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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 2011

RESULTS HIGHLIGHTS

- Revenue for the year was RMB1,016.7 million;
- Gross profit for the year was RMB92.5 million;
- Gross margin for the year was 9.1%;
- Net loss for the year was RMB46.3 million;
- Adjusted net profit for the year was approximately RMB114.0 million by excluding the non-cash write-down of inventory of approximately RMB66.0 million, impairment losses recognised in respect of property, plant and equipment of approximately RMB89.1 million, impairment losses recognised in respect of advance to suppliers of approximately RMB7.1 million, provision for onerous contracts of approximately RMB39.1 million, the non-cash accounting charges for the issue of convertible bonds of approximately RMB7.6 million, effective interest expense on the convertible bonds of approximately RMB23.5 million and the gain on fair value change of warrants of approximately RMB72.1 million;
- Loss per share for the year was RMB4.09 cents;

- Adjusted earning per share for the year was RMB10.06 cents by excluding the non-cash write-down of inventory of approximately RMB66.0 million, impairment losses recognised in respect of property, plant and equipment of approximately RMB89.1 million, impairment losses recognised in respect of advance to suppliers of approximately RMB7.1 million, provision for onerous contracts of approximately RMB39.1 million, the non-cash accounting charges for the issue of convertible bonds of approximately RMB7.6 million, effective interest expense on the convertible bonds of approximately RMB23.5 million and the gain on fair value change of warrants of approximately RMB72.1 million;

OPERATIONAL HIGHLIGHTS

- Overall shipment for the year was 222.1MW;
- The annualized production capacity was approximately 600MW by the end of 2011;
- Maintained cash and bank balances for the year was RMB746.1 million and net cash for the year was RMB51.1 million;
- The Group has been ranked by Green World Investor, a reputable green funds' blog, on 1 March 2011 as one of the world's top 10 solar wafer companies.

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 2011. During the year, the growth in worldwide capacity and the channel inventory resulted in significantly lower selling prices across the value chain. It resulted in a challenging operating environment and adversely affected the operating results of every solar company. Despite the challenges facing the market, we still achieved year-on-year growth in the shipment of our quality wafer products, commenced the massive production of our premium products "Super Mono Wafers" and maintained healthy financial position.

Here are some financial and business highlights for the year:

- Revenue for the year was RMB1,016.7 million, drop 0.5 % year-on-year from RMB1,021.4 million for the year ended 31 December 2010;

- Gross profit for the year was RMB92.5 million, drop 72.0 % year-on-year from RMB330.6 million for the year ended 31 December 2010;
- Gross profit margin for the year was 9.1%, decrease from 32.4% for the year ended 31 December 2010;
- Net loss for the year was RMB46.3 million, dropped from the net profit of RMB222.9 million for the year ended 31 December 2010;
- Net loss margin for the year was 4.6%, decreased from the net profit margin of 21.8% for the year ended 31 December 2010;
- Our loss per share for the year was RMB4.09 cents, dropped from the earning per share of RMB21.03 cents for the year ended 31 December 2010;
- Adjusted net profit for the year was approximately RMB114.0 million by excluding the non-cash write-down of inventory of approximately RMB66.0 million, impairment losses recognised in respect of property, plant and equipment of approximately RMB89.1 million, impairment losses recognised in respect of advance to suppliers of approximately RMB7.1 million, provision for onerous contracts of approximately RMB39.1 million, the non-cash accounting charges for the issue of convertible bonds of approximately RMB7.6 million, effective interest expense on the convertible bonds of approximately RMB23.5 million and the gain on fair value change of warrants of approximately RMB72.1 million;
- Adjusted earning per share for the year was RMB10.06 cents by excluding the non-cash write-down of inventory of approximately RMB66.0 million, impairment losses recognised in respect of property, plant and equipment of approximately RMB89.1 million, impairment losses recognised in respect of advance to suppliers of approximately RMB7.1 million, provision for onerous contracts of approximately RMB39.1 million, the non-cash accounting charges for the issue of convertible bonds of approximately RMB7.6 million, effective interest expense on the convertible bonds of approximately RMB23.5 million and the gain on fair value change of warrants of approximately RMB72.1 million;
- Overall shipment for the year was 222.1MW;
- The annualized production capacity was approximately 600MW by the end of 2011;
- Maintained cash and bank balances for the year was RMB746.1 million and net cash for the year was RMB51.1 million;

- The Group has been ranked by Green World Investor, a reputable green funds' blog, on 1 March 2011 as one of the world's top 10 solar wafer companies.

