------------|---------------------|
| Share price             | HK\$1.53         | HK\$1.22            |
| Exercise price          | HK\$1.24         | HK\$1.24            |
| Expected volatility     | 62.73%           | 66.50%              |
| Warrant life            | 4.3 years        | 3.6 years           |
| Risk-free interest rate | 0.485%           | 0.113%              |

The risk-free interest rates were based on yield of Hong Kong government bonds at the date of valuation. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the 2012 Warrants.

The movement of the fair value of the 2012 Warrants for the year ended 31 December 2012 was set out below:

|                                                        | <i>RMB'000</i> |
|--------------------------------------------------------|----------------|
| Carrying amount at 14 March 2012                       | 59,300         |
| Gain on fair value change recognised in profit or loss | (19,900)       |
| Carrying amount at 31 December 2012                    | <u>39,400</u>  |

The directors of the Company considered that the Repurchase Transaction I and Warrants Issue Transaction are part of the same arrangement and Repurchase Transaction I would not have occurred without Warrants Issue Transaction and vice versa, and therefore should be considered as linked transactions (the "Linked

Transaction”). The aggregate consideration for each of the Linked Transaction and the Repurchase Transaction II was analysed as follows:

|                                | <b>Linked<br/>Transaction<br/>RMB'000</b> | <b>Repurchase<br/>Transaction II<br/>RMB'000</b> |
|--------------------------------|-------------------------------------------|--------------------------------------------------|
| Cash                           | 490,875                                   | —                                                |
| Fair values of 2012 Warrants   | 59,300                                    | —                                                |
| Fair values of Call Option     | (2,077)                                   | 112                                              |
| Outstanding Principal Payments | —                                         | 163,625                                          |
|                                | <u>548,098</u>                            | <u>163,737</u>                                   |

The movements of the liability component and equity component of the convertible bonds and 2011 Warrants during the year ended 31 December 2012 are set out below:

|                           | <b>Debt<br/>RMB'000</b> | <b>Equity<br/>RMB'000</b> | <b>2011<br/>Warrants<br/>RMB'000<br/>(Note)</b> | <b>Total<br/>RMB'000</b> |
|---------------------------|-------------------------|---------------------------|-------------------------------------------------|--------------------------|
| At 1 January 2012         | 402,444                 | 188,839                   | 14,600                                          | 605,883                  |
| Interest charged          | 9,712                   | —                         | —                                               | 9,712                    |
| Change in fair values     | —                       | —                         | 12,600                                          | 12,600                   |
| At 14 March 2012          | 412,156                 | 188,839                   | 27,200                                          | 628,195                  |
| Linked Transaction        | (309,117)               | (141,629)                 | (20,400)                                        | (471,146)                |
| Interest charged          | 7,594                   | —                         | —                                               | 7,594                    |
| Change in fair values     | —                       | —                         | (2,800)                                         | (2,800)                  |
| At 9 November 2012        | 110,633                 | 47,210                    | 4,000                                           | 161,843                  |
| Repurchase Transaction II | (110,633)               | (47,210)                  | (4,000)                                         | (161,843)                |
| At 31 December 2012       | <u>—</u>                | <u>—</u>                  | <u>—</u>                                        | <u>—</u>                 |

*Note:* The fair values of the 2011 Warrants at 14 March 2012 and 9 November 2012 were calculated using the Binomial pricing model with the following inputs into the model.

|                         | <b>14 March<br/>2012</b> | <b>9 November<br/>2012</b> |
|-------------------------|--------------------------|----------------------------|
| Share price             | HK\$1.53                 | HK\$1.21                   |
| Exercise price          | HK\$4.10                 | HK\$4.10                   |
| Expected volatility     | 62.73%                   | 67.36%                     |
| Warrant life            | 4.3 years                | 3.6 years                  |
| Risk-free interest rate | 0.485%                   | 0.210%                     |

