
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Comtec Solar Systems Group Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSED ISSUE OF NEW WARRANTS AND NOTICE OF EGM

Independent Financial Adviser to the Shareholders



大有融資有限公司
MESSIS CAPITAL LIMITED

A notice convening the extraordinary general meeting of Comtec Solar Systems Group Limited to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Tuesday, 13 March 2012 is set out on pages 29 to 31 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and deposit the same with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the commencement of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

17 February 2012

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DEFINITIONS

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

“Articles”	the articles of association of the Issuer from time to time;
“associate”	has the meaning given to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Business Day”	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and, in the case of a surrender of a Bond certificate, in the place where the Bond certificate is surrendered;
“Closing Date”	the date on which the completion of the issue of the New Warrants take place;
“Company” or “Issuer”	Comtec Solar Systems Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange;
“Conditions Precedent”	the conditions precedent set out in the paragraph headed “Conditions Precedent” of this circular;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Control”	has the meaning given to it in the Code on Takeovers and Mergers and Share Repurchases;
“Deed of Amendment”	a deed of amendment dated 7 February 2012 between the Issuer and the Investor as disclosed in the announcement of the Company dated 7 February 2012;
“Director(s)”	the director(s) of the Company;
“EBITDA”	means, for any financial year of the Company, the operating profits of the Company before taxation for that financial year before deducting any finance charges and amount attributable to amortization of intangible assets or depreciation of tangible assets, and before taking into account any items treated as exceptional or extraordinary items;
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, passing the resolution(s) to approve, among other things, the Warrant Subscription Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO, appointed as the independent financial adviser to advise the Shareholders in relation to the Warrant Subscription Agreement and the transactions contemplated thereunder
“Initial Exercise Price”	The initial price per Share at which Shares will be issued upon exercise of the right of the holder of the New Warrants to subscribe for New Shares, being HK\$1.24 per New Share, subject to adjustment in the manner provided in the New Warrant Instrument, including subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events;
“Investor”	Counterpunch, L.P., a limited partnership established under the laws of Delaware and a nominee of TPG Asia V Mu, Inc. in relation to the subscription of securities issued by the Company under the Original Investment Agreement;
“Last Trading Date”	20 January 2012;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Shares”	the Shares issued on the exercise of the New Warrants in accordance with the New Warrant Instrument;
“New Warrant Instrument”	the warrant instrument to be executed by the Issuer constituting the New Warrants;
“New Warrants”	the fully detachable and transferable warrants, exercisable for a period of four years from the date of issue, as constituted by the New Warrant Instrument and issued with the benefit of, and subject to, the terms and conditions set out therein entitling the holder to subscribe for up to HK\$117,000,000 of Shares at price per Share equal to the Initial Exercise Price;
“Original Bond Instrument”	the convertible bond instrument constituting the Original Bonds dated 17 June 2011;

DEFINITIONS

“Original Bonds”	the convertible bonds due 2016 in an aggregate principal amount of RMB654,500,000 having a denomination of RMB100,000 each, constituted by the Original Bond Instrument and issued with the benefit of, and subject to the terms and conditions set out therein;
“Original Investment Agreement”	an investment agreement dated 18 April 2011 (as amended by an amendment agreement dated 29 May 2011) in relation to the Issuer entered into by the Issuer and TPG Asia V Mu, Inc.;
“Original Warrant Instrument”	the warrant instrument constituting the Original Warrants dated 17 June 2011;
“Original Warrants”	the 95,121,951 warrants each to subscribe for one Share as constituted by the Original Warrant Instrument and issued with the benefit of, and subject to, the terms and conditions set out therein;
“Outstanding Original Bonds”	the Original Bonds which will remain outstanding after the repurchase of the Repurchase Bonds;
“Outstanding Original Warrants”	the Original Warrants which will remain outstanding immediately following the cancellation of 75% the Original Warrants;
“PRC”	the People’s Republic of China;
“Relevant Covenant”	a covenant under the Original Bond Instrument imposing certain restrictions on the Group’s borrowings;
“Repurchase Bonds”	75 per cent. of the Original Bonds (75 per cent. amounting to an aggregate principal amount of RMB490,875,000);
“Repurchase Deed”	the repurchase deed dated 20 January 2012 between the Issuer and the Investor and as amended by the Deed of Amendment;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“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;
“Special Mandate”	the Shareholders granting their approval to the Directors to issue and allot the New Shares;

DEFINITIONS

“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Warrant Subscription Agreement”	the warrant subscription agreement dated 20 January 2012 between the Issuer and the Investor and as amended by the Deed of Amendment; and
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. John Zhang (*Chairman and
Chief Executive Officer*)
Mr. Chau Kwok Keung
Mr. Shi Cheng Qi

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Directors:

Mr. Phen Chun Shing Vincent
Mr. Stephen Peel
Mr. Donald Huang

Principal place of business in Hong Kong:

Suite 28
35/F Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Leung Ming Shu
Mr. Kang Sun
Mr. Daniel DeWitt Martin

17 February 2012

To the Shareholders,

Dear Sir/Madam,

PROPOSED ISSUE OF NEW WARRANTS AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcements of the Company dated 25 January 2012 and 7 February 2012, in relation to, among other things, the Warrant Subscription Agreement entered into between the Company and the Investor.

The purpose of this circular is to provide you with further information and give you notice of the EGM to consider and, if thought fit, to approve the resolution in relation to the Warrant Subscription Agreement and the transactions thereunder.

LETTER FROM THE BOARD

NEW WARRANTS

Principal Terms of the New Warrants

On 20 January 2012, the Issuer and the Investor entered into a warrant subscription agreement, pursuant to which the Issuer has agreed to issue the New Warrants to the Investor, and the Investor agrees to subscribe for the New Warrants, in consideration for (i) the sale by the Investor and repurchase by the Issuer of the Repurchase Bonds at par value pursuant to the Repurchase Deed and (ii) significant value-added services provided by the Investor to the Issuer in respect of new customers, production yields, financial planning and business development.

Set out below is a summary of the principal terms of the New Warrants:

Issuer	The Company
Initial Exercise Price	The initial price per Share at which Shares will be issued upon exercise of the right of the holder of the New Warrants to subscribe for New Shares (the “ Initial Exercise Price ”) is HK\$1.24 per New Share, but will be subject to adjustment in the manner provided in the New Warrant Instrument, including subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.
Exercise period	Four years from the date of issue of the New Warrants.
Status	The New Shares rank pari passu with, and carry the same rights in all aspects as, the other Shares then issued and outstanding.
Number of New Shares	The holders(s) of the New Warrants are entitled to subscribe for up to HK\$117,000,000 of Shares at price per Share equal to the Initial Exercise Price.
Transferability	The New Warrants are freely transferable subject to the terms and conditions of the Warrant Subscription Agreement, the New Warrant Instrument and compliance with applicable law.
Voting	A holder of any New Warrant will not be entitled to receive notice of or attend or vote at general meetings of the Issuer by reason only of being a holder of a New Warrant. The holders of the New Warrants will not be entitled to participate in any distribution and/or offers of further securities made by the Issuer by reason only of being the holders of the New Warrants.
Listing	No application will be made for the listing of the New Warrants on the Stock Exchange or any other exchange.