Despite the challenges facing the market, we achieved notable shipment growth of approximately 26.7% from 175.3MW (including both sales and processing services) in the corresponding period in 2010 to 222.1MW in 2011. 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 costs and to strengthen their competitive advantages. It strengthens the demand and provides further business opportunities to high efficient solar products.

In an increasingly competitive market of solar products, we also strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. During the year, we completed the qualification process and commenced the massive production of our 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 Mon Wafers". We keep working on the qualification process with other potential customers and expect to gradually shift our focus from traditional P-type monocrystalline wafers to this newly launched "Super Mono Wafers". We believe our ability to manufacture more advanced and efficient products would further differentiate us in the market and enhance the entry level 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 RMB327.4 per kg, decreasing from RMB351.5 per kg for the corresponding period in 2010. We will continue to focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive landscape of solar industry.

In June 2011, the Company issued a five-year convertible bonds in an aggregate principal amount of approximately RMB650 million, together with the warrants to subscribe for approximately US\$50 million of new Shares. The proceeds were originally planned to fund the expansion of capacity. Due to the subsequent changes in the general industry environment with over-capacity and declining average selling

prices, we believed it is prudent to reduce our debt level and not to expand by debt financing. In March 2012, we repurchased 75% of the issued convertible bonds by paying approximately RMB490 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.

Coupled with the sounding cash flow from our operating activities and our disciplined financial and operational initiatives, we maintained a net cash balance of approximately RMB 51.1 million by the end of 2011. Our strong balance sheet positions us well to manage and mitigate the risks arising from the volatile and challenging industry environment in 2011. It also enabled us to capture future growth opportunities.

In response to general industry environment of over capacity and declining average selling prices, we determined to temporarily defer the expansion of capacity. We expect the consolidation in the global solar industry would continue in 2012. 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.

During the year, the cost of generating power of solar energy per watt had reduced substantially due to the decrease of polysilicon prices, continuous upgrading of production techniques and enhancement of operational effectiveness in the industry. 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. Currently, European countries including Germany and Italy are the major end-markets. These countries are promoting solar generation by implementing proactive policies, such as government grants, leading to the fast development of the PV manufacturing

industry. The PRC and the United States, being the largest energy consuming countries in the world, together with Japan, Australia, Africa and the Middle East would be promising solar energy markets with substantial growth prospects. Regardless of the reduction of FiT (Feed-in Tariff) by various governments, the continuous cost reduction would fuel the robust growth of demand on solar products. We believe this would sustain the strong prospects of the cost leaders among the value chain and benefit the overall solar industry.

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 in the upcoming era of clean and economical power of solar energy, 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, 30 March 2012

ANNUAL RESULTS

The Board of Comtec Solar Systems Group Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2011, together with the comparative figures for the corresponding year in 2010. These results have been reviewed by the Company's audit committee, comprising solely the non-executive Directors, one of whom chairs the audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	1,016,746	1,021,371
Cost of sales		<u>(924,276)</u>	<u>(690,786)</u>
Gross profit		92,470	330,585
Other income		40,062	26,573
Other gains and losses, expenses and provision	4	(61,375)	(9,117)
Distribution and selling expenses		(1,815)	(1,793)
Administrative expenses		(48,745)	(75,756)
Finance costs		<u>(38,596)</u>	<u>(7,401)</u>
(Loss) profit before taxation	5	(17,999)	263,091
Taxation	6	<u>(28,328)</u>	<u>(40,151)</u>
(Loss) profit and total comprehensive (expense) income for the year, attributable to the owners of the Company		<u>(46,327)</u>	<u>222,940</u>
		<i>RMB cents</i>	<i>RMB cents</i>
(Loss) earnings per share			
- Basic	7	<u>(4.09)</u>	<u>21.03</u>
- Diluted	7	<u>(4.09)</u>	<u>21.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	<i>NOTES</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		855,626	715,847
Prepaid lease payments — non-current		40,143	21,473
Deposits paid for acquisition of property, plant and equipment		5,105	118,299
Advance to suppliers		396,425	279,499
Deferred tax assets		689	689
Other financial assets		<u>26,491</u>	<u>—</u>
		<u>1,324,479</u>	<u>1,135,807</u>
Current assets			
Inventories	8	217,959	247,803
Trade and other receivables	9	213,987	155,467
Bills receivable	9	36,700	2,000
Advance to suppliers		82,249	77,180
Prepaid lease payments — current		854	458
Tax recoverable		15,156	—
Pledged bank deposits		17,289	—
Bank balances and cash		<u>746,100</u>	<u>293,677</u>
		<u>1,330,294</u>	<u>776,585</u>
Current liabilities			
Trade and other payables	10	198,692	193,746
Customers' deposits received		229	13,770
Taxation payable		—	19,077
Short-term bank loans		<u>318,230</u>	<u>170,000</u>
		<u>517,151</u>	<u>396,593</u>
Net current assets		<u>813,143</u>	<u>379,992</u>
Total assets less current liabilities		<u>2,137,622</u>	<u>1,515,799</u>
Capital and reserves			
Share capital		999	998
Reserves		<u>1,652,778</u>	<u>1,510,345</u>
Total equity		<u>1,653,777</u>	<u>1,511,343</u>
Non-current liabilities			
Deferred tax liabilities		9,560	4,456
Convertible bonds	11	402,444	—
Long-term bank loans		18,134	—
Provision for onerous contracts		39,107	—
Warrants	11	<u>14,600</u>	<u>—</u>
		<u>2,137,622</u>	<u>1,515,799</u>