The risk-free interest rates were based on yield of Hong Kong government bonds at the dates of valuation. Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. Changes in variables and assumptions might result in changes in the fair values of the 2011 Warrants.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The photovoltaics industry continued to experience pressure in 2012 due to supply-demand imbalance in the industry. This pressure was exacerbated by the uncertainties among the European economies and the potential international trade conflicts. It resulted in a challenging operating environment with decrease in selling prices of solar products which adversely affected the operating results of every solar company. Despite the challenges facing the market, we see progress of industry consolidation. Customers increasingly rely on tier-one suppliers and prefer to utilize high efficient products to minimize the PV system costs. Under a competitive pricing environment, only cost competitive companies can remain profitable and maintain healthy financial position to mitigate the risk during the industry consolidation process.

During the year, we achieved notable shipment growth of approximately 152.9% from approximately 222.1MW in the corresponding period in 2011 to approximately 561.7MW in 2012. With the continuous decrease in the selling price of polysilicons and modules, our customers increasingly realized the benefits of buying high efficient products to assist them to reduce the overall system costs and to strengthen their competitive advantages. It strengthens the demand on high efficient solar products.

In an increasingly competitive market of solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. During the year, we shifted our focus to production of premium product “Super Mono Wafers”. Based on the feedback from our major customer, the high efficient solar cell with our “Super Mono Wafers” can achieve an average conversion efficiency of approximately 23%. All of our existing 600MW capacity is qualified for the production of “Super Mono Wafers”. We keep working on the qualification process with other potential customers and target to commence pilot shipments to a Japan customer during first half of 2013. We expect to gradually replace the traditional P-type monocrystalline wafers by our “Super Mono Wafers”. We believe our ability to manufacture more advanced and efficient products would differentiate us in the market and strengthen the barrier to entry to our business.

Our top five customers in 2012 represented approximately 85.7% of our total revenues, comparing to approximately 80.9% in the corresponding period last year. The sales to our largest customer in Philippines and Malaysia with the high quality “Super Mono Wafers” accounted for approximately 77.7% of our total revenues in 2012 as compared to approximately 31.4% in 2011 with traditional P-type wafer customer in the PRC. During 2012, our sales to Philippines represented approximately 77.7% of our total revenues, comparing to 31.4% in the corresponding period last year. The remaining of our sales in 2012 was mainly shipped to PRC. During the industry consolidation process, we would mainly focus on the limited number of prestige customers with sounding financial positions.

During the year, we continued to execute our cost reduction strategy. We have achieved continuous cost saving from our improvements in technology, manufacturing process and conversion efficiency of our wafers. Cost competitiveness driven by technical advancement would be crucial to the development of solar industry. Our origin as a manufacturer of semiconductor ingots and wafers since 1999 provides us with a strong technical background.

We also benefited from the significant decrease in polysilicon prices 2012. During the year, we actively renegotiated with our major polysilicon suppliers and were able to lower our average cost of polysilicon to approximately RMB171.6 per kg, decreased from RMB327.4 per kg for the corresponding period in 2011. We will continue to focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive industry environment.

We recorded cash inflow from operating activities of approximately RMB208.0 million during the year. Coupled with the sounding cash flow from our operating activities and our disciplined financial and operational initiatives, we lowered the net debt balance to approximately RMB41.5 million and the net debt to equity ratio to approximately 2.8% by the end of 2012. Our strong balance sheet positions us well to manage and mitigate the risks arising from the volatile and challenging industry environment.