LETTER FROM THE BOARD

Comparison of Exercise Price

The Initial Exercise Price of HK\$1.24 represents:

- (i) a discount of approximately 14.48% over the closing price of the Shares of HK\$1.45 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.77% over the average closing price of HK\$1.33 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) the average closing price of HK\$1.24 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

Conditions Precedent

The issue and subscription of the New Warrants shall be conditional on the following conditions precedent being satisfied or waived by the Investor:

- (a) the representations and warranties of the Issuer set out in the Warrant Subscription Agreement continuing to be true, accurate and correct in all material respects as of the Closing Date;
- (b) the Issuer having obtained from its shareholders all necessary approvals required under the Articles, applicable law and the Listing Rules:
 - (i) to issue the New Warrants to the Investor; and
 - (ii) to issue the New Shares;
- (c) the Stock Exchange having approved the listing of, and granted permission to deal in, the New Shares;
- (d) the Issuer shall have performed all of its obligations under the Warrant Subscription Agreement expressed to be performed on or before such date;
- (e) no injunction, interim or otherwise, having been granted in respect of the Issuer which would prohibit the Issuer from entering into and performing its obligations under the New Warrant Instrument or the Warrant Subscription Agreement;
- (f) a change of Control having not occurred in respect of the Issuer; and
- (g) the Repurchase Deed being unconditional save in respect of clause 4.1(e) of the Repurchase Deed.

LETTER FROM THE BOARD

Clause 4.1(e) of the Repurchase Deed is one of the condition precedents to the completion of the repurchase of the Repurchase Bonds, which stipulates that the Issuer have issued the New Warrants to the Investor in accordance with the Warrant Subscription Agreement, unless otherwise waived by the Investor.

Pursuant to the Warrant Subscription Agreement, if the conditions precedent are not satisfied or waived by the Investor on or prior to 14 March 2012, then the Warrant Subscription Agreement (other than the surviving provisions thereunder) shall automatically terminate and (without prejudice to the rights and/or obligations of any party thereto in respect of any antecedent breach) the parties thereto shall cease to have the benefit of their rights, and shall be released and discharged from their respective obligations, under the Warrant Subscription Agreement.

Termination of the Warrant Subscription Agreement

On exercise in full of the subscription rights under the New Warrants, without prejudice to the rights and/or obligations of any party thereto in respect of any antecedent breach, the Warrant Subscription Agreement shall be automatically terminated and the parties thereto shall be released and discharged from their respective obligations under the Warrant Subscription Agreement.

Aggregate Effect of the Exercise of the New Warrants

The New Shares will be issued under the Special Mandate granted by the Shareholders at the EGM of the Company. Assuming the New Warrants are fully exercised, a maximum number of 94,354,838 New Shares will be allotted and issued, representing approximately 8.32% of the existing issued share capital of the Company as of the date of this announcement, and representing approximately 7.68% of the issued share capital of the Company as enlarged by the issue of the New Shares.

REASONS FOR THE WARRANT SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS

The issue of the New Warrants may provide the Company with access to additional equity capital. The issue of the New Warrants is also part of the consideration for the Investor agreeing to (i) the repurchase of the Repurchase Bonds at par, (ii) consent to the level of borrowings of the Group relative to EBITDA exceeding the level specified under the relevant covenant in the Original Bond Instrument until 20 February 2013 and the sole and exclusive remedy for any claims made by the Investor in relation to a breach of the terms of the Original Bond Instrument or the Original Investment Agreement shall be limited to the immediate repayment of the outstanding principal amount of the Original Bonds, (iii) the cancellation of 75% of the Original Warrants, (iv) the cancellation of the early redemption premium of 30% on outstanding amount of the Original Bonds, and (v) the change of use of proceeds to general corporate purposes to allow the Company with more flexibility on the use of proceeds. If the issue of the New Warrants in accordance with the Warrant Subscription Agreement is not completed, the repurchase of the Repurchase Bonds will not take place and the Company will not be entitled to the benefits set out above.

LETTER FROM THE BOARD

Given the difficult industry environment the Group is facing, the Board believes that, absent the concessions agreed to by the Investor under the Repurchase Deed and the Warrant Subscription Agreement, there is a real risk that the Company could breach the Relevant Covenant during 2012. Breach of the Relevant Covenant would result in the Investor being entitled to the immediate repayment in cash of the outstanding principal amount of the Original Bonds together with a premium of 30%. Accordingly, the Board believes that entry into the Repurchase Deed and the Warrant Subscription Agreement, and in particular the negotiation of concessions from the Investor, is a prudent step to take in view of the difficult industry environment the Group is facing. It allows the Company to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant with the Investor during 2012, to ensure that the Group is able to comply with any financial covenants with its creditors or other financiers, to avoid over-leveraging on debt-financing in a tough industry environment and to obtain more flexibility on the use of proceeds.

Since investing, the Investor has provided significant value-add services to the Company in respect of new customers, production yields, financial planning and business development. Together, the Investor's value-added services have helped the Company maintain its leading position in a tough macro-environment.

The Board considers that the Warrant Subscription Agreement helps maintain the solid foundation for the strategic relationship between the Investor, a global institutional investor with deep relationships in the solar industry, and the Group and ensures motivation for the Investor to continuously provide the value-add services to the Company even after the repurchase of Repurchase Bonds. The Board is of the view that the terms of the Warrant Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

No additional funds will be raised by the Company from the subscription of the New Warrants by the Investors. It is intended that the net proceeds from the full exercise of the New Warrants of approximately HK\$117 million will be applied as general working capital of the Group and/or other appropriate investments as may be identified by the Board.

APPROVAL UNDER RULE 10.06(3) OF THE LISTING RULES AND WAIVERS GRANTED BY THE STOCK EXCHANGE

In preparation of the proposed issue of the New Warrants, the Company has applied to the Stock Exchange for and obtained (i) a prior approval from the Stock Exchange under Rule 10.06(3) of the Listing Rules for the proposed issue of the New Warrants; (ii) a waiver from the strict compliance with the requirements under paragraph 4(a) of Practice Note 4 to the Listing Rules; and (iii) a waiver from the strict compliance with the requirements under paragraph 4(b) of Practice Note 4 to the Listing Rules for the proposed issue of New Warrants.

LETTER FROM THE BOARD

SHAREHOLDING OF THE COMPANY

The table below sets out the Company's shareholding structure as at the date of this circular and upon the full exercise of the New Warrants, and assuming there is no transfer of New Shares.