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 new and revised standards, amendments of standards and interpretations (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

Amendments to IFRSs	Improvements to HKFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC—Int14	Prepayments of a Minimum Funding Requirement
IFRIC—Int19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised 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 these 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 IFRS 7	Disclosures — Transfers of Financial Assets ¹
	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
IFRS 9	Financial Instruments ³
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ⁵
Amendments to IAS 12	Deferred Tax — Recovery of Underlying Assets ⁴
IAS 19 (as revised in 2011)	Employee Benefits ²
IAS 27 (as revised in 2011)	Separate Financial Statements ²
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁶
IFRIC — Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012

⁵ Effective for annual periods beginning on or after 1 July 2012.

⁶ Effective for annual periods beginning on or after 1 January 2014.

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 IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The other new and revised standards, amendments or interpretations will have no material impact on 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 profit 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 profit (loss) is the profit (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, related products and other products for the year:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Manufacturing and sales of solar products:		
Monocrystalline solar wafers	975,466	1,017,723
Monocrystalline solar ingots	<u>9,991</u>	<u>—</u>
Sub-total	<u>985,457</u>	<u>1,017,723</u>
Others:		
Semiconductor products	—	558
Others (<i>note</i>)	<u>31,289</u>	<u>3,090</u>
Total revenue	<u>1,016,746</u>	<u>1,021,371</u>

Note: Included revenue from sale of materials, such as monocrystalline silicon and recyclable silicon.

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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Place of domicile of group entities:		
Mainland China	659,205	890,708
Other countries/places:		
Taiwan	34,522	119,877
Germany	124	4,183
Philippine	318,785	—
Other countries (<i>note</i>)	<u>4,110</u>	<u>6,603</u>
Total revenue	<u><u>1,016,746</u></u>	<u><u>1,021,371</u></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 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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	*	223,718
Customer B	258,190	134,526
Customer C	<u>318,785</u>	<u>*</u>

* *Less than 10%*

4. OTHER GAINS AND LOSSES, EXPENSES AND PROVISION

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Gain on fair value changes of warrants (note 11)	72,112	—
Net foreign exchange losses	(2,958)	(6,946)
Gain (loss) on disposal of property, plant and equipment	4,860	(2,171)
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	<u>(39,107)</u>	<u>—</u>
	<u><u>(61,375)</u></u>	<u><u>(9,117)</u></u>

5. (LOSS) PROFIT BEFORE TAXATION

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration (<i>note (i)</i>)	3,889	23,075
Other staff costs	44,358	23,560
Other staff's retirement benefits scheme contributions	5,425	4,045
Share-based payments expense for other staff (<i>note (i)</i>)	<u>678</u>	<u>20,665</u>
Total staff costs	<u>54,350</u>	<u>71,345</u>
Auditor's remuneration	1,487	1,292
Non-audit service	<u>991</u>	<u>580</u>
	<u>2,478</u>	<u>1,872</u>
Cost of inventories recognised as expense (<i>note (ii)</i>)	924,276	690,786
Depreciation of property, plant and equipment	52,859	39,605
Impairment loss recognised in respect of trade receivables	—	2,744
Release of prepaid lease payments	720	390
Research and development expenses	7,130	8,223
Operating lease rentals in respect of rented premises	<u>1,564</u>	<u>1,420</u>

Notes

- i: During the year ended 31 December 2011, directors' remuneration and share-based payments expense for other staff included share-based payments expense recognised and included in administrative expenses of approximately RMB750,000 in respect of share options of the Company recognised (2010: RMB2,220,000 in respect of share options and RMB37,958,000 in respect of the restricted shares of the Company).
- ii. Included in cost of inventories recognised as expense represented write-down of inventories of approximately RMB66,011,000 (2010: nil) to their net realisable values.