During 2012, the Group maintained strict financial disciplines and continuously repaid outstanding debts. In March 2012, we repurchased 75% of the issued convertible bonds by paying approximately RMB491 million in cash and cancelled 75% of the issued warrants and issued new warrants of approximately HK\$117 million with the initial exercise price at HK\$1.24 per Share, subject to the agreed adjustment mechanism. As part of the repurchase, the investor agreed to consent to the level of borrowing of the Group relative to EBITDA exceeding the level specified in the original bonds instrument until 20 February 2013, to cancel 75% of outstanding originally issued warrants, to cancel the early redemption premium of 30% on the outstanding convertible bonds and to change the use of proceeds of the remaining outstanding amount of the original proceeds to general corporate purposes. We believed that it is a prudent step to take in view of the challenging industry environment the Group is facing. It allowed the Group to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant during 2012, to avoid over-leveraging on debt-financing in a challenging industry environment and to obtain more flexibility on the use of proceeds.

On 9 November 2012, the Group sent a call option notice to the investor to exercise the call option under the repurchase deed to (i) repurchase all of the outstanding convertible bonds from the investor for an amount in cash equal to the aggregate principal amount of all these outstanding bonds, being RMB163,625,000, and (ii) cancel all of the outstanding original warrants for no additional consideration. The Group shall pay the amount for the repurchase of all the outstanding convertible bonds by instalments starting from 9 November 2012 and ending on 24 July 2013.

On 17 December 2012, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, as the placing agent entered into a placing and subscription agreement pursuant to which the placing agent agreed to place, on best efforts basis, up to 50,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK\$1.15 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK\$1.15 per Share. Details of these transactions are set out in the Company's announcement dated 17 December 2012. The subscription price for the subscription represents a discount of 8.0% to the closing

price of HK\$1.25 per Share as stated in the Stock Exchange's daily quotations sheet on 17 December 2012. Approximately HK\$56.0 million was raised from the subscription to fund the Group's capital expenditure and general working capital.

On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK\$1.74 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK\$1.74 per Share. Details of these transactions are set out in the Company's announcement dated 22 January 2013. The subscription price for the subscription represents a discount of 7.5% to the closing price of HK\$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2012. Approximately HK\$203.8 million was raised from the subscription to fund the Group's capital expenditure and general working capital.

We expect the consolidation in the global solar industry would continue in 2013. We believe we are particularly well positioned with our strong financial position, competitive cost structure and our strong technical capabilities to benefit from the emerging opportunities. We are continuously evaluating the market environment and the equipment pricing to maximize our benefits from the consolidation of production capacity in the industry. We are planning to expand production capacity in Malaysia which would enable the Group to lower production costs and to increase the scale of operation. We are in the process to evaluate various opportunities from purchasing low costs second hand equipments and acquiring low costs existing production facilities in Malaysia. Due to the rapid changing market environment, the Group does not fix a capacity target upon a predetermined timeline and prefer to maintain flexibilities. We believe this strategy would maximise our benefits from the industry consolidation process.

During the year, there were further decreases in module and total system costs. It had accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The cost of solar power is now below user-paid rates for increasing number of markets and user categories. We see a ramping up in PV adoption and planning in emerging markets in Africa, the Americas and the Middle East. We are also excited to see the increasing commitments from various Asia countries on solar power, such as China and Japan which continuously raised their target for solar power contribution to the national grid capacity.

We are confident that the Group's solid financial position, advanced technological capabilities, and high-quality product offerings would best position us for long term success in the highly competitive landscape of solar industry. Looking ahead, we will remain focused on our core wafer business where we have demonstrated solid track records and established competitive advantages. We believe such focus will best position our Group to gain more market shares, to strengthen the barrier to entry to our business and to improve our profit margins.

## **Financial Review**

### ***Revenue***

Revenue increased by RMB8.9 million, or 0.9%, from RMB1,016.7 million for the year ended 31 December 2011 to RMB1,025.6 million for the year ended 31 December 2012, primarily as a result of the growth in our sales volume, which was partially offset by decrease in average selling price. Due to the increase in customer demand for our high quality monocrystalline solar products and our ramp up to 600MW by end of 2011, our sales volume increased by 152.9% from 222.1MW for the year ended 31 December 2011 to 561.7MW for the year ended 31 December 2012.