	Nature of Interest	Shareholding as at the date of this circular		Shareholding immediately after the full exercise of the New Warrants (assuming all Shares issued pursuant thereto are held by the Investor)		Shareholding immediately after the full exercise of the New Warrants and the outstanding Original Warrants, and full conversion of the Outstanding Original Bonds (assuming all Shares issued pursuant thereto are held by the Investor)	
		No. of shares	Approximately %	No. of shares	Approximately %	No. of shares	Approximately %
Mr. John Zhang ¹	Beneficiary of a trust, interest in a controlled corporation and interest of a child under 18	663,867,550	58.55	663,867,550	54.05	663,867,550	50.99
Ms. Carrie Wang ²	Spouse interest	663,867,550	58.55	663,867,550	54.05	663,867,550	50.99
Fonty Holdings Limited	Beneficial owner	546,987,344	48.24	546,987,344	44.53	546,987,344	42.01
J.P. Morgan Trust Company of Delaware ³	Trustee of a trust	116,880,206	10.31	116,880,206	9.52	116,880,206	8.98
Mr. Alan Zhang ⁴	Beneficiary of a trust	116,880,206	10.31	116,880,206	9.52	116,880,206	8.98
Public Mutual Berhad (As Fund Manager for PAGF, PBAEF, PBCAEF, PBCAUEF, PBCPRF, PBF, PCIF, PCSF, PEF, PFES, PFETIF, PNREF, PRSEC & PSCF)	Investment Manager	68,002,000	6.00	68,002,000	5.54	68,002,000	5.22
The Investor	—	—	—	94,354,838	7.68	168,135,325	12.91
Mr. Chau Kwok Keung	Beneficial owner	1,230,139	0.11	1,230,139	0.10	1,230,139	0.09
Other public shareholders	—	400,790,311	35.34	400,790,311	32.63	400,790,311	30.79
Total		<u>1,133,890,000</u>	<u>100</u>	<u>1,228,244,838</u>	<u>100</u>	<u>1,302,025,325</u>	<u>100.00</u>

Note:

- (1) Mr. John Zhang legally owns the entire issued share capital of Fonty, which beneficially owns 546,987,344 Shares. Mr. John Zhang is therefore deemed to be interested in all the Shares held by Fonty. As a beneficiary of JZ GRAT of 2010

LETTER FROM THE BOARD

and JZ GRAT of 2011, Mr. John Zhang is also deemed to be interested in 105,550,500 Shares owned by J.P. Morgan Trust Company of Delaware as the trustee of JZ GRAT of 2010 and JZ GRAT of 2011, each of which being an irrevocable grantor retained annuity trust set up by Mr. John Zhang for the benefit of himself and his family members. As the parent of Mr. Alan Zhang, Mr. John Zhang is also deemed to be interested in 11,329,706 Shares in which Mr. Alan Zhang is interested. These 11,329,706 Shares are owned by J.P. Morgan Trust Company of Delaware as the trustee of Zhang Trusts for Descendants, an irrevocable trust set up by Mr. John Zhang for the benefit of his descendants, of which Mr. Alan Zhang is a beneficiary.

- (2) Ms. Carrie Wang is the spouse of Mr. John Zhang, therefore, pursuant to the SFO, she is deemed to be interested in all the Shares in which Mr. John Zhang is interested.
- (3) J.P. Morgan Trust Company of Delaware is the legal owners of 5,550,500 Shares as trustee for JZ GRAT of 2010, 100,000,000 Shares as trustee for JZ GRAT of 2011 and 11,329,706 Shares as trustee for Zhang Trusts for Descendants.
- (4) Mr. Alan Zhang is a child of Mr. John Zhang under the age of 18. Mr. Alan Zhang is a beneficiary of JZ GRAT of 2010, JZ GRAT of 2011, and Zhangs Trusts for Descendants and is deemed to be interested in the 116,880,206 Shares held by J.P. Morgan Trust Company of Delaware as trustee for JZ GRAT of 2010, JZ GRAT of 2011 and Zhang Trusts for Descendants.

CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Apart from the capital raising activity mentioned below, the Company has not carried out any other capital raising activity during the 12 months immediately before the date of this circular.

Date of initial Announcement	Capital raising activity	Use of net proceeds	Intended use of net proceeds not yet utilised
19 April 2011	Issue of the unsecured convertible bonds due 2016, in the aggregate principal amount of RMB654,500,000, convertible into fully paid ordinary shares of HK\$0.001 each in the capital of the Company; and 95,121,951 fully detachable and transferable warrants each to purchase one ordinary share of HK\$0.001 in the capital of the Company	The net proceeds from the issue of the Original Bonds was approximately HK\$780 million. The Original Warrants had not been exercised.	Expansion of production capacity

GENERAL

To the best knowledge, information and belief of the Directors, and having made all reasonable enquires, the Investor and its ultimate beneficial owner(s) are independent third parties not connected with the Company or any of its connected persons.

LETTER FROM THE BOARD

The Company will promptly notify the Stock Exchange if it becomes aware of any dealings in the New Warrants by any connected person of the Company.

To the best of the knowledge of the Company and the Directors having made reasonable enquiries, during the period commencing three months preceding 25 January 2012 (being the date of the announcement of the Company in relation to the proposed issue of the New Warrants) up to the date of this circular, the Company has not dealt in any Original Warrants nor any underlying securities to which the Original Warrants relate.

Shareholders and potential investors should note that completion of Warrant Subscription Agreement is subject to the fulfillment of the conditions precedent set out in the Warrant Subscription Agreement. As the Warrant Subscription Agreement may or may not proceed, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.

EGM

A notice convening the EGM to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, at 10:00 a.m. on Tuesday, 13 March 2012 is set out on pages 29 to 31 of this circular.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder would be required to abstain from voting at the EGM pursuant to the Listing Rules. The resolution(s) proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company on the results of the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the endorsed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so desire.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Thursday, 8 March 2012 to Tuesday, 13 March 2012, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops No. 1712-1716, 17/Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 7 March 2012.

LETTER FROM THE BOARD

RESPONSIBLE STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors consider that the issue of New Warrants is in the best interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of the resolution for the granting of the Special Mandate, approving the Warrant Subscription Agreement and transactions contemplated thereunder, and the New Warrant Instrument and transactions contemplated thereunder, to be proposed at the EGM as set out in the notice of the EGM at the end of this circular.

