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.

卡姆丹克

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)

DISCLOSEABLE TRANSACTION
PROPOSED ACQUISITION OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF FORUM (ASIA) LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EGM

A notice convening the extraordinary general meeting of Comtec Solar Systems Group Limited to be held at 5/F, BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Hong Kong at 10:00 a.m. on Thursday, 29 December 2016 is set out on pages EGM-1 to EGM-3 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.

12 December 2016

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DEFINITIONS

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

"American Appraisal"	American Appraisal China Limited, a division of Duff & Phelps and an independent valuation specialist;
"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;
"Company"	Comtec Solar Systems Group Limited, a company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange;
"Completion"	the completion of the Proposed Acquisition on the terms and subject to the conditions set out in the Sale and Purchase Agreement;
"Completion Date"	the date on which the Completion takes place;
"Conditions Precedent"	the conditions precedent under the Sale and Purchase Agreement set out in the paragraph headed "Sale and Purchase Agreement — Conditions Precedent" of this circular;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration Shares"	such number of Shares equal to the amount of the relevant instalment divided by the Issue Price and rounded to the nearest even number;
"Director(s)"	the director(s) of the Company;
"Duff & Phelps"	Duff & Phelps Corporation and its subsidiaries, global valuation and corporate finance advisors;
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, passing the resolution(s) to approve, among others, the Sale and Purchase Agreement and the Specific Mandate;
"Fonty"	Fonty Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is 100% beneficially owned by Mr. Zhang;
"Forum (Asia)"	Forum (Asia) Limited, a company incorporated in Hong Kong and owned as to 98.5% and 1.5% by On Board and United Concord, respectively, as at the date of this circular;

"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Third Party(ies)"	person(s) or company(ies) who or which is/are not connected person(s) of the Company;
"Issue Price"	HK$0.355 per Consideration Share;
"Latest Practicable Date"	6 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"Listing Committee"	the listing committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Xing"	Mr. Xing Shiyang (刑時陽), an Independent Third Party as at the date of this circular;
"Mr. Zhang"	Mr. John Yi Zhang, an executive Director and a controlling shareholder of the Company as at the date of this circular;
"Ms. Yuan	Ms. Yuan Jing (袁靜), an Independent Third Party as at the date of this circular;
"Notice"	the notice convening the EGM as set out on pages EGM-1 to EGM-3 of this circular;
"On Board"	On Board International Investment Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Yuan;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
"Proposed Acquisition"	the proposed acquisition of 51% of the entire issued share capital of Forum (Asia) by the Company from the Vendors;
"Qing Lan CPA"	Qing Lan C.P.A. Limited, an independent reporting accountant engaged by the Company;
"RMB"	Renminbi, the lawful currency of PRC;

"Sale and Purchase Agreement"	the sale and purchase agreement entered into by and among the Company, Forum (Asia), the Vendors and the Ultimate Holders dated 14 November 2016;
"Sale Shares"	510 shares of Forum (Asia) held by the Vendors, among which 502 shares are held by On Board and 8 shares are on held by United Concord, representing 51% of the entire issued share capital of Forum (Asia) as at the date of this circular;
"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;
"Specific Mandate"	the proposed specific mandate to be sought from Shareholders at the EGM to allot and issue a maximum of 166,479,449 Consideration Shares to the Vendors;
"Stock Exchange"	the Stock Exchange of Hong Kong Limited;
"Target Group"	Forum (Asia) and its subsidiaries (if any);
"Ultimate Holders"	Ms. Yuan and Mr. Xing;
"United Concord"	United Concord Investment Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Xing;
"Vendors"	On Board and United Concord;
"Valuation Report"	the valuation report prepared by American Appraisal dated 12 December 2016 in respect of the Proposed Acquisition, full text of which is set forth in Appendix I to this circular; and
"%"	per cent.

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 Yi Zhang
(Chairman and Chief Executive Officer)
Mr. Chau Kwok Keung
Mr. Zhang Zhen

Non-executive Directors:
Mr. Donald Huang
Mr. Wang Yixin

Independent non-executive Directors:
Mr. Leung Ming Shu
Mr. Kang Sun
Mr. Daniel DeWitt Martin

Registered office:
Cricket Square
Hutchins Drive
P.O. 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

12 December 2016

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION PROPOSED ACQUISITION OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF FORUM (ASIA) LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 14 November 2016. On 14 November 2016, the Company, Forum (Asia), the Vendors and the Ultimate Holders entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to acquire 51% of the entire issued share capital of Forum (Asia) at a total maximum consideration of RMB52.02 million from the Vendors. The consideration is to be satisfied by the Company by allotting and issuing new Shares at the Issue Price of HK$0.355 per Consideration Shares to the Vendors under the Specific Mandate to be sought from the Shareholders (unless the Company opted to pay in cash with the consent of the Vendors).

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 Sale and Purchase Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date:

14 November 2016

Parties:

(1) the Company;

(2) Forum (Asia);

(3) the Vendors; and

(4) the Ultimate Holders.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this circular, each of Forum (Asia), the Vendors, and their ultimate beneficial owners (namely, the Ultimate Holders) is a third party independent of the Company and its connected persons.

Interest to be acquired:

Pursuant to the Sale and Purchase Agreement, the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing 51% of the entire issued share capital of Forum (Asia) as of the date of this circular. Upon Completion, Forum (Asia) will become a non-wholly owned subsidiary of Group and held as to 51.05% by the Company or its nominee(s), including the one new ordinary share to be issued and allotted to the Company as disclosed in the paragraph headed "The Deposit" below and the Sale Shares to be acquired by the Company from the Vendors, and accordingly the financial results of Forum (Asia) will be consolidated into those of the Company.

The Deposit

The Company shall pay RMB1 million to Forum (Asia) as an initial deposit ("**Deposit**") on or prior to the 90th calendar day following the date of the Sale and Purchase Agreement. If the Company fails to consummate the Completion, the Company shall pay to Forum (Asia) liquidated damages in an aggregate amount equal to the Deposit and the Deposit shall be applied as such liquidated damages. In the event that the Completion is not consummated other than due to the Company's failure in performing its obligations under the Sale and Purchase Agreement on or prior to the 180th calendar day following the date of the Sale and Purchase Agreement, Forum (Asia) shall promptly return the Deposit to the Company. The Company intends that the Deposit will be injected into Forum (Asia) as share capital upon Completion. Accordingly, upon Completion, Forum (Asia) shall allot and issue one new ordinary share to the Company credited as fully paid by applying the Deposit as the subscription price.