For the year ended 31 December 2012, sales of our 125 mm by 125 mm monocrystalline solar wafers comprised 77.9% of total revenue and sales of our 156 mm by 156 mm monocrystalline solar wafers comprised 5.1% of total revenue. In aggregate, solar wafer sales comprised 83.0% of our total sales, as compared to 95.9% for the year ended 31 December 2011.

### **Sales of monocrystalline solar wafers**

#### *Sales of 125 mm by 125 mm monocrystalline wafers*

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers increased by RMB395.3 million, or 97.9%, from RMB403.9 million for the year ended 31 December 2011 to RMB799.2 million for the year ended 31 December 2012, primarily due to our change of focus on the sale of 125 mm by 125 mm “Super Mono Wafers” which resulting in an increase in our sales volume of 125 mm by 125 mm monocrystalline wafers by 220.2% from 96.8MW for the year ended 31 December 2011 to 310.0MW for the year ended 31 December 2012 but it was partially offset by a decrease in our average unit price for this product by 38.1% from RMB4.2 per watt for the year ended 31 December 2011 to RMB2.6 per watt for the year ended 31 December 2012.

#### *Sales of 156 mm by 156 mm monocrystalline wafers*

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers decreased by RMB519.4 million, or 90.9%, from RMB571.6 million for the year ended 31 December 2011 to RMB52.2 million for the year ended 31 December 2012, primarily as a result of an decrease of sales volume by 76.4% from 120.1MW for the year ended 31 December 2011 to 28.4MW for the year ended 31 December 2012, plus a decrease in our average unit price for this product by 62.5% from RMB4.8 per watt for the year ended 31 December 2011 to RMB1.8 per watt for the year ended 31 December 2012.

#### *Others*

The remaining revenue of RMB174.2 million for the year ended 31 December 2012 was mainly generated from the sales of polysilicon and ingots. The sales volume was approximately 223.3MW. Such amount was not material in the corresponding period in 2011.

In relation to the analysis of our revenue by geographical market, approximately 77.7% of total revenue for the year ended 31 December 2012 was generated from our Philippines customer (2011: 31.4%). Remaining portion was mainly generated from our domestic sales in China.

### ***Cost of sales***

Cost of sales increased by RMB17.9 million, or 1.9%, from RMB924.3 million for the year ended 31 December 2011 to RMB942.2 million for the year ended 31 December 2012, primarily as a result of the increase in shipment volume and partially offset by a decrease in the average prices of polysilicon by 47.6% during the year ended 31 December 2012 to RMB171.6 per kg from the average prices of RMB327.4 per kg for the year ended 31 December 2011 as well as the improvement in production efficiency.

### ***Gross profit***

Gross profit decreased by RMB9.0 million, or 9.8%, from RMB92.5 million for the year ended 31 December 2011 to RMB83.5 million for the year ended 31 December 2012, primarily as a result of the above.

### ***Other income***

Other income increased by RMB8.0 million, or 19.9%, from RMB40.1 million for the year ended 31 December 2011 to RMB48.1 million for the year ended 31 December 2012. Other income primarily included the government grants and the interest income.

### ***Other gains and losses, expenses and provision***

Other losses increased by RMB129.5 million from RMB61.4 million for the year ended 31 December 2011 to RMB190.9 million for the year ended 31 December 2012 which was primarily due to the loss on repurchase of convertible bonds and cancellation of warrants of approximately RMB177.7 million during the year.

### ***Distribution and selling expenses***

The distribution and selling expenses increased by RMB3.0 million, or 166.7%, from RMB1.8 million for the year ended 31 December 2011 to RMB4.8 million for the year ended 31 December 2012, mainly due to the shift of focus to overseas customers on “Super Mono Wafers”.