Yours faithfully,
For and on behalf of the Board of
Comtec Solar Systems Group Limited
John ZHANG
Chairman

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Messis Capital Limited, the independent financial adviser to the Shareholders for inclusion into this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

17 February 2012

To: Shareholders of Comtec Solar Systems Group Limited

Dear Sir/Madam,

PROPOSED ISSUE OF NEW WARRANTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Shareholders in relation to the Warrant Subscription Agreement and the respective transactions contemplated thereunder, and details of which are set out in the circular dated 17 February 2012 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

On 20 January 2012, the Issuer and the Investor entered into a warrant subscription agreement, pursuant to which the Issuer has agreed to issue the New Warrants to the Investor and the Investor has agreed to subscribe for the New Warrants, in consideration for (i) the sale by the Investor and the repurchase by the Issuer of the Repurchase Bonds at par value pursuant to the Repurchase Deed; and (ii) significant value-added services provided by the Investor to the Issuer in respect of new customers, production yields, financial planning and business development. On 7 February 2012, the parties further entered into a deed of amendment to amend the warrant subscription agreement dated 20 January 2012. Pursuant to the Warrant Subscription Agreement, the Investor has agreed to subscribe for 94,354,838 New Warrants conferring rights to subscribe for 94,354,838 New Shares at the Initial Exercise Price of HK\$1.24 per New Share (subject to adjustment upon the occurrence of any of the adjustment events and other dilutive events which may have adverse effects on the rights of the holder of the New Warrants). Each New Warrant carries the right to subscribe for one (1) New Share. The completion of the Warrant Subscription Agreement is conditional upon, among other things, the Repurchase Deed being unconditional save in respect of clause 4.1(e) (relating to the issue of New Warrants) of the Repurchase Deed. Please refer to the sub-section headed “Conditions Precedent” under the section headed “New Warrants” in the letter from the Board of the Circular (the “**Letter from the Board**”) for further details of the conditions of the New Warrants.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the New Warrants. No listing of the New Warrants will be sought on the Stock Exchange or any other stock exchanges.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

As the Investor is an existing warrant holder holding 95,121,951 Original Warrants, pursuant to Practice Note 4 to the Listing Rules, we, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Shareholders as to whether the proposed issue of New Warrants is fair and reasonable so far as the Shareholders are concerned.

We do not, by this letter, warrant the merits of the above transactions, other than to form an opinion, for the purpose of the Listing Rules. Our role as the Independent Financial Adviser is to give our recommendation to the Shareholders as to whether the terms of the Warrant Subscription Agreement are fair and reasonable so far as the Shareholders are concerned.

BASIS OF OUR OPINION

We have relied on the statements, information and representations contained or referred to in this Circular and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in this Circular and all information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were provided and made and will continue to be so at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have further confirmed that, having made all reasonable enquiries, and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this Circular, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided and representations made to us by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our opinion in respect of the Warrant Subscription Agreement to the Shareholders, we have considered the following principal factors and reasons:

1. Background and reasons of entering into the Warrant Subscription Agreement

On 18 April 2011, the Company entered into the Original Investment Agreement with TPG Asia V Mu, Inc. pursuant to which the Company has agreed to issue and TPG Asia V Mu, Inc. has agreed to subscribe for (i) the unsecured convertible bonds due 2016, in the aggregate principal amount of RMB 654,500,000, convertible into fully paid ordinary shares of HK\$ 0.001 each in the capital of the Company; and (ii) 95,121,951 fully detachable and transferable warrants each to purchase one ordinary share of HK\$0.001 in the capital of the Company. The Original Investment Agreement, the Original Bond Instrument, the Original Warrant Instrument and the issue of the Original Bonds and

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the Original Warrants and the transactions contemplated thereunder were subject to the approval by the Shareholders at an extraordinary general meeting of the Company held on 17 June 2011 which was duly passed. The Original Bonds and the Original Warrants were subsequently issued by the Company to TPG Asia V Mu, Inc.

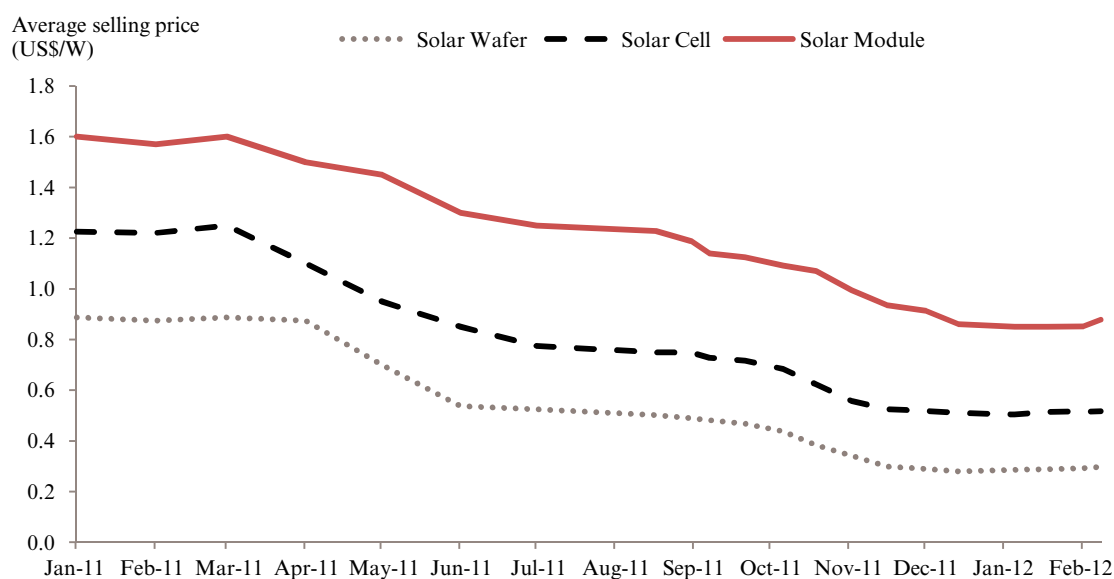
We have reviewed the Original Bond Instrument which includes the Relevant Covenant which requires the Company to ensure that the level of borrowings (as defined in the Original Bond Instrument) (“**Borrowings**”) does not exceed a certain multiple of the EBITDA (as defined in the Original Bond Instrument). We are given to understand from the Directors that for the purposes of the Relevant Covenant, EBITDA is determined by reference to the full financial year of the Company immediately prior to the date when the ratio is calculated. The level of Borrowings is determined by reference to financial indebtedness of the Company which excludes indebtedness which is subordinated to the Original Bonds and includes all other forms of indebtedness. We are further advised by the Directors that (i) they anticipated that the Company would comfortably be able to satisfy this covenant at the time of entry into the Original Investment Agreement, i.e. 18 April 2011; (ii) due to difficult trading conditions developed during 2011 subsequent to the entry into the Original Investment Agreement by the Company, the EBITDA for the year ended 31 December 2011 is now expected to be significantly below the level that was previously anticipated; and (iii) the level of Borrowings is expected to be in excess of US\$100 million (equivalent to approximately HK\$780 million) as at 31 December 2011. Given the difficult industry environment the Group is facing, the Directors believes that, absent the concessions agreed to by the Investor under the Repurchase Deed and the Warrant Subscription Agreement, there is a genuine risk that the Company will not be able to comply with the Relevant Covenant during 2012 (with reference to the 2011 EBITDA). If the Relevant Covenant during 2012 is breached and the Investor exercises its rights under the Original Bond Instrument, the Investor is entitled to require the Company to immediately repay in cash the principal amount of the Original Bonds (approximately HK\$780 million) together with a premium of 30% (approximately HK\$234 million) (the “**Early Redemption Premium**”). In order to avoid the risk of being liable to fully repay the principal amount of the Original Bonds and pay the Early Redemption Premium to the Investor, we are advised by the Directors that the Company had held extensive arms’ length negotiations with the Investor to arrive at a compromise which allows the Company, among other things, to pay down its debt and to obtain a waiver from the Investor of its rights to claim the Early Redemption Premium on the principal amount of the Original Bonds pursuant to the possible non-compliance with the Relevant Covenant during 2012. After negotiation of concessions from the Investor, the Company and the Investor entered into a repurchase deed and a warrant subscription agreement on 20 January 2012.