Consideration of the Proposed Acquisition:

The maximum consideration payable by the Company for the Proposed Acquisition shall be RMB52.02 million ("**Maximum Consideration**") and paid in six instalments as set out as follows:

No. of Instalment	Amount of Instalment	Payment Date
First Instalment	Maximum Consideration × (Profit Before Tax for the six month period ending 30 June 2017) ÷ RMB58,000,000	The Company shall pay the First Instalment to the Vendors in proportion to their respective Sale Shares within 60 Business Days after 30 June 2017.
Second Instalment	Maximum Consideration × (Profit Before Tax for the twelve month period ending 31 December 2017) ÷ RMB58,000,000 – the First Instalment	The Company shall pay the Second Instalment to the Vendors in proportion to their respective Sale Shares within 60 Business Days after 31 December 2017.
Third Instalment	Maximum Consideration × (Profit Before Tax for the eighteen month period ending 30 June 2018) ÷ RMB58,000,000 – the First Instalment – the Second Instalment	The Company shall pay the Third Instalment to the Vendors in proportion to their respective Sale Shares within 60 Business Days after 30 June 2018.
Fourth Instalment	Maximum Consideration × (Profit Before Tax for the twenty-four month period ending 31 December 2018) ÷ RMB58,000,000 – the First Instalment – the Second Instalment – the Third Instalment	The Company shall pay the Fourth Instalment to the Vendors in proportion to their respective Sale Shares within 60 Business Days after 31 December 2018.

No. of Instalment	Amount of Instalment	Payment Date
Fifth Instalment	Maximum Consideration × (Profit Before Tax for the thirty month period ending 30 June 2019) ÷ RMB58,000,000 – the First Instalment – the Second Instalment – the Third Instalment – the Fourth Instalment	The Company shall pay the Fifth Instalment to the Vendors in proportion to their respective Sale Shares within 60 Business Days after 30 June 2019.
Sixth Instalment	Maximum Consideration × (Profit Before Tax for the thirty-six month period ending 31 December 2019) ÷ RMB58,000,000 – the First Instalment – the Second Instalment – the Third Instalment – the Fourth Instalment – the Fifth Instalment	The Company shall pay the Sixth Instalment to the Vendors in proportion to their respective Sale Shares within 60 Business Days after 31 December 2019.

The Profit Before Tax (as defined below) for the each of the relevant periods used for calculation of the amount of each Instalment (as defined below) shall be based on the management accounts of Forum (Asia), including items of non-recurring in nature and non-ordinary course of business. Such management accounts shall be subject to final review and confirmation by the Company before the payment of each Instalment.

The First Instalment, Second Instalment, the Third Instalment, the Fourth Instalment, the Fifth Instalment and the Sixth Instalment (together the "**Instalments**" and each an "**Instalment**") are to be satisfied by the Company by allotment and issue of such number of Consideration Shares equal to the amount of the relevant Instalment divided by the Issue Price and rounded to the nearest even number, provided that at the option of the Company with the written consent of both Vendors, any of the Instalments may be satisfied in cash or a combination of cash and Consideration Shares. The Company will issue subsequent announcements in relation to the settlement of each Instalment (including the Profit Before Tax of Forum (Asia)) for the relevant periods in accordance with the Listing Rules.

Issue Price and Consideration Shares

The Issue Price of HK$0.355 per Consideration Share was arrived at after arm's length negotiation between the Company and the Vendors based on the closing price of the Shares on the date of the Sale and Purchase Agreement. Assuming that the Maximum Consideration will be paid and satisfied by the allotment and issue of the Consideration Shares, a total of 166,479,449 Consideration Shares will be allotted and issued by the

Company, representing approximately 10.76% of the issued share capital of the Company as at the date of this circular and approximately 9.72% of the issued share capital of the Company as enlarged by the Consideration Shares. The Consideration Shares will, when fully paid, rank *pari passu* in all respects with the existing issued Shares of the Company upon issuance.

The Issue Price represents:

(i) the closing price of HK$0.355 per Share as quoted on the Stock Exchange on 14 November 2016, being the date of the Sale and Purchase Agreement;

(ii) a discount of approximately 1.93% to the average closing price of HK$0.362 per Share as quoted on the Stock Exchange for the last five trading days up to 11 November 2016; and

(iii) a discount of approximately 2.87% to the average closing price of HK$0.3655 per Share as quoted on the Stock Exchange for the last ten trading days up to 11 November 2016.

The Maximum Consideration has been arrived at on an arm's length basis under normal commercial terms pursuant to the negotiations between the parties after taking into account, among others, the following factors, by multiplying 51%, being the shareholding of Forum (Asia) to be acquired by the Company under the Sale and Purchase Agreement:

(i) the fair market value of the Target Group, which amounted to RMB102 million, as indicated in the Valuation Report prepared by American Appraisal;

(ii) the target consolidated profit before taxation of the Target Group as reported in the management accounts of Forum (Asia) in accordance with International Financial Reporting Standards and as approved by the Company ("**Profit Before Tax**"), being RMB58 million, for the 36 months ending 31 December 2019; and

(iii) the implied multiple of 5.3x based on the Maximum Consideration over annualised target Profit Before Tax.

The Directors are of the opinion that the Maximum Consideration and Issue Price are fair and reasonable and are on normal commercial terms.

Conditions Precedent:

Pursuant to the Sale and Purchase Agreement, the Completion shall be subject to fulfilment of the following conditions on or before the 180th calendar day following the date of the Sale and Purchase Agreement:

(a) the Company having paid the Deposit to Forum (Asia) in accordance with the Sale and Purchase Agreement;

(b) the Company having confirmed that it is satisfied with its due diligence review of the operations, legal and financial affairs of the Target Group in all material respects;

(c) the obtaining of all consents required for the entering into or the implementation or Completion of the Sale and Purchase Agreement by the Company, the Vendors and/or any member of the Target Group or for the performance of their respective obligations hereunder, including, without limitation, the consents (if appropriate or required) of the Shareholders, the Vendors and/or any member of the Target Group (if applicable), the Stock Exchange and the Securities and Futures Commission of Hong Kong and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, or elsewhere which are required or appropriate for the entering into and the implementation of the Sale and Purchase Agreement having been made;

(d) the approval of Shareholders having been obtained at a duly convened Shareholders' meeting of the Company approving the Sale and Purchase Agreement and the transactions contemplated hereunder, including the sale and purchase of the Sale Shares and the allotment and issue of the Consideration Shares; and

(e) the approval of the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange by the Stock Exchange.

Completion:

Completion shall take place on the third Business Day immediately after the conditions as set out above having been fulfilled (or such other date as the parties may agree in writing).

Neither party shall be obliged to complete the sale and purchase of the Sale Shares or perform any obligations hereunder unless the other party hereto complies fully with its obligations relating to Completion as set forth under the Sale and Purchase Agreement.

VALUATION REPORT

The Valuation Report was prepared by American Appraisal, a qualified professional valuer and an Independent Third Party and was issued on 12 December 2016. As disclosed in the Valuation Report, the fair value of the business enterprise value of the Target Group is valued at approximately RMB102 million as of 30 September 2016 primarily through the discounted cash flow analysis as a form of income approach and then adjusting the discount for lack of marketability of 15%. American Appraisal also considered the market approach based on the average of enterprise value ("**EV**") to sales and EV to earnings before interest and tax ("**EBIT**") of the six selected comparable companies identified to cross check the rationality of the value derived from the income approach.

On the basis that the discounted cash flow analysis as a form of income approach and the financial forecast of the Target Group for the years ending 31 December 2017, 2018 and 2019 were primarily used in the valuation, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and the requirements under Rules 14.60A of the Listing Rules are applicable accordingly.