### ***Administrative and general expenses***

Administrative and general expenses increased by RMB11.8 million, or 24.2%, from RMB48.8 million for the year ended 31 December 2011 to RMB60.6 million for the year ended 31 December 2012, mainly due to the non-cash share-based compensation in 2012 of approximately RMB20.3 million. Credit to the continuous efforts on reducing operating expenses, the administrative expenses excluding non-cash share-based compensations, decreased by RMB8.5 million for the year ended 31 December 2012.

### ***Interest expenses***

Interest expenses were approximately RMB39.0 million for the year ended 31 December 2012 and no material fluctuation from the amount incurred for the year ended 31 December 2011.

### ***Loss before taxation***

Loss before taxation of RMB163.8 million for the year ended 31 December 2012, increased from the loss before taxation of RMB18.0 million for the year ended 31 December 2011, as a result of the foregoing.

### ***Taxation***

Taxation decreased from RMB28.3 million for the year ended 31 December 2011 to RMB1.2 million for the year ended 31 December 2012. The decrease was mainly due to the decrease in our profit before taxation from the operating entities in China. Tax expenses were recognized in the period since the PRC operating subsidiaries recorded profits in the year ended 31 December 2012 and the loss before taxation was mainly resulted from the non-cash accounting loss from the repurchase of convertible bonds and cancellation of warrants, loss on fair value changes of other financial liabilities and share based payment expenses, etc., which are tax non-deductible items.

### ***Loss for the year***

The Group recorded a loss of RMB165.1 million, increased from the loss of RMB46.3 million for the year ended 31 December 2011, as a result of the foregoing. Net loss margin of 16.1% for the year ended 31 December 2012 increased from the net loss margin of 4.6% for the year ended 31 December 2011.

### ***Inventory turnover days***

The inventories of the Group mainly comprised of raw materials (namely polysilicon, crucibles and other auxiliary materials) for production requirements. There was a increase in inventories balance of 35.7% from RMB218.0 million for the year ended 31 December 2011 to RMB295.9 million. It was mainly due to a write down of inventory of approximately RMB66.0 million was made for the year ended 31 December 2011, the increase in our business scale after ramping up to 600MW in 2012 and our substantial increase in overseas sales which would require longer transportation lead time and high inventory level to ensure reliable delivery performance. The inventory turnover days as at 31 December 2012 were 115 days in total (2011: 86 days).

### ***Trade receivable turnover days***

The trade receivable turnover days as at 31 December 2012 totaled 58 days (2011: 26 days). For the year ended 31 December 2012, the Group has shifted the focus to “Super Mono Wafers” which were mainly sold to overseas customers. The credit period to overseas customers is approximately 60 days. The Group normally grants a credit period of 30 to 90 days to other customers. The average receivable turnover days was approximately 58 days which was within the credit periods of the Group grants to its customers.

### ***Trade payable turnover days***

The trade payable turnover days as at 31 December 2012 totaled 97 days (2011: 40 days). The increase in turnover days was mainly due to the challenging market environment in 2012 and the continuous supports from suppliers.

## *Liquidity and financial resources*

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from the share placings. As at 31 December 2012, the Group's current ratio (current assets divided by current liabilities) was 1.4 (31 December 2011: 2.6) and it was in a net debt position of approximately RMB41.5 million (2011: net cash of approximately RMB51.1 million). The Group's financial position remains healthy. As at 31 December 2012, the Group was in a net debt position of approximately RMB41.5 million (31 December 2011: net cash of approximately RMB51.1 million) which included cash and cash equivalent, other financial assets and pledged bank deposits of RMB541.7 million (31 December 2011: RMB789.8million), short-term bank loans of RMB470.1 million (31 December 2011: RMB318.2 million) and outstanding principal payments to repurchase of convertible bonds of RMB100.0 million (31 December 2011: RMB402.4 million) and long-term bank loans of RMB13.1 million (31 December 2011: RMB18.1 million).