6. TAXATION

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax		
— Current year	25,264	38,707
— Overprovision in prior years	<u>(2,040)</u>	<u>—</u>
	23,224	38,707
Deferred tax charge:		
— Current year	<u>5,104</u>	<u>1,444</u>
	<u>28,328</u>	<u>40,151</u>

No Hong Kong Profits was provided for the year ended 31 December 2011 and 31 December 2010 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. From 1 January 2008 onwards 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) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
(Loss) profit		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(46,327)</u>	<u>222,940</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,133,820,471	1,059,931,759
Effect of dilutive potential ordinary shares:		
— Share options, convertible bonds and warrants	<u>—</u>	<u>964,674</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>1,133,820,471</u>	<u>1,060,896,433</u>

The Company's outstanding share options and convertible bonds and warrants (note 11) did not have dilutive effect to the Company's loss per share during the year ended 31 December 2011 because their potential conversion to ordinary shares would decrease the loss per share.

8. INVENTORIES

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	105,163	216,400
Work-in-progress	34,147	13,373
Finished goods	<u>78,649</u>	<u>18,030</u>
	<u>217,959</u>	<u>247,803</u>

9. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	71,606	73,326
Utility deposits	4,219	1,873
Value-added-tax recoverable	133,472	71,040
Other receivables and prepayments	<u>4,690</u>	<u>9,228</u>
	<u>213,987</u>	<u>155,467</u>
Bills receivable	<u>36,700</u>	<u>2,000</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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Age		
0 to 30 days	52,607	49,317
31 to 60 days	10,909	22,431
61 to 90 days	8,090	1,575
91 to 180 days	<u>—</u>	<u>3</u>
	<u>71,606</u>	<u>73,326</u>

At 31 December 2011 and 2010, 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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Age		
0 to 30 days	29,165	—
31 to 60 days	4,585	2,000
91 to 180 days	<u>2,950</u>	<u>—</u>
	<u><u>36,700</u></u>	<u><u>2,000</u></u>

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 (2010: RMB2,744,000) which are past due as at the end of each reporting period. The Group made impairment losses of approximately RMB2,744,000 during the year ended 31 December 2010 as the debtor was placed under liquidation and in severe financial difficulties. The impairment recognised represented the carrying amount of this specific trade receivable which was considered irrecoverable. The Group did not make any impairment losses during the year ended 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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other receivables denominated in USD	<u><u>59,668</u></u>	<u><u>5,099</u></u>

10. TRADE AND OTHER PAYABLES

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	100,679	63,174
Value-added tax payables	—	403
Payables for acquisition of property, plant and equipment	81,757	117,774
Other payables and accrued charges	<u>16,256</u>	<u>12,395</u>
	<u><u>198,692</u></u>	<u><u>193,746</u></u>

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

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Age		
0 to 30 days	28,248	44,940
31 to 60 days	21,930	15,866
61 to 90 days	30,651	441
91 to 180 days	17,768	547
Over 180 days	<u>2,082</u>	<u>1,380</u>
	<u><u>100,679</u></u>	<u><u>63,174</u></u>

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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables denominated in:		
Euro	73	—
USD	54,049	117,852
JPY	<u>527</u>	<u>—</u>

11. CONVERTIBLE BONDS AND WARRANTS

The Company issued convertible bonds at a par value of RMB 100,000 each with an aggregate principal amount of RMB654,500,000 on 17 June 2011 to an independent third party who is neither connected nor related to the Group (the “Bondholder”).

The principal terms of the bonds are as follows:

- (1) Demonination of the bonds — The convertible bonds are denominated in RMB.
- (2) Maturity date — Five years from the date of issuance, which is 16 June 2016 (“Maturity Date”).
- (3) Interest — The bonds do not bear any interest.
- (4) Conversion —
 - (A) Conversion price — The price is 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 has 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 are discussed below.
 - (C) Number of Conversion Shares issuable - 200,000,000 Conversion Shares will 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 will rank pari passu in all respects with the shares of the Company then in issue on the relevant conversion date.
- (5) Redepmtion —
 - (A) At the option of the Company:
 - (I) Redemption at maturity — The Company will 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 will redeem the bonds outstanding at an amount of HK\$ equivalent of the RMB principal amount of the bonds if the Company will 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 will 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) Transferrability — The bonds and any Conversion Shares are freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the Bondholder on 17 June 2011, the bonds, and compliance with applicable law.
- (7) Voting right — The Bondholder will 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 will 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 will be made for the listing of the bonds on the Stock Exchange or any other exchange.
- (9) Collateral — The Bondholder does 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 were approximately RMB378,949,000 and RMB188,839,000, respectively.