Principal Assumptions

The principal factors and assumptions, including commercial assumptions, upon which the profit forecast and valuation in respect of the Target Company were prepared, are set out below:

- the very early stage of development of the Target Group without any track record;
- the expected revenue, operating expenses, current financial condition and prospective financial information of the Target Group from 1 January 2017 to 31 December 2019;
- the economic outlook for China and specific competitive environments affecting the solar industry;
- the legal and regulatory issues of the solar industry in general;
- the risks of the Target Group;
- the price multiples of the comparable companies identified;
- the experience of the management team and support from its shareholders;
- the cumulative installed capacity of distributed photovoltaic systems in China from 40 gigawatts ("**GW**") in 2015 to 100 GW by 2020;
- the development scale will be 15MW downstream solar projects for the 12 months ending 31 December 2017 and is expected to be increased by 65% in 2018 and further increased by 50% in 2019;
- Cost of revenue is estimated under a per watt basis and expected to diminish at a rate of 10% per annum;
- the 25% corporate income tax rate;
- the working capital requirement based on 9.5% of revenue;

- the risks of the Target Group at the project required rate of return at 18%; and
- the 15% discount on the value of the Sale Shares for lack of marketability.

The full text of the Valuation Report is set out in Appendix I to this circular.

Confirmation from Qing Lan CPA

The Company has engaged Qing Lan CPA as the reporting accountants in connection with the Valuation Report, who has examined the calculations of the discounted future estimated cash flows on which the valuation is based and reported to the Directors as set out in Appendix II to this circular.

Confirmation from the Board

The Directors have confirmed that the profit forecasts underlying the valuation have been made after due and careful enquiry and the text of the letter from the Board is set out in Appendix III to this circular.

Qualifications, Interests and Consents of American Appraisal and Qing Lan CPA

The following are the qualifications of the experts who have given their opinion, letter and advice included in this circular:

Name	**Qualification**
American Appraisal	Independent valuer
Qing Lan CPA	Certified public accountants

To the best of the Directors' knowledge, information and belief, each of Qing Lan CPA and American Appraisal is an Independent Third Party.

As at the date of this circular, neither of Qing Lan CPA nor American Appraisal is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.

Each of Qing Lan CPA and American Appraisal has given and has not withdrawn its consent to the publication of this circular with the inclusion of its opinion, letter and all references to its name in the form and context in which they appear.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

As of the date of this circular, the Group was principally engaged in the manufacturing and sales of solar wafers and related products and provision of processing service for solar products and was one of the few PRC-based solar companies with sizeable overseas production facilities. In September 2016, the Group has completed its acquisition of Joy Boy HK Limited, which marked the beginning of the Group's expansion into the business of downstream solar project development, which the Directors believe would fuel the growth of the Group. As such, the Company intends to explore further opportunities to expand into downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group's existing upstream solar business of the Group. The Proposed Acquisition represents an attractive opportunity for the Group expand into the business of residential rooftop solar project. Thus the Directors (including the independent non-executive Directors) are of the view that the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP, THE TARGET GROUP, THE VENDORS AND THE ULTIMATE HOLDERS

Information about the Group

The Group is principally engaged in the manufacturing and sales of solar wafers and related products and provision of processing services for solar products.

Information about the Target Group

Forum (Asia) is a newly incorporated company with a total issued share capital of HK$1,000 as at the date of this circular and has no historical financial records. Forum (Asia) will establish a wholly-owned subsidiary (the "**Project Company**") in the PRC for the development of residential rooftop solar projects in the PRC. As at the Latest Practicable Date, Forum (Asia) has entered into separate cooperation framework agreements (the "**Cooperation Agreements**") with several PRC companies (the "**PRC Distributors**") which are mainly engaged in the distribution of photovoltaic power generation systems in the PRC. Pursuant to such Cooperation Agreements, the PRC Distributors shall be responsible for the distribution of the photovoltaic power generation systems of Forum (Asia) and the Project Company, representing not less than 3.6 MW and a total sales revenue of not less than RMB24 million during the distribution period commencing from 31 October 2016 to 31 December 2017. It is currently expected that the Target Group will complete approximately 15MW downstream residential solar projects for the 12 months ending 31 December 2017, and no less than 77MW for the 36 months ending 31 December 2019. As Forum (Asia) will mainly purchase solar modules, inverters, frames and cables for the development of residential rooftop solar projects, none of which falls within the production list of the Group, it is expected that Forum (Asia) will not procure from the Group. Since Forum (Asia) will become a subsidiary of the Group and the financials of which will be consolidated to those of the Group as a result, the Group is able to benefit from the profit of the Target Group.

As at the date of this circular, Forum (Asia) was held as to 98.5% by On Board and as to 1.5% by United Concord.

Information about the Vendors and the Ultimate Holders

On Board is an investment holding company wholly-owned by Ms. Yuan. Ms. Yuan has extensive experience in the downstream solar business. She has served in Foshan Qizhi Photoelectricity Co., Ltd.* (佛山旗幟光電有限公司) ("**Foshan Qizhi**") since 2012 and is currently the chairman of the board of directors of Foshan Qizhi, a PRC company principally engaged in the sales of photovoltaic materials, which recorded a revenue of approximately RMB490 million for the year ended 31 December 2015. Ms. Yuan is also a co-founder of Guangdong Nankong Photoelectricity Co., Ltd.* (廣東南控電力有限公司) ("**Guangdong Nankong**"), a PRC company principally engaged in the development of rooftop solar projects since the second half of 2015. Leverage on her extensive industrial experience, Ms. Yuan is familiar with every link of the industry and enjoys enriched resources in both supplier and customer ends.

United Concord is an investment holding company wholly-owned by Mr. Xing. Mr. Xing has extensive experience in the downstream solar business. He has served in Foshan Qizhi since 2012 and is currently the general manager of Foshan Qizhi. Mr. Xing is also a co-founder of Guangdong Nankong. Leverage on his extensive industrial experience, Mr. Xing is familiar with every link of the industry and enjoys enriched resources in both supplier and customer ends.

Upon Completion, the Company will further expand into residential rooftop solar projects through Forum (Asia) and the Project Company. The Group plans to retain the Ultimate Holders as the senior management of Forum (Asia) to oversee its downstream residential solar business, subject to the Board's decision and approval on such appointment(s) and the parties entering into the relevant service agreement(s). Each of the Ultimate Holders has undertaken to the Company that, among other things, upon Completion, neither Foshan Qizhi nor Guangdong Nankong will be engaged in any business which may, directly or indirectly, compete that of the Group, and for so long as the Group is engaged in the downstream solar business or he remains an employee, director or shareholder of the Company, he will not be engaged in any downstream solar business or otherwise compete with that of the Group except for their remaining equity interest in Forum (Asia).