During 2012, the Group maintained strict financial disciplines and continuously repaid outstanding debts. In March 2012, we repurchased 75% of the issued convertible bonds by paying approximately RMB491 million in cash and cancelled 75% of the issued warrants and issued new warrants of approximately HK\$117 million with the initial exercise price at HK\$1.24 per Share, subject to the agreed adjustment mechanism. As part of the repurchase, the investor agreed to consent to the level of borrowing of the Group relative to EBITDA exceeding the level specified in the original bonds instrument until 20 February 2013, to cancel 75% of outstanding originally issued warrants, to cancel the early redemption premium of 30% on the outstanding convertible bonds and to change the use of proceeds of the remaining outstanding amount of the original proceeds to general corporate purposes. We believed that it is a prudent step to take in view of the challenging industry environment the Group is facing. It allowed the Group to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant during 2012, to avoid over-leveraging on debt-financing in a challenging industry environment and to obtain more flexibility on the use of proceeds.

On 9 November 2012, the Group sent a call option notice to the investor to exercise the call option under the repurchase deed to (i) repurchase all of the outstanding convertible bonds from the investor for an amount in cash equal to the aggregate principal amount of all these outstanding bonds, being RMB163,625,000, and (ii) cancel all of the outstanding original warrants for no additional consideration. The Group shall pay the amount for the repurchase of all the outstanding convertible bonds by instalments starting from 9 November 2012 and ending on 24 July 2013.

On 17 December 2012, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, as the placing agent entered into a placing and subscription agreement pursuant to which the placing agent agreed to place, on best efforts basis, up to 50,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK\$1.15 per Share, and Fonty conditionally agreed to subscribed, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK\$1.15 per Share. Details of these transactions are set out in the Company's announcement dated 17 December 2012. The subscription price for the subscription represents a discount of 8.0% to the closing price of HK\$1.25 per Share as stated in the Stock Exchange's daily quotations sheet on 17 December 2012. Approximately HK\$56.0 million was raised from the subscription to fund the Group's capital expenditure and general working capital.

On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK\$1.74 per Share, and Fonty conditionally agreed to subscribed, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK\$1.74 per Share. Details of these transactions are set out in the Company's announcement dated 22 January 2013. The subscription price for the subscription represents a discount of 7.5% to the closing price of HK\$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2012. Approximately HK\$203.8 million was raised from the subscription to fund the Group's capital expenditure and general working capital.

We would implement a balanced financing plan to support the operation of our solar wafer business.

### ***Capital Commitments***

As at 31 December 2012, the Group had capital commitments of approximately RMB98.7 million (2011: RMB4.7 million). The increase is mainly due to the proposed expansion plan of the Group in Malaysia.

### ***Contingent liabilities***

As at 31 December 2012, there was no material contingent liability (2011: Nil).

### ***Related Party Transactions***

Other than remuneration that the Group paid to the Directors and key management, the Group did not have any related party transactions for the year ended 31 December 2012.

### ***Charges on Group Assets***

During the year ended 31 December 2012, the Group entered into several arrangements with a commercial bank in the PRC pursuant to which the Group borrowed USD and Euro loans (2011: USD loans) from this bank for contractual period of one year (2011: one year) for settlement of its payables denominated in USD and Euro. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective USD and Euro loans (2011: USD loans) plus fixed interest at rates ranging from 2.16% to 2.91% (2011: 3.25% per annum thereon) for the same contractual period to the same bank as security against the USD and Euro loans (2011: USD loans), and (b) entered into forward contracts with the bank to purchase USD and Euro (2011: USD)(in amounts equivalent to the USD and Euro loans (2011: USD loans) plus interests thereon) by HKD at predetermined forward rates.

As at 31 December 2012, fixed deposits denominated in RMB of approximately RMB172.9 million (2011: RMB17.3 million) and the USD and Euro loans of approximately USD17.0 million and Euro8.3 million, respectively, (equivalent to an aggregate amount of approximately RMB175.7 million) (2011: USD loans of approximately RMB16.3 million) are included in pledged bank deposits and bank loans, respectively.