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 is set out below:

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

The equity component will remain in other reserve until the embedded conversion option is exercised. The embedded derivative in respect of the early redemption feature of the convertible bonds is 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 is immaterial at initial recognition and 31 December 2011.

Concurrent with the issuance of the bonds, 95,121,951 fully detachable and transferrable warrants each to purchase one ordinary share of the Company were issued. The principal terms of the warrants are as follows:

- (A) Exercise price — Each warrant carries the right to subscribe for one share. The price at which a share will be issued upon exercise of a warrant, as adjusted from time to time, will initially be RMB3.4403 per share (translated at the fixed exchange rate of HKD1.1917494 = RMB1 as pre-determined) but will 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 warrant up to the close of business (at the place where the warrant certificate evidencing such warrant is deposited for exercise) on the fifth anniversary of the date of issue of such warrant, that is 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 warrant shall cease to be valid for any purpose.
- (C) Rights — The warrant will rank pari passu in all respects with one another.
- (D) Transferability — The warrants are freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the holder of the warrants on 17 June 2011, the warrants, and compliance with applicable law.

- (E) Voting right - The holder of the warrants will 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 warrants will 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 warrant.
- (F) Listing of the warrants - No application will be made for the listing of the warrants on the Stock Exchange or any other exchange.

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

The fair values of the 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:

	17 June 2011	31 December 2011
Share price	HK\$2.96	HK\$1.08
Exercise price	HK\$4.10	HK\$4.10
Expected volatility	53.00%	62.73%
Expected life	5 years	4.5 years
Risk-free interest rate	1.3928%	0.8270%
Expected dividend yield	0.31%	1.00%

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 may result in changes in the fair values of the share options.

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

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

Transaction costs related to the issuance of the bonds and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The photovoltaics industry experienced tremendous pressure in the year of 2011 due to supply-demand imbalance throughout the value chain. This pressure was exacerbated by incentive adjustment in major solar markets and the uncertainties among the European economies. It resulted in a challenging operating environment with significant decrease in selling prices of solar products which adversely affected the operating results of every solar company. Despite the challenges facing the market, we still achieved year-on-year growth in the shipment of our quality wafer products, commenced the massive production of our premium products “Super Mono Wafers” and maintained healthy financial position.

During the year, we achieved notable shipment growth of approximately 26.7% from 175.3MW (including both sales and processing services) in 2010 to 222.1MW in 2011. With the continuous decrease in the selling price of polysilicons and modules, our customers increasingly realized the benefits of buying high efficient wafers to reduce their overall production costs and to enhance the value-added to the end users. It strengthens the demand and provides further business opportunities to high efficient solar wafers in a tough industry environment. During second half of 2011, we paid increasing attention to customer credit risks and tightened our control over the payment terms granted to customers which resulted in giving up some sales opportunities in such period.

In an increasingly competitive market of solar products, we also strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. During the year, we completed the qualification process and commenced the massive production of our 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 Mon Wafers”. We keep working on the qualification process with other potential customers and expect to gradually shift our focus from traditional P-type monocrystalline wafers to this newly launched “Super Mono Wafers”. We believe our ability to manufacture more advanced and efficient products would further differentiate us in the market and enhance the entry level to our business.

Our top five customers in 2011 represented 80.9% of our total revenues, comparing to 60.5% in the corresponding period last year. Our largest customer accounted for approximately 31.4% of our total revenues in 2011 while it represented approximately 21.9% in 2010. During 2011, our sales to PRC and Taiwan-based customers represented approximately 68.2% of our total revenues, comparing to 99.0% in the corresponding period last year. The remaining of our sales in 2011 was mainly shipped to Philippines. We commenced the massive production of our “Super Mono Wafers” which are mainly sold to overseas leading solar cell companies. We believe the focus on this premium and differentiated products would create substantial value for the long-term development of the Group.

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 in the second half of 2011. During the year, we actively renegotiated with our major polysilicon suppliers and were able to lower our average cost of polysilicon to approximately RMB327.4 per kg, decreasing from RMB351.5 per kg for the corresponding period in 2010. We will continue to focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive industry environment.