EFFECT ON SHAREHOLDING STRUCTURE

For illustration purpose only, assuming the consideration payable by the Company for the Proposed Acquisition shall be equal to the Maximum Consideration and shall be paid in full by the issue and allotment of the Consideration Shares, the shareholding structure of the Company immediately before and after the issue of the Consideration Shares is summarised as follows *(Note 1):*

	As at the Latest Practicable Date		**Immediately after completion of the issue of the Consideration Shares**	
	No. of Shares	*%*	*No. of Shares*	*%*
Mr. Zhang *(Note 2)*	624,283,550	40.37	624,283,550	36.44
Harmony Gold Venture Corp	154,651,306	10.00	154,651,306	9.03
Shares held by the Vendors:				
On Board	—	—	163,868,007	9.57
United Concord	—	—	2,611,442	0.15
Other Public Shareholders	767,578,200	49.63	767,578,200	44.81
Total	1,546,513,056	100.00	1,712,992,505	100.00

Notes:

(1) The table above assumes no Shares will be issued pursuant to the share option scheme of the Company between the date of the Latest Practicable Date and the Completion.

(2) As at the Latest Practicable Date, Mr. Zhang is the sole shareholder of Fonty and is therefore deemed to be interested in the 576,453,844 Shares held by Fonty. Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee.

The Board considers that the Company can maintain the minimum public float as prescribed by the Listing Rules upon Completion.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 8 July 2016, the Company entered a subscription agreement with Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司) (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to allot and issue 154,651,306 subscription shares at a subscription price of HK$0.46 per Share to the Subscriber or its designated nominee. The subscription has been completed on 18 August 2016 with the 154,651,306 subscriptions shares allotted and issued to Harmony Gold Venture Corp, a wholly-owned subsidiary of the Subscriber, generating the net proceeds of approximately HK$70.4 million, representing a net subscription price of HK$0.45 per subscription share, which was expected to be used for any investment opportunity to be identified by the Group and as general working capital of the Group. As at the Latest Practicable Date, a total amount of HK$35.2 had been used to purchase the raw materials, mainly including polysilions, for the manufacturing of the Group and it was expected that the remaining HK$35.2 would be used for any investment opportunity to be identified by the Group and as general working capital of the Group. Please refer to the announcements of the Company dated 8 July 2016 and 18 August 2016 for further details.

Save as disclosed above, the Company has not raised any fund on any issue of equity securities in the past twelve months preceding the Latest Practicable Date.

APPLICATIONS FOR LISTING

Applications will be made to the Stock Exchange for the grant of listing of and permission to deal in the Consideration Shares.

EGM

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM to allot and issue a maximum of 166,479,449 Consideration Shares to the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement.

A notice convening the EGM to be held at 5/F, BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Hong Kong at 10:00 a.m. on Thursday, 29 December 2016 is set out on pages EGM-1 to EGM-3 of this circular.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has material interest in the Sale and Purchase Agreement and therefore, no Shareholder would be required to abstain from voting at the EGM. 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 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 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 Friday, 23 December 2016 to Thursday, 29 December 2016, 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 branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 22 December 2016.

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 Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are in the best interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of the resolutions for approving the Sale and Purchase Agreements and transactions contemplated thereunder and the granting of the Specific Mandate at the EGM.

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

American Appraisal China Limited
Rooms 701 & 708–710, Gloucester Tower
The Landmark, 15 Queen's Road Central, Hong Kong
美國評值有限公司
香港中環皇后大道中15號
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Tel : 852 2281 0188 Fax : 852 2511 9626

American Appraisal | A Division of DUFF & PHELPS

12 December 2016

Comtec Solar Systems Group Limited
16 Yuan Di Road, Nanhui Industrial Zone
Shanghai

Our Ref.: 73150

Dear Sirs,

Pursuant to the terms, conditions and purpose of an engagement agreement dated 11 October 2016 ("**Engagement Agreement**") between Comtec Solar Systems Group Limited ("**Comtec**" or "**Client**") and American Appraisal China Limited ("**American Appraisal**"), a division of Duff & Phelps Corporation, we were retained to assist the Client in the valuation analysis ("**Valuation**") of business enterprise value of Forum (Asia) Limited ("**Target Company**") as of 30 September 2016 ("**Valuation Date**").

The Target Company is principally engaged in the provision of project development services with specialization in residential rooftop solar power projects in China. It mainly provides one-stop project development services to residential client to build up a solar system at their home and to complete all required regulatory procedures. It provides all equipment and materials for a lump sum fee. The Client contemplates to acquire an aggregate of 51.05% equity interest of the Target Company, which consists of 510 old shares owned by two founders of the Target Company (to be settled by issuing of new shares of Comtec amounted to RMB52.02 million) and 1 new share of Target Company to be issued (to be settled by RMB1 million of cash deposit). As such, the total maximum consideration shall be RMB53.02 million ("**Proposed Transaction**"). The Valuation is prepared based on the prospective financial information, underlying assumptions and information provided by the management of the Target Company and the Client (collectively known as "**Management**"). The Client, with our written consent, would include this report and the concluded value in the circular for its shareholders' approval of the Proposed Transaction. No third party shall have the right of reliance on this report and neither receipt nor possession of this report by any third party shall create any express or implied third party beneficiary rights.

This report identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. In preparing this report, we aim to largely comply with the reporting standards recommended by the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council. The depth of discussion contained in this report is specific to the needs of the Client and for the intended use as stated below. Supporting documentation concerning these matters has been retained in our work papers.

PURPOSE OF VALUATION

The Client intends to acquire an aggregate of 51.05% equity interest in the Target Company. With the Client's approval and as stipulated by the Engagement Agreement in formulating our opinion on the fair value of the business enterprise of the Target Company, we relied upon completeness, accuracy and fair representation of operational, financial information and business plan in relation to the Target Company provided by the Management. Since the Target Company has no historical track record, the fair value of the business enterprise is subject to numerous assumptions adopted in the business plan and prospective financial information. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion would be different. With respect to the prospective financial information regarding the Target Company provided to or otherwise reviewed by or discussed with us, it has been represented by the Management and was assumed for the purposes of this opinion that such analyses and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of the Management as to the expected future results of operations and financial conditions of the Target Company to which such analyses or forecasts relate. We can give no assurances, however, that such financial analysis and forecasts can be realized or that actual results will not vary materially from those projected.

The intended use of the Valuation is to serve as the basis for the compliance of the listing rules in the Stock Exchange of Hong Kong ("**Listing Rules**") and financial accounting purposes. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Company rests solely with the Client. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

STANDARD AND BASIS OF VALUE

The Valuation was prepared on the basis of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is generally interpreted to have the same definition of Market Value in continued use premise as per the IVS, which is defined as the estimated amount at which the company might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns.

Business enterprise is defined for this appraisal as the total invested capital that is equivalent to the combination of long-term debts, shareholders' loans and shareholders' equity. In other words, free cash flow to firm (i.e. free cash flow to both equity holders and debt holders) rather than free cash flow to equity holders should be considered in arriving at a business enterprise value. Alternatively, the *business enterprise* is equivalent to the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net operating working capital and intangible assets of a continuing business. *Equity value* is equivalents to business enterprise value less interest-bearing debts.

COMPANY DESCRIPTION

The Target Company is principally engaged in the provision of project development services with specialization in residential rooftop solar power projects in China. It mainly provides one-stop project development services to residential client to build up a solar system at their home and to complete all required regulatory procedures. It provides all equipment and materials for a lump sum fee. The Target Company has entered into several cooperation framework agreements ("**Cooperation Agreements**") with several companies which will act as distributors ("**Distributors**") of distributed photovoltaic ("**DPV**") systems in local areas of Guangdong Province (which is, the first target province under the strategic business plan). Every distributor is committed to taking up a minimum amount of sales revenue. Currently, six distributors are committed to the distribution arrangement and it is expected that the Distributors would contribute an aggregate of RMB24 million of sales revenue by end of 2017.