As set out in the Letter from the Board, the entering into of the Repurchase Deed and the Warrant Subscription Agreement allows the Company to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant with the Investor during 2012, to ensure that the Group is able to comply with any financial covenants with its creditors or other financiers, to avoid over-leveraging on debt-financing in a tough industry environment and to obtain more flexibility on the use of proceeds. Furthermore, the issue of the New Warrants may provide the Company with access to additional equity capital. The issue of the New Warrants is also part of the consideration for the Investor agreeing to (i) the repurchase of the Repurchase Bonds at par, (ii) consent to the level of borrowings of the Group relative to EBITDA exceeding the level specified under the Relevant Covenant in the Original Bond Instrument until 20

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February 2013 and the sole and exclusive remedy for any claims made by the Investor in relation to a breach of the terms of the Original Bond Instrument or the Original Investment Agreement shall be limited to the immediate repayment of the principal amount of the Outstanding Original Bonds, (iii) the cancellation of 75% of the Original Warrants, (iv) the cancellation of the Early Redemption Premium on the principal amount of the Original Bonds, and (v) the change of use of proceeds to general corporate purposes to allow the Company with more flexibility on the use of proceeds. If the issue of the New Warrants in accordance with the Warrant Subscription Agreement is not completed, the repurchase of the Repurchase Bonds will not take place and the Company will not be entitled to the benefits set out above.

We are given to understand from the Company that it decided not to expand the Group's manufacturing capacity by debt financing according to its original plans and decided to repurchase the Original Bonds due to the current industry environment. As shown in the chart below, the average selling prices of solar wafer, solar cell and solar module showed a general decreasing trend from January 2011 to February 2012. According to a report published by the European Photovoltaic Industry Association, the decline in prices was due to increased economies of scale, production capacity and in particular a strong supply overhang compared to demand. Conditions in the solar sector deteriorated because of slack demand in key European markets including Germany and Italy, two of the world's biggest solar markets, where demand had been below expectations, partly due to the current economic downturn in the world economy. At the same time, massive capacity has been built up in Asia and production capacity growth remained strong. The solar industry is facing the problem of sluggish demand and excess supply which cause downward pressure on prices and thus affecting margins. Having considered the excess production capacity and the downward pressure on prices and margins of solar products as discussed above, we are of the view that the Company's decisions not to expand manufacturing capacity according to its original plans and to repurchase the Original Bonds under the current challenging industry environment are in the interest of the Company and the Shareholders as a whole.



Source: Digitimes

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We are given to understand from the Company that the Investor has provided the Company significant value-add services including, amongst others, introducing prospective customers; conducting regular budget and financial review; advising on design of factory layout and production process; and referring M&A opportunities, updating downstream market trend and developing relationship with one of the Company's largest customers which have helped the Company maintaining its leading position in a tough macro-environment. The Warrant Subscription Agreement helps to maintain the solid foundation for the strategic relationship between the Investor, a global institutional investor with deep relationships in the solar industry, and the Group and ensures motivation for the Investor to continuously provide the value-add services to the Company even after the repurchase of the Repurchase Bonds.

As shown in the interim report of the Company for the six months ended 30 June 2011 ("**2011 Interim Report**"), the Group's profit before taxation and finance costs was RMB145,531,000. According to the announcement of the Company dated 21 October 2011, the Group recorded a gross profit and profit attributable to the Shareholders of RMB25,491,000 and RMB5,129,000 respectively for the three months ended 30 September 2011 and the Group's unaudited turnover, gross profit and profit attributable to the Shareholders for the nine months ended 30 September 2011 amounted to RMB830,720,000, RMB160,916,000 and RMB106,754,000 respectively, translating into a gross profit margin and net profit margin (calculated by dividing profit attributable to the Shareholders by turnover) of approximately 19.4% and 12.9% respectively. According to the announcement of the Company dated 12 October 2010, the Group's unaudited turnover, gross profit and profit attributable to the Shareholders for the nine months ended 30 September 2010 amounted to RMB709,445,000, RMB192,801,000 and RMB149,320,000 respectively, translating into a gross profit margin and net profit margin of approximately 27.2% and 21.0% respectively. Therefore, the Group's gross profit and profit attributable to the Shareholders for the nine months ended 30 September 2011 have decreased by approximately 16.5% and 28.5% respectively as compared to the corresponding period in the previous year and both its gross profit margin and net profit margin have substantially reduced. As per the 2011 Interim Report, the Borrowings of the Company comprised bank borrowings of approximately RMB415 million (equivalent to approximately HK\$498 million) and the principal amount of the Original Bonds of approximately HK\$780 million. According to the announcement of the Company on 21 October 2011, the Borrowings of the Company comprised bank borrowings of approximately RMB288 million (equivalent to approximately HK\$346 million) and the principal amount of the Original Bonds of approximately HK\$780 million. Based on the above information and considering that there are only 3 months of unpublished results until 31 December 2011, we concur with the Directors that the Company may not be able to comply with the Relevant Covenant during 2012. If the Warrant Subscription Agreement and the transactions contemplated thereunder are not approved, the Company would likely to have to fund an immediate cash payment for the aggregate principal amount of the Original Bonds (approximately HK\$780 million) together with Early Redemption Premium on principal amount of the Original Bonds (approximately HK\$234 million) which, we consider, would have a material adverse impact on the Company's cash position. By entering into of the Warrant Subscription Agreement between the Company and the Investor, the Investor agrees to subscribe for the New Warrants in consideration in part for waiving its right to receive the Early Redemption Premium under the terms of the Original Bond Instrument with a value of HK\$234 million in cash. Furthermore, if the New Warrants are exercised by the Investor, the

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Company will be able to raise additional funds up to HK\$117 million. Based on the above and taken into account the benefits of the Warrant Subscription Agreement as mentioned above, we are of the view that the Warrant Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Warrant Subscription Agreement

Warrant Subscription Agreement

A warrant subscription agreement was entered into between the Company and the Investor on 20 January 2012. On 7 February 2012, the parties further entered into a deed of amendment to amend the warrant subscription agreement dated 20 January 2012. Pursuant to the Warrant Subscription Agreement, the Company has agreed to issue the New Warrants to the Investor, and the Investor has agreed to subscribe for the New Warrants, in consideration for (i) the sale by the Investor and repurchase by the Company of the Repurchase Bonds at par value pursuant to the Repurchase Deed; and (ii) significant value-added services provided by the Investor to the Company in respect of new customers, production yields, financial planning and business development. Each New Warrant carries the right to subscribe for one New Shares.