As at 31 December 2012, other than the restricted cash of approximately RMB172.9 million, the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB92.7 million (31 December 2011: RMB89.1 million) and approximately RMB14.6 million (31 December 2011: RMB14.9 million), respectively, to banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 31 December 2012, no Group asset was under charge to any financial institution.

#### ***Acquisition of subsidiary***

No subsidiary of the Company was acquired during the year ended 31 December 2012.

#### ***Disposal of subsidiary***

Pursuant to a framework agreement dated 19 November 2012, Comtec New Energy Technology (Shanghai) Co., Ltd. would be disposed to an independent third party for a consideration of RMB28,500,000. Upon the completion of the transfer, Comtec New Energy Technology (Shanghai) Co., Ltd. will cease to be a subsidiary of the Group. For further details, please refer to the Company's announcement dated 19 November 2012.

Save as disclosed the above, no subsidiary of the Company was disposed during the year ended 31 December 2012.

### ***Use of Proceeds***

Apart from the capital raising activity mentioned below, the Company has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

| <b>Date of initial announcement</b> | <b>Capital raising activity</b>                                      | <b>Use of net proceeds</b>                                                                                                                                                    | <b>Intended use of net proceeds not yet utilised</b>                                                                                     |
|-------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 18 December 2012                    | Placing of up to 50,000,000 Shares at the placing price of HK\$1.15  | Approximately HK\$28 million will be used to meeting capital expenditure of the Group and approximately HK\$28 million will be used as general working capital of the Group   | Approximately HK\$22 million will be used for manufacturing expansion                                                                    |
| 22 January 2013                     | Placing of up to 120,000,000 Shares at the placing price of HK\$1.74 | Approximately HK\$100 million will be used to meeting capital expenditure of the Group and approximately HK\$100 million will be used as general working capital of the Group | Approximately HK\$100 million will be used for manufacturing expansion and approximately HK\$58 million will be used for working capital |

### ***Human resources***

As at 31 December 2012, the Group had 807 (2011: 1,169) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

### ***Details of the future investment plans for material investment***

The Group did not make any material expansion nor acquisition during the year. However, the Group is planning to expand production capacity in Malaysia which would enable the Group to lower production costs and to increase the scale of operation.

We are still in the process to evaluate various opportunities from purchasing low costs second hand equipments and acquiring low costs existing production facilities in Malaysia. Due to the rapid changing market environment, the Group prefers to maintain flexibilities throughout the expansion process and avoid to fix a capacity target upon a predetermined timeline. We believe this strategy would enable the Group to maximize its advantages from the industry consolidation process.

### ***Exposure to fluctuations in exchange rates and any related hedges***

The Group recognised net exchange losses of approximately RMB5.5 million, which mainly arose from monetary assets and liabilities of the group entities denominated in foreign currencies. Although the Group entered into foreign currency forward contracts, the Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **CORPORATE GOVERNANCE CODE**

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the “Old Code”) contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code (the “New Code”). The New Code took effect on 1 April 2012.

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. Except for the deviation from code provision A.2.1 of both the Old Code and the New Code as disclosed below, during the period from 1 January 2012 to 31 March 2012, the Company has complied with the Old Code and the New Code for the period from 1 April 2012 to 31 December 2012.

Under provision A.2.1 of both the Old Code and the New Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

The Group does not at present separate the roles of the chairman and chief executive officer. Mr. John Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2012.

### **AUDIT COMMITTEE**

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 October 2009 with written terms of reference. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external

auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. Their written terms of reference are in line with the Corporate Governance Code provisions. The audit committee consists of four members, namely, Mr. Leung Ming Shu, Mr. Daniel DeWitt Martin, Mr. Kang Sun and Mr. Donald Huang, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors. Mr. Leung Ming Shu is the chairman of the audit committee.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012, including the accounting principles and practice adopted by the Group.