ECONOMIC OUTLOOK

The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product ("**GDP**"), exchange rate, and the inflation rate. An overview of the economy of China, where businesses of the Target Company is transacted, was essential to develop this outlook. The following economic discussion was extracted from Economic Intelligence Unit ("**EIU**") "China: Country outlook" issued in 6 September 2016.

ECONOMIC GROWTH: Real GDP grew by 6.7% year on year in January–June 2016, but EIU expects that a modest slowdown in the second half of the year will reduce the full-year rate of expansion to 6.6%. Economic activity so far in 2016 has been driven by strong housing market activity and investment by state-owned enterprises, but EIU expects neither of these drivers to perform as strongly in the coming months. Investment growth will accelerate slightly in 2016 as a whole. EIU expects private consumption growth to slow, but it will remain relatively robust.

INFLATION: EIU expects the annual average rate of consumer price inflation to accelerate from 1.5% in 2015 to 2.3% in 2016. This reflects an upswing in the pork price cycle and the effect of widespread flooding in mid-2016 on food prices. Subsequently, consumer prices are forecasted to increase by an average of 2% a year in 2017–2020. The renminbi's depreciation over most of the forecast period and higher global commodity prices in 2017–2018 — notably for oil-will put upward pressure on prices. However, widespread overcapacity in many industrial sectors, agricultural production and housing supply will act to constrain rapid increases. Producer prices will continue to fall in 2016–2017, declining by an annual average of 2.2%. Rising global commodity prices, as well as higher domestic wages and utility costs, will serve to push producer price inflation back into positive territory in 2018–2020, but excess capacity will still suppress price growth.

EXCHANGE RATES: The renminbi is forecasted to trade at a relatively weak RMB6.90: USD1 on average in 2016–2020. The People's Bank of China (the central bank) has taken steps to move away from the renminbi's crawling peg to the US dollar and towards a more flexible exchange-rate regime; the publication in December 2015 of an official trade-weighted exchange-rate index signaled an intention to manage the renminbi's value against a basket of currencies. However, the mechanics of exchange-rate management remain opaque and the authorities still favor a stable renminbi: US dollar exchange rate during periods of market volatility.

INDUSTRY OVERVIEW

The industry discussion below was extracted from "Top Solar Power Industry Trends for 2015" issued by iHS in 2015 and a translated extraction from a report entitled "Status and Prospect of Chinese Distributed Photovoltaic Power Generation System" published by Chinese Academy of Science in January 2016.

Top Solar Power Industry Trends for 2015

President Xi Jinping's administration has been supportive of carbon-free technologies including both wind and solar power systems. However, since China's initial model of rolling out some of the largest utility-scale PV plants in the world has been limited — by the country's grid capacity on the one hand, and on the other by the location of prime areas for solar generation ranged against the largest cities with the greatest demand for power — China has pinned great hopes on the development of DPV. DPV systems are smaller, generally rooftop systems that typically provide at least some of the power they produce to the buildings on which they are located. China has been promoting DPV since 2012 as a new format of PV deployment in China.

IHS believes that China's position as the largest PV market in the world will continue from 2015 to 2017. The latest announcement from the government is the 13th Five-Year Plan (2016–2020) for solar development, which targets 100GW of accumulative installations by 2020.

With 12.5 gigawatts ("**GW**") of installations forecast in 2014, cumulative installations at the end of 2014 will reach approximately 30GW. This leaves China a substantial 70GW to complete in six years if it is to meet its target. Given China's history of exceeding targets, IHS forecasts that actual installations will exceed this amount.

On a national level, investors are now given the security of being able to switch to a feed-in tariff ("**FiT**") incentive model if the DPV inventive scheme does not turn out to be profitable. In this case, the system owner can apply to be switched onto the national FiT scheme, which offers a high price-per-kWh for electricity exported.

IHS has also noted increased interest in owning DPV systems, and companies such as SF Holdings, which has been active in buying ground-mounted PV systems, are also starting to own DPV systems. This increased appetite for investing in DPV systems will further boost the DPV market. Some solar developers in China have already begun to test the possibilities of promoting third-party ownership and a solar leasing model in China. While this model, which has transformed markets like the United States, could have a hugely positive impact on the Chinese market, it has had very little impact to date.

Overall, IHS foresees many challenges ahead for China's ambitious plans for DPV, and growth is likely to fall in light of the nation's aggressive targets. Even so, the market is clearly beginning to build momentum, and policies and business models are helping to accelerate growth.

Status and Prospect of Chinese Distributed Photovoltaic Power Generation System

With the large-scale implementation of the "Golden Sun Demonstration Program" and the "Photovoltaic Construction Application" in 2009, the cumulative installed capacity of the China's DPV power generation systems (including off-grid PV), by the end of 2014, attained 5GW. In spite of the rapid development of DPV systems, however, DVP systems only accounted for 17.62% of the cumulative installed capacity of the overall PV power generation systems in China.

In 2013, the National Energy Board adjusted the PV development strategy, and shifted to focusing on the development of DPV by stating an expected cumulative installed PV capacity of 35GW by the end of 2015.

In light of the installed capacity in 2013 and the speed of the current development of DPV systems, the cumulative installed capacity was expected to reach 40GW in 2015 and 100GW in 2020. Given the fast pace of the development of the DPV system, it was expected that DPV systems will account for 48.75% of the total installed capacity in 2015 and will further exceed ground-mounted solar power plants and reach 56.0% in 2020.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the history, operations and prospects of the business of the Target Company, an overview of certain financial data, an analysis of the industry and competitive environment, analysis of historical and prospective financial results, an analysis of comparable transactions and review of transaction documents, operating statistics and other due diligence documents. We made reference to or reviewed the following major documents and data:

- A drafted version of sales and purchase agreement to acquire the 51.05% equity interest in the Target Company;
- Cooperation Agreements entered between the Target Company and Distributors engaged in the distribution arrangement;
- Related government policies in the solar industry in China;

- Prospective financial information indicating key revenue, cost, operating expenses, capital expenditure and taxes relevant to the Target Company for the period from 1 January 2017 to 31 December 2019 ("**Financial Projection**") prepared by the Management;

- Economic and industry research cited herein this letter where referenced; and

- Other relevant documents.

We assumed that the data we obtained in the course of the Valuation, along with the opinions and representations provided to us by the Management are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- the very early stage of development of the Target Company without any track record;

- the expected revenue, operating expenses, current financial condition and prospective Financial Projection;

- the economic outlook for China and specific competitive environments affecting the solar industry;

- the legal and regulatory issues of the solar industry in general;

- the risks of the Target Company;

- the price multiples of the comparable companies identified; and

- the experience of the management team and support from its shareholders.