The Investor is entitled to subscribe for up to HK\$117 million of New Shares at price per New Share equal to the Initial Exercise Price of HK\$1.24. No additional funds will be raised by the Company from the subscription of the New Warrants by the Investor. As set out in the Letter from the Board, it is intended that the net proceeds from the full exercise of the New Warrant of approximately HK\$117 million will be applied as general working capital of the Group and/or other appropriate investments as may be identified by the Board. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon the exercise of the New Warrants in accordance with the Warrant Subscription Agreement. No listing of the New Warrants will be sought on the Stock Exchange or any other stock exchanges.

The subscription rights attaching to the New Warrants may be exercised at any time during a period of four years commencing from the date immediately after the date of issue of the New Warrants. The New Shares, when fully paid and allotted, will rank *pari passu* with, carry the same rights in all aspects as, the then issued Shares.

Upon the New Warrants are fully exercised, a maximum number of 94,354,838 New Shares will be allotted and issued, representing (i) approximately 8.32% of the issued share capital of the Company as at the date of the Circular; and (ii) approximately 7.68% of this issued share capital of the Company as enlarged by the allotment and issue of the New Shares.

Completion of the Warrant Subscription Agreement is conditional upon the fulfillment of certain conditions precedent which are set out in the Letter from the Board.

The Directors are of the view that the terms of the Warrant Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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The Initial Exercise Price

The Initial Exercise Price of HK\$1.24 represents:

- (i) a discount of approximately 14.48% over the closing price of the Shares of HK\$1.45 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.77% over the average closing price of HK\$1.33 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) the average closing price of HK\$1.24 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

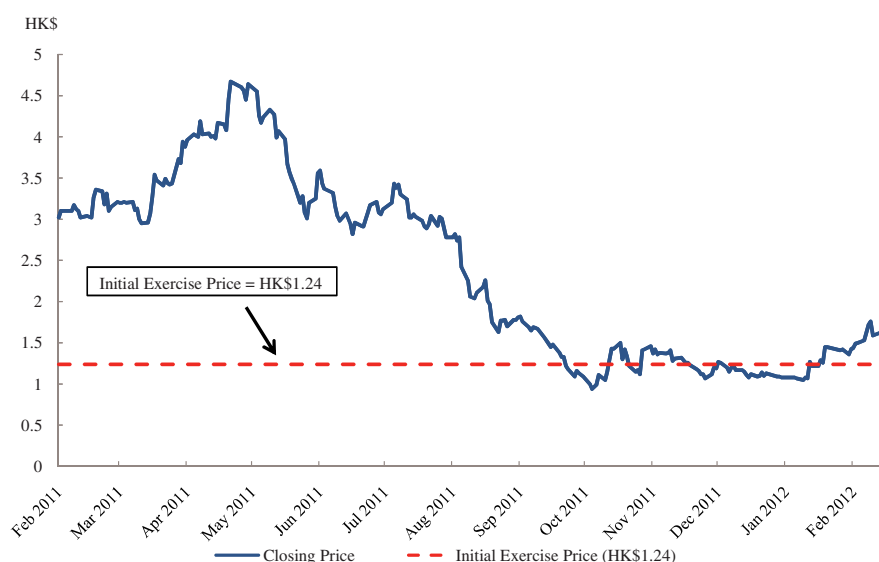
As advised by the Directors, the Initial Exercise Price was determined based on negotiations on an arm's length basis between the Company and the Investor, taking into consideration the Investor's agreement to have the Repurchase Bonds repurchased, the waiver by the Investor of its right to claim the Early Redemption Premium on the principal amount of the Original Bonds pursuant to the Company's possible non-compliance with the Relevant Covenant during 2012 and the cancellation of 75% of the Original Warrants. The Directors consider that the Initial Exercise Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that there is no subscription price of the New Warrants, the Investor, in fact, has to forego its right to claim the Early Redemption Premium on the principal amount of the Original Bonds pursuant to the Repurchase Deed and hence the Company will save HK\$234 million in cash. Accordingly, we consider the absence of the subscription price of the New Warrants is acceptable.

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Historical Share prices movements

We have reviewed the movements in closing prices of the Shares during the period from 1 February 2011 (being the 12 calendar month period prior to the Last Trading Day) to 15 February 2012 (the “**Latest Practicable Date**”) (the “**Review Period**”). The closing prices of the Shares during the Review Period are set out below:



(Source: the website of the Stock Exchange)

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The highest, lowest and average daily closing price of the Shares for each of the month during the Review Period were as follow:

Month	Highest Closing Price HK\$	Lowest Closing Price HK\$	Average Daily Closing Price HK\$
2011			
February	3.36	3.02	3.15
March	3.94	2.95	3.35
April	4.67	3.96	4.22
May	4.55	3.01	3.73
June	3.59	2.82	3.11
July	3.43	2.78	3.07
August	2.82	1.63	2.10
September	1.82	1.09	1.44
October	1.50	0.94	1.25
November	1.42	1.07	1.26
December	1.27	1.08	1.15
2012			
January	1.45	1.05	1.24
February (up to the Latest Practicable Date)	1.76	1.44	1.59

(Source: the website of the Stock Exchange)

During the Review Period, the closing price of the Shares ranged from the lowest of HK\$0.94 on 4 October 2011 to the highest of HK\$4.74 on 21 April 2011 and has been following a general downward moving trend. As can be seen from the above chart, the closing price of the Shares dropped to the lowest closing price on 4 October 2011 and the closing price of the Shares then fluctuated between the range of about HK\$0.94 and HK\$1.76 commencing from October 2011 up to the Latest Practicable Date. The Initial Exercise Price is within the said range of the closing price and is equal to the average daily closing prices of the Share in January 2012, in which the warrant subscription agreement dated 20 January 2012 was entered into.