The audit committee of the Company held five meetings for the year ended 31 December 2012.

## **REMUNERATION COMMITTEE**

The Company established a remuneration committee on 2 October 2009 with written terms of reference. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review performance based remuneration, and ensure none of the Directors determine their own remuneration. Their written terms of reference are in line with the Corporate Governance Code provisions. The remuneration committee consists of five members, namely, Mr. John Zhang, Mr. Kang Sun, Mr. Leung Ming Shu, Mr. Donald Huang and Mr. Daniel DeWitt Martin. Mr. Leung Ming Shu is the chairman of the remuneration committee.

The remuneration committee of the Company held three meetings for the year ended 31 December 2012.

## **NOMINATION COMMITTEE**

The Company established a nomination committee on 2 October 2009 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their written terms of reference are in line with the Corporate Governance Code provisions. The nomination committee consists of five members, namely, Mr. John Zhang, Mr. Daniel DeWitt Martin, Mr. Kang Sun, Mr. Donald Huang and Mr. Kang Sun. Mr. John Zhang is the chairman of the nomination committee.

The nomination committee of the Company held three meeting for the year ended 31 December 2012.

## **CORPORATE GOVERNANCE COMMITTEE**

The Company established a corporate governance committee on 30 March 2012 with terms of reference. The primary duties of the corporate governance committee are to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board, to review and monitor the training and continuous professional development of directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors, and to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. Their written terms of reference are in line with the Corporate Governance Code provisions. The corporate governance committee consists of four members, namely, Mr. John Zhang, Mr. Chau Kwok Keung, Mr. Leung Ming Shu and Mr. Donald Huang. Mr. John Zhang is the chairman of the corporate governance committee.

The corporate governance committee of the Company held two meetings for the year ended 31 December 2012.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Other than the issue of 50,000,000 Shares pursuant to the placing and subscription agreement among Fonty, Mr. John Zhang, the Company and CCB International Capital Limited dated 17 December 2012 as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintain the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2012.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.comtecsolar.com>). The annual report for the year ended 31 December 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

## **DIVIDEND**

The Board recommended that since the Company plans to reserve the cash for working capital requirement and any potential investment opportunities in the future, no dividend will be declared for the year ended 31 December 2012. The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

## **Scope of work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **APPRECIATION**

I would like to take this opportunity to express my thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

## **DEFINITIONS**

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

|                 |                                                                                                                                |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------|
| “Board”         | the board of directors of the Company                                                                                          |
| “Company”       | Comtec Solar Systems Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange |
| “Director(s)”   | the director(s) of the Company                                                                                                 |
| “Fonty”         | Fonty Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 5 September 2007            |
| “Group”         | the Company and its subsidiaries                                                                                               |
| “Listing Date”  | 30 October 2009, on which dealings in the Shares first commence on the Stock Exchange                                          |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange                                                            |
| “PRC”           | the People's Republic of China                                                                                                 |
| “RMB”           | Renminbi, the lawful currency of the PRC                                                                                       |
| “Share(s)”      | ordinary share(s) of HK\$0.001 each in the share capital of the Company                                                        |

|                  |                                         |
|------------------|-----------------------------------------|
| “Shareholder(s)” | the shareholder(s) of the Company       |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%”              | per cent.                               |

\* *denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.*

By order of the board of  
**Comtec Solar Systems Group Limited**  
**John Zhang**  
*Chairman*

Shanghai, the People’s Republic of China, 25 March 2013

*As at the date of this announcement, the executive Directors are Mr. John ZHANG, Mr. CHAU Kwok Keung and Mr. SHI Cheng Qi; the non-executive Director is Mr. Donald HUANG; and the independent non-executive Directors are Mr. Daniel DeWitt MARTIN, Mr. Kang SUN and Mr. LEUNG Ming Shu.*