Due to the changing environments in which the Target Company is operating, a number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this Valuation:

- there will be no major changes in the laws, rules or regulations, financial, economic, market and political conditions where the Target Company operates which may materially and adversely affect its business;

- solar energy will not be substantially replaced or made obsolete by other sources of energy;

- regulatory environment and market conditions for solar industry will be developed according to prevailing market expectations;

- there will be no major changes in the current taxation law in China;

- The Target Company will fulfill all legal and regulatory requirements necessary to conduct its business;
- The Target Company will not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;
- there will not be any adverse events beyond the control of the Management, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect its operation;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
- The Target Company will retain competent management, key personnel and technical staff for its operations and the relevant shareholders will support its ongoing operations.

VALUATION METHODOLOGY

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to value. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business. Thus this method is not utilized in the Valuation. In this case, we will rely on the income approach while the guideline company method ("**GCM**") under the market approach will be served as a sanity check. We consider that the departure from the IVS, in respect of using various approaches to arrive at a valuation conclusion and the reliance on income approach only are permitted based on the reasons above and will not render the indicative value so derived not credible for intended use of this report. From the Management's point of view, the value derived from the income approach is considered reasonably sufficient for the purpose of disclosure. The Management is also fully aware of our scope of work.

It is acknowledged that guidance in Accounting Standard Codification ("**ASC**") 820 published by Financial Accounting Standard Board in United States, suggests that the market approach is the preferred approach when appropriate data is available in sufficient quantity and quality. Most start-ups are not near IPO or acquisition, however, so there is generally not sufficient information to implement the market approach to determine the enterprise value for start-up enterprises.

In accordance with "Valuation of Privately-Held-Company Equity Securities Issued as Compensation" issued by AICPA in 2013, a valuation specialist may be able to obtain financial forecast information that is more reliable than comparable information obtained in earlier stages and therefore, may have a reasonable basis for application of the income approach. In addition, it is discussed that a market approach may be difficult to apply, given the lack of publicly traded start-up enterprises from which to obtain comparable information. As a result, we concluded the application of income approach is appropriate in the valuation of the Target Company.

INCOME APPROACH

Discounted Cash Flow method ("**DCF**") of the income approach was used to value the business enterprise of the Target Company. This method explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

We adopted the Financial Projection prepared by the Management from 2017 to 2019 and extrapolated to year 2023. Major assumptions of the adopted in the Financial Projection are set out below:

Revenue

The Target Company is principally engaged in the provision of project development services with specialization in residential rooftop solar power projects in China. It mainly provides one-stop project development services to residential client to build up a solar system at their home and to complete all required regulatory procedures. It provides all equipment and materials for a lump sum fee. Revenue is the multiplication product of estimated development scale and the average selling price ("**ASP**") on a per watt basis, minus the business tax and surcharges at a rate of 17%. An independent research on the ASP has been performed. Extensive market research on the retail prices for the installation of the solar module for residential use were collected from the public websites of Taobao, Alibaba and Jingdong. It was concluded that the ASP (inclusive of business tax and surcharges at 17%) is in a range of RMB7 per watt to RMB14 per watt, approximately. ASP varies according to the specification of the DPV solar system content and the brand name effect of the solar module suppliers. Taking into consideration of the specification of the solar system and it takes time to build up its own brand name, it is determined that the ASP (inclusive of business tax and surcharges at 17%) adopted in the Financial Projection in 2017 is at RMB7 per watt.

According to the Management, owing to the residential nature of the solar projects, in addition to direct sales of solar project development services, there will be distribution arrangements through which, Distributors with their well-established networks in their respective areas, will act as intermediaries in generating the sales ("**Franchise Sales**"). It is expected that, with the distributing networks under the distribution arrangement, majority of sales revenue will be generated from this revenue source.

The expected development scale will be 15MW residential downstream solar projects for the 12 months ending December 31, 2017. Six Distribution Agreements contributing to an aggregate of 3.6MW are in place currently. The Target Company has a business plan to increase the development scale by 65% in 2018 and further increase by 50% in 2019. ASP per watt is expected to diminish from 2017 to 2019 at a rate of 10% per annum according to Management's best estimation. The revenue after 2019 is further extrapolated in 2020 until 2023, in which, annual growth rate gradually reduces to reach the perpetual growth rate. According to a textbook namely "From Innovation to Cash Flows: Value Creation by Structuring High Technology Alliances" by Wiley Online Library published in 2009, The Perpetual Constant Growth Model is listed as one of the ways in estimating a company's terminal value. Between the high growth stage as a startup company and the terminal growth stage, the reduction of annual growth rate by half is a technique commonly adopted in valuation practice, considering an enterprise has past the high growth stage and is gradually approaching a stable growth period until the terminal year. The revenue forecast and basis are shown below:

Years ending 31 December	**2017 Forecast**	**2018 Forecast**	**2019 Forecast**
Revenue	86,752	128,827	173,916
Annual growth rate		48.5%	35.0%
CAGR, 2017–2019	41.59%		
Revenue breakdown by products (RMB'000)			
Direct Sales	29,915	44,423	59,971
Franchise Sales	56,838	84,404	113,945
Total	86,752	128,827	173,916
Growth Rate Assumption			
Direct Sales		49%	35%
Franchise Sales		49%	35%

Years ending 31 December	2017 Forecast	2018 Forecast	2019 Forecast
Sales Volume (MW)			
Direct Sales	5	8	12
% of growth		*65%*	*50%*
Franchise Sales	10	17	25
% of growth		*65%*	*50%*
Unit Price (RMB/watt) excl. of business tax			
Direct Sales	6.0	5.4	4.8
% of change		*–10%*	*–10%*
Franchise Sales	5.7	5.1	4.6
% of change		*–10%*	*–10%*

Cost of revenue

Cost of revenue refers to the construction costs of the downstream solar power projects. Construction costs comprised of the material costs and installation costs. Similarly, cost of revenue is estimated under a per watt basis and it is expected that the cost per watt will diminish at a rate of 10% per annum.

Operating expenses

Operating expenses are mainly related to the payroll, travelling, meal, entertainment expenses for business purpose. Also, they include the back office rental, payroll of supporting staff and depreciation. These expenses will increase following the scale of operation in the future. The estimation is based on the expected human resources required, the respective payroll estimation and associated expenses, plus annual cost inflation expectation.

Interest expense

Cost of revenue is expected to be partially financed by short-term loan borrowings. As such, interest expense is estimated by 1-year best lending rate in China with 30% markup times the loan balance.

Corporate income tax

The Target Company is subject to 25% corporate income tax rate in China.

Capital expenditure

The initial capital expenditure will be RMB0.5 million to purchase office equipment and vehicles with useful life of 10 years. Going onwards, minimal maintenance capital expenditure (calculated from 0.5% of revenue in each year) will be spent.

Working capital

Working capital is estimated by Management based on the expected turnover days in accounts receivable (approximately 30 days), accounts payable (approximately 30 days), inventory turnover days (approximately 30 days) and daily cash requirement for operating purpose (approximately 30 days). These implies the working capital requirement based on 9.5% of revenue. Such ratios are expected to be kept stable in the future.

Terminal year

Perpetual growth rate from 2023 onwards was assumed to be 3% per annum, which is an indication of global long-term inflation rate.