In June 2011, the Company issued a five-year convertible bonds in an aggregate principal amount of approximately RMB650 million, together with the warrants to subscribe for approximately US\$50 million of new Shares. The proceeds were originally planned to fund the expansion of capacity. Due to the subsequent changes in the general industry environment with over-capacity and declining average selling prices, we believed it is prudent to reduce our debt level and not to expand by debt financing. In March 2012, we repurchased 75% of the issued convertible bonds by paying approximately RMB490 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.

Coupled with the sounding cash flow from our operating activities and our disciplined financial and operational initiatives, we maintained a net cash balance of approximately RMB51.1 million by the end of 2011. Our strong balance sheet positions us well to manage and mitigate the risks arising from the volatile and challenging industry environment in 2011 and enabled us to capture enormous opportunities in the upcoming era of solar energy.

In response to general industry environment of over capacity and declining average selling prices, we determined to temporarily defer the expansion of capacity. We expect the consolidation in the global solar industry would continue in 2012. 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.

During the year, the cost of generating power of solar energy per watt had reduced substantially due to the decrease of polysilicon prices, continuous upgrading of production techniques and enhancement of operational effectiveness in the industry. It had accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. Currently, European countries including Germany and Italy are the major end-markets. These countries are promoting solar generation by implementing proactive policies, such as government grants, leading to the fast development of the PV manufacturing industry. The PRC and the United States, being the largest energy consuming countries in the world, together with Japan, Australia, Africa and the Middle East would be promising solar energy markets with substantial growth prospects. Regardless of the reduction of FiT (Feed-in Tariff) by various governments, the continuous cost reduction would fuel the robust growth of demand on solar products. We believe this would sustain the strong prospects of the cost leaders among the value chain and benefits the overall solar industry.

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 in the upcoming era of clean and economical power of solar energy, to drive continued and healthy growth for the Group in the future.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB4.7 million, or 0.5%, from RMB1,021.4 million for the year ended 31 December 2010 to RMB1,016.7 million for the year ended 31 December 2011, primarily as a result of decreasing in average selling price, which was partially offset by the growth in our sales volume. Due to the increase in customer demand for our high quality monocrystalline solar products and increase of production capacity, our sales volume increased by 34.2% from 165.5 MW for the year ended 31 December 2010 to 222.1 MW for the year ended 31 December 2011.

For the year ended 31 December 2011, sales of our 156 mm by 156 mm monocrystalline solar wafers comprised 56.2% of total revenue and sales of our 125 mm by 125 mm monocrystalline solar wafers comprised 39.7% of total revenue. In aggregate, solar wafer sales comprised 95.9% of our total sales, as compared to 99.6% for the year ended 31 December 2010.

Sales of monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers decreased by RMB329.3 million, or 36.6%, from RMB900.9 million for the year ended 31 December 2010 to RMB571.6 million for the year ended 31 December 2011, primarily as a result of an decrease of sales volume by 17.0% from 144.7MW for the year ended 31 December 2010 to 120.1MW for the year ended 31 December 2011, plus a decrease in our average unit price for this product by 22.6% from RMB6.2 per watt for the year ended 31 December 2010 to RMB4.8 per watt for the year ended 31 December 2011.

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers increased by RMB287.1 million, or 245.8%, from RMB116.8 million for the year ended 31 December 2010 to RMB403.9 million for the year ended 31 December 2011, 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 365.4% from 20.8 MW for the year ended 31 December 2010 to 96.8 MW for the year ended 31 December 2011 but it was

partially offset by a decrease in our average unit price for this product by 25.0% from RMB5.6 per watt for the year ended 31 December 2010 to RMB4.2 per watt for the year ended 31 December 2011.

In relation to the analysis of our revenue by geographical market, approximately 64.8% of total revenue for the year ended 31 December 2011 was generated from our PRC mainland customers (2010: 87.2%). Remaining portion was mainly generated from our sales to Philippines.

Cost of sales

Cost of sales increased by RMB233.4 million, or 33.8%, from RMB690.8 million for the year ended 31 December 2010 to RMB924.2 million for the year ended 31 December 2011, primarily as a result of the increase in shipment volume and write-down of our inventory of approximately RMB66.0 million due to the decrease in the net realisable value of our inventory as at 31 December 2011, partially offset by a decrease in the average prices of polysilicon by 6.9% during the year ended 31 December 2011 to RMB327.4 per kg from the average prices of RMB351.5 per kg for the year ended 31 December 2010 as well as the improvement in production efficiency.