Comparison with other warrant subscription

In assessing the fairness and reasonableness of the Initial Exercise Price, we consider comparison with the aggregate price of the subscription price and the exercise price of subscription of non-listed warrants of other companies listed on the Stock Exchange to provide a more general reference for the Initial Exercise Price. To the best of our knowledge, we have identified 16 subscription of non-listed warrants conducted by other companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange (the “**Comparables**”), which announced their respective subscription of non-listed warrants in the last six months, that is, during the period from 1 August 2011 up to and including 20 January 2012, being the date of the warrant subscription

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agreement. As the terms of the Comparables are determined under similar market conditions and sentiments as the New Warrants, we believe that the Comparables may reflect the recent trend of warrant subscription transaction in the market and consider the Comparables are fair and representative samples. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and the Comparables are only used to provide a general reference for the recent common market practice of Hong Kong listed companies in warrant subscription exercises. Details of the Comparables are summarised as below:

Date of announcement	Company Name	Stock code	The aggregate of the subscription price and exercise price (HK\$)	Premium/ (discount) of the aggregate of the subscription price and exercise price over/(to) the closing price on last trading day prior to the relevant announcement (%)
18 Jan 12	Tai Shing International (Holdings) Limited	8103	0.21	(4.55)
18 Jan 12	DeTeam Company Limited	65	0.846	7.09
10 Jan 12	Finet Group Limited	8317	0.422	5.50
06 Jan 12	Phoenitron Holdings Limited	8066	0.38	(1.30)
21 Dec 11	Sage International Group Limited	8082	0.275	13.17
19 Dec 11	Media China Corporation Limited	419	0.105	34.62
13 Dec 11	First China Financial Network Holdings Limited	8123	0.125	(18.83)
17 Nov 11	China Agrotech Holdings Limited	1073	0.41	12.33
14 Sep 11	Come Sure Group (Holdings) Limited	794	1.01	32.89
07 Sep 11	New Times Energy Corporation Limited	166	0.17	97.67
02 Sep 11	Skyfame Realty (Holdings) Limited	59	0.7187	8.89
02 Sep 11	CVM Minerals Limited	705	0.101	(11.40)
02 Sep 11	Sino Resources Group Limited	223	0.4	21.21
29 Aug 11	Kingworld Medicines Group Limited	1110	1.41	(6.62)
23 Aug 11	China Precious Metal Resources Holdings Co., Ltd.	1194	2.1	34.62
02 Aug 11	Haier Electronics Group Co., Ltd.	1169	11.2	18.02
			Maximum	97.67
			Minimum	(18.83)
			Average	15.21
20 Jan 12	The Company	712	1.24	(14.48)

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Given that there is no subscription price for the New Warrants, the aggregate of the subscription price and the exercise price of the New Warrants would be the Initial Exercise Price of HK\$1.24. As illustrated in the above table, the aggregate of the subscription price and exercise price of the Comparables ranged from a discount of approximately 18.83% to a premium of approximately 97.67% to/over the respective closing prices of their shares on the last trading days prior to the release of the relevant warrant subscription announcements. The Initial Exercise Price, which represents a discount of approximately 14.48% to the closing price of the Shares as at the Last Trading Day, is lower than the average of the Comparables but is within the aforesaid market range.

In light of (i) the Warrant Subscription Agreement helps to maintain the solid foundation for the strategic relationship between the Investor, a global institutional investor with deep relationship in the solar industry, who have provided invaluable value-added services to the Company since investing in the Original Bonds; (ii) the Investor's agreement to repurchase 75% of the Original Bonds by entering into the Repurchase Deed and the waiver by the Investor of its rights to claim the Early Redemption Premium on the principal amount of the Original Bonds with value of \$234 million pursuant to the Company's possible non-compliance of the Relevant Covenant during 2012; (iii) the general downward moving trend of the market price of the Shares during the Review Period and that the Initial Exercise Price is equal to the average closing price in January 2012; and (iv) both the Group's gross profit margin and net profit margin have reduced substantially for the nine months ended 30 September 2011 as compared with the corresponding period of 2010, we consider that the Initial Exercise Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Potential dilution

The table below demonstrates the possible shareholding structure of the Company (i) as at the date of the Circular; (ii) immediately upon full exercise of the subscription rights attaching to the New Warrants; and (iii) immediately upon full exercise of the New Warrants, full conversion of the Outstanding Original Bonds (equivalent to 50,000,000 Shares) and full exercise of the subscription rights attaching to the Outstanding Original Warrants (equivalent to 23,780,487 Shares).

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	As at the date of this circular		Immediately upon full exercise of the subscription rights attaching to the New Warrants		Immediately upon full exercise of the subscription rights attaching to the New Warrants, full conversion of the Outstanding Original Bonds and full exercise of the subscription rights attaching to the Outstanding Original Warrants	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. John Zhang (note 1)	663,867,550	58.55	663,867,550	54.05	663,867,550	50.99
Ms. Carrie Wong (note 2)	663,867,550	58.55	663,867,550	54.05	663,867,550	50.99
Fonty Holdings Limited (note 1)	546,987,344	48.24	546,987,344	44.53	546,987,344	42.01
J.P. Morgan Trust Company of Delaware (note 3)	116,880,206	10.31	116,880,206	9.52	116,880,206	8.98
Mr. Alan Zhang (note 4)	116,880,206	10.31	116,880,206	9.52	116,880,206	8.98
Public Mutual Berhad (As Fund Manager for PAGE, PBAEF, PBCAEF, PBCAUEF, PBCPRF, PBF, PCIF, PCSF, PEF, PFES, PFETIF, PNREF, PRSEC & PSCF)	68,002,000	6.00	68,002,000	5.54	68,002,000	5.22
The Investor	—	—	94,354,838	7.68	168,135,325	12.91
Mr. Chau Kwok Keung	1,230,139	0.11	1,230,139	0.10	1,230,139	0.09
Other public shareholders	<u>400,790,311</u>	<u>35.34</u>	<u>400,790,311</u>	<u>32.63</u>	<u>400,790,311</u>	<u>30.79</u>
Total	<u><u>1,133,890,000</u></u>	<u><u>100.00</u></u>	<u><u>1,228,244,838</u></u>	<u><u>100.00</u></u>	<u><u>1,302,025,325</u></u>	<u><u>100.00</u></u>

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Note:

- (1) Mr. John Zhang legally owns the entire issued share capital of Fonty Holdings Limited, which beneficially owns 546,987,344 Shares. Mr. John Zhang is therefore deemed to be interested in all the Shares held by Fonty Holdings Limited. As a beneficiary of JZ GRAT of 2010 and JZ GRAT of 2011, Mr. John Zhang is also deemed to be interested in 105,550,500 Shares owned by J.P. Morgan Trust Company of Delaware as the trustee of JZ GRAT of 2010 and JZ GRAT of 2011, each of which being an irrevocable grantor retained annuity trust set up by Mr. John Zhang for the benefit of himself and his family members. As the parent of Mr. Alan Zhang, Mr. John Zhang is also deemed to be interested in 11,329,706 Shares in which Mr. Alan Zhang is interested. These 11,329,706 Shares are owned by J.P. Morgan Trust Company of Delaware as the trustee of Zhang Trusts for Descendants, an irrevocable trust set up by Mr. John Zhang for the benefit of his descendants, of which Mr. Alan Zhang is a beneficiary.
- (2) Ms. Carrie Wang is the spouse of Mr. John Zhang, therefore, pursuant to the SFO, she is deemed to be interested in all the Shares in which Mr. John Zhang is interested.
- (3) J.P. Morgan Trust Company of Delaware is the legal owner of 5,550,500 Shares as trustee for JZ GRAT of 2010, 100,000,000 Shares as trustee for JZ GRAT of 2011 and 11,329,706 Shares as trustee for Zhang Trusts for Descendants.
- (4) Mr. Alan Zhang is a child of Mr. John Zhang under the age of 18. Mr. Alan Zhang is a beneficiary of JZ GRAT of 2010, JZ GRAT of 2011, and Zhangs Trusts for Descendants and is deemed to be interested in the 116,880,206 Shares held by J.P. Morgan Trust Company of Delaware as trustee for JZ GRAT of 2010, JZ GRAT of 2011 and Zhang Trusts for Descendants.