The forecast adopted in the DCF is shown below:

As of September 30, 2016 **Years ending 31 December**	**Forecast** **2017**	**Forecast** **2018**	**Forecast** **2019**
Revenue	86,752	128,827	173,916
Cost of Revenue	(62,115)	(92,241)	(124,526)
Gross Profit	24,637	36,586	49,391
Operating Expenses	(11,278)	(16,748)	(22,609)
Earnings Before Interest & Tax (EBIT)	13,359	19,838	26,781
Non-Operating Income/(Expenses)	—	—	—
EBIT After Non-Operating Income/ (Expenses)	13,359	19,838	26,781
Net Interest Income/(Expenses)	(448)	(664)	(896)
Earnings Before Tax (EBT)	12,911	19,174	25,885
Income Tax Expense	(3,228)	(4,794)	(6,471)
Net Income	9,683	14,380	19,414

The fair value of the business enterprise of the Target Company was then calculated by adding the present values of the projected yearly free cash flow between 2017 and 2023 and the terminal free cash flow value after 2023. The present values were derived by discounting the free cash flow by a discount rate that was appropriate for the risk of investing in the project.

Discount rate

The rate at which the annual net cash flows discounted to present value is based on the estimated weighted average cost of capital ("**WACC**"), which incorporates the cost of equity and debt, weighted by the proportionate amount of each source of capital in the capital structure.

WACC Computation:

WACC = Ke* (Eq/IC) + K_d* (D/IC)

Where:

K_e	=	Cost of equity
Eq	=	Equity
IC	=	Invested capital (equity plus all interest bearing debt)
K_d	=	After-tax cost of debt
D	=	Debt

The cost of equity for the valuation was developed through the application of the Capital Asset Pricing Model ("**CAPM**"), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk ("**Beta**") times equity market premium in general. The guideline companies which focusing mainly in the downstream solar industry are:

- Sunrun Inc. ("**Sunrun**") provides solar energy solutions. The company installs, monitors, and maintains solar panels on homeowners' roofs to supply solar electricity. Sunrun serves customers in the United States.

- Vivint Solar Inc. ("**Vivint**") provides renewable energy. The company designing, installing, and maintaining affordable solar solutions in the United States.

- SolarCity Corporation ("**SolarCity**") offers solar power energy services. The company provides design, financing, installation, monitoring, and energy efficiency services. SolarCity serves homeowners, businesses, schools, non-profits, and government organizations in the United States.

- SunPower Corporation ("**SunPower**") is an integrated solar products and services company that designs, manufactures and markets high-performance solar electric power technologies.

- First Solar, Inc. ("**First Solar**") designs and manufactures solar modules. The company uses a thin film semiconductor technology to manufacture electricity-producing solar modules.

- China Singyes Solar Technologies Holdings Ltd. ("**Singyes**") manufactures glass and stone curtain walls and solar energy products. The company produces solar powered bus shelters, solar powered street lighting, solar powered pumping systems, and other products.

These companies were used in estimating the beta for the Target Company and, in turn, the cost of equity.

It is acknowledged that there is no perfectly match comparable companies and pure play solar project developer listed in major capital markets. The selection of the above comparable companies is based on the selection of public listed companies with majority business engaged in the similar business operation as the Target Company. Based on the latest public filing of respective comparable companies, the revenue contribution from sales of solar energy systems and products of selected comparable companies are listed below (five out of six reached 30% or above). The higher the percentage means the more similar with the Target Company in terms of business scope. From the table below, despite Vivint Solar Inc.'s revenue contribution from sales of solar energy systems and products were less than 10% in 2015, it is selected as one of the comparable companies given both its product offering and its relatively small market capitalization (USD340 million as of the Valuation Date) among the selected comparable companies, which is having a size of operation close to the Target Company.

Comparable companies	% of solar energy systems and product sales, construction contracts in solar EPC in 2015	% of solar energy systems and product sales in 2014
Sunrun	61%	58%
Vivint	5%	14%
SolarCity	27%	32%
SunPower	42%	66%
First Solar	100%	100%
Singyes	67%	69%

Source: annual reports

Based on the empirical study, the actual return of a company normally exceeds the return as estimated by CAPM. In general, the smaller the size of a company, the higher the actual return would be. Small size risk premium of 3.58% was added to cost of equity based on the empirical study of similar size of the Target Company. In addition, CAPM only capture systematic risks, which cannot be diversified through holding a portfolio of investments. In valuing a particular business, company-specific risk premium should be considered. Taking into the consideration of the stage of development and competitive environment in China, a risk premium of 3.7% was added. Following is the derivation of cost of equity (K_e):

$$K_e = R_f + MRP \times Beta + ID + CD + SSR + CSR$$

Where:

			US	HK
R_f	=	risk-free rate, based on the yield of government bond in respective countries with the longest maturity available	2.45%	1.05%
MRP	=	market risk premium, which is the return the market portfolio is expected to generate in excess of the risk-free rate. Based on the US ERP study delineated in "2016 Valuation Handbook — Guide to Cost of Capital" that the US ERP is 7.14%. To compute the ERP for other countries, we calculate the index volatility of respective countries versus S&P 500, and the ERP of respective countries is computed by multiplying the volatility factor and the US ERP. For instance, the volatility of Hang Sang Index over the volatility of S&P 500 is 1.2. We then multiply 1.26 to 7.14% to arrive 9.0% for the ERP in Hong Kong.	7.14%	9.00%
Beta	=	the "beta coefficient" that measures the relative risk of the asset being valued as compared to the risk of the market portfolio. It is computed by regressing returns on a comparable security on returns for the market index. It is a measure of the systematic risk of the asset. They are collected from Bloomberg.	1.42	0.87
ID	=	Interest rate differential: being the difference in risk free rates between countries of the comparable companies and China	0.8%	2.2%
CD	=	Country risk differential: measured by (a) the default risk differential in the respective countries and (b) volatility differential between bond and stock. The differential between the default risk spread of respective countries compared to China, and it maybe a decrease or increase to the cost of equity. Default risk spreads were extracted from annual publication from Damodaran on the web site (http://pages.stern.nyu.edu/~adamodar/).	1.1%	0.4%
		Cost of equity before SSR and CSR:	14.5%	11.5%
		Average cost of equity before SSR and CSR:	13.0%	

			US	HK
SSR	=	small company risk premium taken from empirical study. SSR was extracted from the study delineated in "2016 Valuation Handbook — Guide to Cost of Capital".	3.58%	
CSR	=	company-specific risk premium; it was computed based on the in-house developed CSR table which taken into account the various objective factors pertaining to the Target Company, for instance, history of the subject, the product diversity, degree of competition, supplier and end-user dependence, etc.	3.70%	
		Overall cost of equity (rounded)	= 20.30%	

Another component of WACC is after-tax cost of debt, which is based on the long-term best lending rate in China at 4.9% and the standard tax rate of 25%. As the ultimate target debt proportion of the Target Company is 15%, WACC is 85% financed by equity. WACC was then computed by summing the weighted cost of equity and after-tax cost of debt based on the company's target debt-to-equity ratio. As such, our analysis concludes that a discount rate of 18.0% is considered appropriate for valuing the Target Company.