Gross profit

Gross profit decreased by RMB238.1 million, or 72.0%, from RMB330.6 million for the year ended 31 December 2010 to RMB92.5 million for the year ended 31 December 2011, primarily as a result of the above.

Other income

Other income increased by RMB13.5 million, or 50.8%, from RMB26.6 million for the year ended 31 December 2010 to RMB40.1 million for the year ended 31 December 2011, primarily due to the increase in government grants.

Other gains and losses, expenses and provision

Other losses increased by RMB52.3 million from RMB9.1 million for the year ended 31 December 2010 to RMB61.4 million for the year ended 31 December 2011, primarily due to impairment losses recognised in respect of property, plant and equipment of approximately RMB89.1 million, impairment losses recognised in respect of advance to suppliers of approximately RMB7.1 million and provision for onerous contracts of approximately RMB39.1 million, partially offset by the gain on fair value change of warrants of approximately RMB72.1 million.

Distribution and selling expenses

The distribution and selling expenses during the year ended 31 December 2011 were approximately RMB1.8 million, recording no material fluctuation as compared to the corresponding period in 2010.

Administrative and general expenses

Administrative and general expenses decreased by RMB27.0 million, or 35.6%, from RMB75.8 million for the year ended 31 December 2010 to RMB48.8 million for the year ended 31 December 2011, mainly due to the non-cash, one-off expenses for vesting of restricted shares in December 2010 of approximately RMB38.0 million.

Interest expenses

Interest expenses increased by RMB31.2 million from RMB7.4 million for the year ended 31 December 2010 to RMB38.6 million for the year ended 31 December 2011, primarily as a result of an increase in the amount of bank loans borrowed and effective interest expense charged on the convertible bonds issued during the year.

Loss before taxation

Loss before taxation of RMB18.0 million for the year ended 31 December 2011, decreased from the profit before taxation of RMB263.1 million for the year ended 31 December 2010, as a result of the foregoing.

Taxation

Taxation decreased from RMB40.2 million for the year ended 31 December 2010 to RMB28.3 million for the year ended 31 December 2011. Our effective tax rate was 19.9% by excluding the non-cash write-down of inventory of approximately RMB66.0 million, impairment losses recognised in respect of property, plant and equipment of approximately RMB89.1 million, impairment losses recognised in respect of advance to suppliers of approximately RMB7.1 million, provision for onerous contracts of approximately RMB39.1 million, the non-cash accounting charges for the issue of convertible bonds of approximately RMB7.6 million, effective interest expense on the convertible bonds of approximately RMB23.5 million and the gain on fair value change of warrants of approximately RMB72.1 million, increased from 15.3% for the year ended 31 December 2010. Higher effective tax rate was primarily due to a new subsidiary in HaiAn starting operation during the year and it was taxed at 25% in 2011.

Loss for the year

The Group recorded a loss of RMB46.3 million dropped from the profit of RMB222.9 million for the year ended 31 December 2010, as a result of the foregoing. Net loss margin of 4.6% for the year ended 31 December 2011 decreased from the net profit margin of 21.8% for the year ended 31 December 2010.

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 decrease in inventories balance of 12.0% from RMB247.8 million for the year ended 31 December 2010 to RMB218.0 million which was mainly due to the provision on polysilicon inventory and the efforts to reduce inventory balance for the year ended 31 December 2011. The inventory turnover days as at 31 December 2011 totalled 86 days (2010: 131 days).

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2011 totaled 26 days (2010: 26 days). Our receivable turnover days was within the credit periods of the Group grants to its customers. The Group normally grants a credit period of 30 to 90 days to its customers.

Trade payable turnover days

The trade payable turnover days as at 31 December 2011 totaled 40 days (2010: 33 days). The increase in turnover days was mainly due to the change of payment terms upon the volatile and challenging market environment in 2011.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow from operating activities and bank borrowings. As at 31 December 2011, the Group's current ratio (current assets divided by current liabilities) was 2.6 (2010: 2.0) and it was in a net cash position. The Group's financial position remains healthy. As at 31 December 2011, the Group was in a net cash position of RMB51.1 million (2010: RMB123.7 million) which included cash and cash equivalent, other financial assets and pledged bank deposits of RMB789.8 million (31 December 2010: RMB293.7million), short-term bank loans of RMB318.2 million (31 December 2010: RMB170.0 million) and liability component of convertible bonds issued in the year of RMB402.4 million (31 December 2010: nil) and long-term bank loans of RMB18.1 million (31 December 2010: nil).