As illustrated in the table above, the shareholding interests of the existing public Shareholders in the Company would be diluted by approximately 3.17% immediately after the full exercise of the subscription rights attaching to the New Warrants and approximately 5.33% immediately after the full exercise of the subscription rights attaching to the New Warrants, full conversion of the Outstanding Original Bonds and full exercise of the subscription rights attaching to the Outstanding Original Warrants. Taking into account (i) the reasons for and benefits of the entering into the Warrant Subscription Agreement; and (ii) the Initial Exercise Price being fair and reasonable so far as the Shareholders are concerned, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is justifiable.

Shareholders should note that the above table is for illustrative purpose only and demonstrates the possible effect on the shareholding structure of the Company as a result of the entering into the Warrant Subscription Agreement and the Repurchase Deed and the full exercise of the subscription rights attaching to the New Warrants.

4. Possible financial effects

Effect on net asset value and gearing

As extracted from the Interim Report, the unaudited consolidated net asset value and the gearing ratio (calculated as the total bank borrowings over the total assets) of the Group were approximately RMB1,888.34 million and approximately 14.58% respectively as at 30 June 2011. As confirmed by the Directors, the Group's net asset value and the total assets are expected to increase by the net proceeds therefrom in the maximum amount of approximately HK\$117 million in the event that the

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subscription rights attaching to the New Warrants are exercised in full. Since the entering into the Warrant Subscription Agreement would not lead to any change in the total bank borrowings of the Group while the total assets of the Group are expected to increase, the gearing ratio of the Group is expected to drop due to the entering into the Warrant Subscription Agreement.

Effect on working capital

As confirmed by the Directors and aforementioned, the Company intends to apply the entire net proceeds from the possible full exercise of the subscription rights attaching to the New Warrants in an aggregate of approximately HK\$117 million as general working capital of the Group and/or other appropriate investments as may be identified by the Board. Therefore, the Group's working capital position would be strengthened as a result of the entering into the Warrant Subscription Agreement.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Warrant Subscription Agreement and the exercise of the subscription rights attaching to the New Warrants in the future.

RECOMMENDATION

Shareholders should pay particular attention that if the resolution for approving the Warrant Subscription Agreement and transactions contemplated thereunder is voted down at the EGM, the repurchase of the Repurchase Bonds will not take place and the Company will not be entitled to the benefits as set out in the section headed "Reasons for the Warrant Subscription Agreement and the use of proceeds" in the Letter from the Board, which we consider may not be beneficial to the Group.

Having considered the above factors and reasons, and in particular,

- (i) the repurchase of the Repurchase Bonds under the Repurchase Deed and the issue of the New Warrants under the Warrant Subscription Agreement avoid the potential default under the Original Bonds and provide substantial savings to the Company in relation to the repayment in cash the principal amount of the Original Bonds together with the Early Redemption Premium;
- (ii) the entering into of the Repurchase Deed and the Warrant Subscription Agreement allows the Company to reduce its debt levels with immediate effect and to raise additional funds if the subscription rights attaching to the New Warrants are exercised by the Investor;
- (iii) the Warrant Subscription Agreement helps to maintain the solid foundation for the strategic relationship between the Investor, a global institutional investor with deep relationship in the solar industry, and the Group and ensures motivation for the Investor to continuously provide the value-add services to the Company even after the repurchase of the Repurchase Bonds;
- (iv) the discount represented by the Initial Exercise Price to the closing price of the Shares as at the Last Trading Day is within the market range of the Comparables; and

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- (v) the positive effect on the Group's net asset value, total assets, gearing ratio and working capital in the event that the subscription rights attaching to the New Warrants are exercised in full,

we are of the opinion that the terms of the Warrant Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Thomas Lai
Managing Director

Kinson Li
Managing Director

NOTICE OF EGM



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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Comtec Solar Systems Group Limited (the “Company”) will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, at 10:00 a.m. on Tuesday, 13 March 2012 to consider and, if thought fit, passing, with or without modifications, the following resolution of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meaning as defined in the circular of the Company dated 17 February 2012).

SPECIAL RESOLUTION

1. “THAT

- (a) the conditional Warrant Subscription Agreement entered between the Company and the Investor pursuant to which the Company has agreed to issue and the Investor has agreed to subscribe for the fully detachable and transferable warrants, exercisable for a period of four years from the date of issue, as constituted by the New Warrant Instrument and issued with the benefit of, and subject to, the terms and conditions set out therein entitling the holder of the New Warrants to subscribe for up to HK\$117,000,000 of New Shares at price per New Share equal to the Initial Exercise Price, together with the terms and conditions thereof and transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the New Warrants in accordance with the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder be and are hereby approved;
- (c) subject to and conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares, the allotment and issue of the New Shares to the relevant warrant holders which may fall to be allotted and issued upon the exercise of the New Warrants in accordance with the Warrant Subscription Agreement, in aggregate being a maximum of 94,354,838 New Shares, be and is hereby approved and the Board be and is hereby authorised to allot and issue the New Shares pursuant to and in accordance with the terms and conditions of the Warrant

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Subscription Agreement, the New Warrant Instrument and the Articles and that the New Shares shall, when allotted and issued, be credited as fully paid and rank pari passu in all respects with all other Shares of the Company in issue on the date of such allotments and issues; and

- (d) any one director of the Company be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Warrant Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the issue of the New Warrants, and the allotment and issue of New Shares of which may fall to be issued upon exercise of the subscription rights attaching to the New Warrants.”

By Order of the Board
Comtec Solar Systems Group Limited
John ZHANG
Chairman

Hong Kong, 17 February 2012

As at the date of this notice, the directors of the Company are Mr. John ZHANG, Mr. CHAU Kwok Keung and Mr. SHI Cheng Qi as executive directors, Mr. PHEN, Chun Shing Vincent, Mr. Stephen PEEL, and Mr. Donald HUANG as non-executive directors, and Mr. Daniel DeWitt MARTIN, Mr. Kang SUN and Mr. LEUNG Ming Shu as independent non-executive directors.

Registered office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Suite 28
35/F Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

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2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the commencement of the above meeting or any adjournment thereof.
3. In the case of joint holders of a share, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.