Lack of Marketability Discount ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In the Valuation, we adopt 15% which is the differential in the price earning multiple when acquiring a public company versus a private company in the public transactions summarized in the Mergerstat Review, published by Business Valuation Resources, which offers premier products and services to the business valuation profession. Mergerstat Review is an annual compilation of statistics and analysis of mergers and acquisitions involving U.S. companies, including privately held, publicly traded and cross-border transactions. Each annual edition sources from Mergerstat's leading global mergers and acquisitions database; expert analysts verify all data and one can rely on Mergerstat's superior 40-year reputation for comprehensive and accurate research.

Value indicated by the income approach

The above key inputs and assumptions result in the values indication for the Target Company of approximately RMB102 million.

MARKET APPROACH AS A SANITY CHECK

We calculated the enterprise value of the guideline companies mentioned in previous section. Enterprise value ("**EV**") is defined as the sum of market capitalization plus total interest bearing debts less cash plus minority interest and preferred equity. Market capitalization as of the Valuation Date was obtained whereas other balance sheet figures were extracted from the latest book value. We then calculated the EV to revenue ("**EV/revenue**") and EV to earnings before interest and tax ("**EV/EBIT**") based on the estimated 2017 financial performance of the comparable companies obtained from Bloomberg.

Comparable Companies		EV Million (A)	2017 Estimated Revenue Million (B)	2017 Estimated EBIT Million (C)	EV/revenue =A/B	EV/EBIT =A/C
Sunrun Inc	USD	1,510.43	641.11	–198.40	2.36	N/A
Vivint Solar Inc	USD	1,128.81	224.86	–185.50	5.02	N/A
SolarCity Corp	USD	6,142.28	1,005.00	–939.60	6.11	N/A
SunPower Corp	USD	2,823.99	3,024.93	–6.90	0.93	N/A
First Solar Inc	USD	2,608.17	2,940.33	193.00	0.89	13.51
China Singyes Solar Technologies Holdings Ltd	RMB	5,933.88	6,294.00	848.29	0.94	7.00
				Average	2.71	10.25
				Median	1.65	10.25

We divide the enterprise value from the income approach by the revenue and EBIT of the Target Company in the latest coming financial year, i.e. 2017. The implied multiples are set out below and it is indicated that the implied multiples fall within the range of those comparable companies.

EV RMB'000 (A)	Revenue RMB'000 (B)	EBIT RMB'000 (C)	EV/revenue =A/B	EV/EBIT =A/C
102,000	86,752	13,359	1.18	7.64

CONCLUSION

Based upon the investigation and analysis outlined above and on the valuation method employed, it is our opinion that as of the Valuation Date, the fair value of the business enterprise of the Target Company based on the above methodology is reasonably represented by the amount of RENMINBI ONE HUNDRED AND TWO MILLION (RMB102,000,000) ONLY.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We do not provide assurance on the achievability of any financial results estimated by the Target Company and the Client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Client and the Target Company or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Ricky Lee
Managing Director

Note: Mr. Ricky Lee ("**Mr. Lee**") has been involved in business enterprise and intangible asset valuation services for the purposes of joint venture, merger & acquisition and public listing for over fifteen years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst. Mr. Lee was in charge of the financial valuations including business enterprises, intangible assets and share options, etc. for United Photovoltaics Group Limited (686.HK), China Smarter Energy Group Holdings Limited (1004.HK), Shunfeng Photovoltaic International Limited (1165.HK), Canadian Solar Inc. (CSIQ.US) and Yingli Green Energy Holding Company Limited (YGE.US).

This valuation was prepared under the supervision of Mr. Lee as project-in-charge with significant professional assistance from Mr. Kenneth Kei and Ms. Cathy Pun.

ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN FORUM (ASIA) LIMITED

TO THE DIRECTORS OF COMTEC SOLAR SYSTEMS GROUP LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by American Appraisal China Limited dated 12 December 2016, of a 51.05% equity interest in Forum (Asia) Limited as at 30 September 2016 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and was included in an announcement dated 12 December 2016 which was issued by Comtec Solar Systems Group Limited (the "**Company**") in connection with the acquisition of 51.05% equity interest in Forum (Asia) Limited (the "**Announcement**").

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of Forum (Asia) Limited.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Qing Lan C.P.A. Limited
Certified Public Accountants

Hong Kong

12 December 2016

The following is the text of the letter issued by the Board dated 12 December 2016 which was prepared for inclusion in this circular.

12 December 2016

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

Dear Sirs,

Re: Discloseable transaction — Proposed Acquisition of 51% of the Entire Issued Share Capital of Forum (Asia) Limited involving Issue of Consideration Shares under Specific Mandate

We refer to the valuation report dated 12 December 2016 ("**Valuation Report**") regarding the fair value of Forum (Asia) Limited and its subsidiaries ("**Target Group**") prepared by an independent valuer, American Appraisal ("**Valuer**"), the valuation of which constitute a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed and discussed the basis and assumptions upon which the valuation of the business enterprise value of the Target Group has been carried out with the Valuer and the independent accountants of Comtec Solar Systems Group Limited ("**Company**"), Qing Lan C.P.A. Limited ("**Independent Accountants**"), Certified Public Accountants. We have also considered the letter from the Independent Accountants dated 12 December 2016 regarding the calculations of the profit forecasts in the Valuation Report.

On the basis the above, we confirm that the profit forecasts underlying the valuation the business enterprise value of the Target Group as contained in the Valuation Report have been made after due and careful enquiry.

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

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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Comtec Solar Systems Group Limited (the "**Company**") will be held at 5/F, BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Hong Kong at 10:00 a.m. on Thursday, 29 December 2016 to consider and, if thought fit, passing, with or without modifications, the following ordinary resolution of the Company. Unless otherwise defined, capitalised terms shall bear the same meaning as those in the circular of the Company dated 12 December 2016.

ORDINARY RESOLUTION

"**THAT**

(a) the Sale and Purchase Agreement entered into between the Company, Forum (Asia) Limited, the Vendors and the Ultimate Holders dated 14 November 2016, pursuant to which the Company has conditionally agreed to acquire 51% of the total entire share capital of Forum (Asia) at a total maximum consideration of RMB52.02 million, which will be satisfied by the Company by allotting and issuing up to 166,479,449 Consideration Shares to the Vendors at an issue price of HK$0.355 per Consideration Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the Directors be and are hereby granted a Specific Mandate to exercise the powers of the Company to allot and issue up to 166,479,449 Consideration Shares to the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreement, where such Consideration Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue and the Specific Mandate is in addition to, and shall not prejudice nor revoke, any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

(c) any one Director be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, appropriate, expedient or desirable for the purpose of or in connection with the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the allotment and issue of Consideration Shares, provided that all such things and acts shall be limited to administrative nature and ancillary to the implementation of the Sale and Purchase Agreement."

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

Hong Kong, 12 December 2016

As at the date of this notice, the directors of the Company are Mr. John Yi ZHANG, Mr. CHAU Kwok Keung and Mr. Zhang Zhen as executive directors, Mr. Donald HUANG and Mr. Wang Yixin 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.

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. The transfer books and register of members of the Company will be closed from Friday, 23 December 2016 to Thursday, 29 December 2016, both days inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the extraordinary general meeting. 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 branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 22 December 2016.

4. 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.

5. 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.