In June 2011, the Company issued a five-year convertible bonds in an aggregate principal amount of approximately RMB650 million, together with the warrants to subscribe for approximately US\$50 million of new Shares. The proceeds were originally planned to fund the expansion of capacity. Due to the subsequent changes in the general industry environment with over-capacity and declining average selling prices, we believed it is prudent to reduce our debt level and not to expand by debt financing. In March 2012, we repurchased 75% of the issued convertible bonds by paying approximately RMB490 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.

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

Contingent liabilities

As at 31 December 2011, there was no material contingent liability.

Related Party Transactions

The Group did not have any related party transactions for the year ended 31 December 2011.

CHARGES ON GROUP ASSETS

During the year ended 31 December 2011, the Group entered into an arrangement with a commercial bank in the PRC pursuant to which the Group borrowed USD loans from this bank for contractual period of one year for settlement of its payables denominated in USD. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective USD loans plus a fixed interest at a rate of

3.25% per annum thereon) for the same contractual period to the same bank as security against the USD loans, and (b) entered into a forward contract with the bank to purchase USD (in amounts equivalent to the USD loan plus interests thereon) by RMB at predetermined forward rate.

As at 31 December 2011, fixed deposits denominated in Renminbi (“RMB”) of approximately RMB16.2 million and the USD loan of approximately RMB16.3 million are included in pledged bank deposits and bank loans, respectively.

As at 31 December 2011, other than the restricted cash of approximately RMB16.2 million, the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB89.1 million (31 December 2010: RMB97.2 million) and approximately RMB14.9 million (31 December 2010: RMB15.2 million), respectively, to banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 31 December 2011, 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 2010.

Use of Proceeds

The proceeds from the issue of the convertible bonds will be used for general corporate purposes of the Group. Please refer to the announcement of the Company dated 25 January 2012 for details.

Human resources

As at 31 December 2011, the Group had 1,169 (2010: 934) 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

Due to the change in market environment, the Group temporarily does not have any plan of expansion nor acquisition as well as no material expansion nor expansion made in during the year.

Exposure to fluctuations in exchange rates and any related hedges

The Group recognised net exchange losses of approximately RMB 2.9 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.

CODE ON CORPORATE GOVERNANCE PRACTICES (THE “CORPORATE GOVERNANCE CODE”)

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Directors of the Company continuously observe the principles of good corporate governance in the interests of Shareholders and devotes considerable effort to identifying and formalizing best practice.

Upon the listing of the Company, the Company has complied with the vast majority of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Listing Date to 31 December 2011.

In accordance with the requirement of the Listing Rules, the Company has established an audit committee with defined terms of reference and appointed a chief financial controller to oversee the financial reporting procedures and internal control of the Group. The Company has also established a nomination committee, a remuneration committee and a corporate governance committee with defined terms of reference.

For the year ended 31 December 2011, all code provisions set out in the Corporate Governance Code were fulfilled by the Company except for the deviation from code provision A.2.1, which stipulates that 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 the 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, three non-executive Directors 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 from the Listing Date to 31 December 2011.

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 2011, 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 2011.

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.

On 30 March 2012, the Board resolved that Mr. Daniel DeWitt Martin was appointed as the additional member of the remuneration committee, Mr. John ceased to act the chairman of the remuneration committee and Mr. Leung Ming Shu was appointed as the chairman of the remuneration committee. Currently, 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 one meeting for the year ended 31 December 2011.

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.

On 30 March 2012, the Board resolved that Mr. Leung Ming Shu was appointed as the additional member of the nomination committee. Currently, the nomination committee consists of five members, namely, Mr. John Zhang, Mr. Daniel DeWitt Martin, Mr. Kang Sun, Mr. Donald Huang and Mr. Leung Ming Shu. Mr. John Zhang is the chairman of the nomination committee.

The nomination committee of the Company held one meeting for the year ended 31 December 2011.

CORPORATE GOVERNANCE COMMITTEE

The Company established a corporate governance committee on 30 March 2012 with written 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.

Currently, 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 did not hold meetings for the year ended 31 December 2011.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 period from the listing date to 31 December 2011.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.comtecsolar.com>). The annual report for the year ended 31 December 2011 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 2011. 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 2011 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
“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.

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

Shanghai, the People’s Republic of China, 30 March 2012

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 Directors are Mr. Chun Shing Vincent PHEN, Mr. Stephen PEEL and Mr. Donald HUANG; and the independent non-executive Directors are Mr. Daniel DeWitt MARTIN, Mr. Kang SUN and Mr. LEUNG Ming Shu.