



**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

Interim Report  
**2014**



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## Corporate Information

### DIRECTORS

#### Executive Directors

Mr. John Zhang  
Mr. Chau Kwok Keung  
Mr. Shi Cheng Qi

#### Non-executive Director

Mr. Donald Huang

#### Independent non-executive Directors

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

### COMPANY SECRETARY

Mr. Chau Kwok Keung (HKICPA, ACCA, CFA)

### AUTHORISED REPRESENTATIVES

Mr. John Zhang  
Mr. Chau Kwok Keung

### AUDIT COMMITTEE

Mr. Leung Ming Shu (*Chairman*)  
Mr. Daniel DeWitt Martin  
Mr. Kang Sun  
Mr. Donald Huang

### NOMINATION COMMITTEE

Mr. John Zhang (*Chairman*)  
Mr. Daniel DeWitt Martin  
Mr. Kang Sun  
Mr. Donald Huang  
Mr. Leung Ming Shu

### REMUNERATION COMMITTEE

Mr. Leung Ming Shu (*Chairman*)  
Mr. John Zhang  
Mr. Kang Sun  
Mr. Donald Huang  
Mr. Daniel DeWitt Martin

### CORPORATE GOVERNANCE COMMITTEE

Mr. John Zhang (*Chairman*)  
Mr. Chau Kwok Keung  
Mr. Leung Ming Shu  
Mr. Donald Huang

### SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Zhang (*Chairman*)  
Mr. Chau Kwok Keung  
Mr. Donald Huang

### REGISTERED OFFICE

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

### HEADQUARTER

16 Yuan Di Road  
Nanhui Industrial Zone  
Shanghai 201314  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### COMPANY'S WEBSITE

[www.comtecsolar.com](http://www.comtecsolar.com)

### AUDITOR

Deloitte Touche Tohmatsu



## Corporate Information

### LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

### PRINCIPAL BANKS

Agricultural Bank of China  
The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Financial Summary

### RESULTS

	Six months ended 30 June				
	2014	2013	2012	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover	520,449	471,000	456,242	574,736	429,062
Profit (Loss) before interest expense and taxation	12,913	(2,621)	(95,066)	145,531	84,577
Interest expense	(9,798)	(9,476)	(23,077)	(7,997)	(3,799)
Profit (Loss) before taxation	3,115	(12,097)	(118,143)	137,534	80,778
Taxation	(125)	(25)	(2,988)	(35,910)	(12,219)
Profit (Loss) and total comprehensive income (expense) for the period, attributable to the owners of the Company	2,990	(12,122)	(121,131)	101,624	68,559

### ASSETS AND LIABILITIES

	As at	As at	As at	As at	As at
	30 June	31 December	31 December	31 December	31 December
	2014	2013	2012	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total assets	2,581,630	2,608,545	2,440,099	2,654,773	1,912,392
Total liabilities	(976,032)	(1,083,732)	(975,413)	(1,000,996)	(401,049)
Net assets	1,605,598	1,524,813	1,464,686	1,653,777	1,511,343



## Chairman Statement

On behalf of Comtec Solar Systems Group Limited, I hereby present the unaudited interim results of the Group for the six months ended 30 June 2014. During the Period, uncertainties from international trade conflicts between China and overseas countries intensified. The international business environment for PRC-based solar manufacturing companies became more challenging. Our strategy to build production facilities in Malaysia enabled us to mitigate risks and costs in relation to such conflicts and any changes in trade policies. We are now one of the few PRC based solar companies with production facilities in overseas countries. It would strengthen our competitive advantages to yield new customers.

Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB520.4 million (corresponding period in 2013: RMB471.0 million);
- Gross profit for the Period was approximately RMB43.5 million (corresponding period in 2013: RMB40.5 million);
- Gross profit margin for the Period was approximately 8.3% (corresponding period in 2013: 8.6%);
- Net profit for the Period was approximately RMB3.0 million (corresponding period in 2013: net loss of RMB12.1 million);
- Adjusted net profit for the Period was approximately RMB8.9 million by excluding the other gains of approximately RMB9.5 million and the non-cash share-based payment expenses of approximately RMB15.4 million;
- Earnings per Share for the Period was approximately RMB0.2 cent (corresponding period in 2013: loss per Share of RMB1.0 cent);
- Wafer shipment for the Period was approximately 190.1 MW, representing an increase by approximately 5.8% from approximately 179.6 MW for the corresponding period in 2013; and
- The Group controlled net debt to equity ratio to be 3.1% as of 30 June 2014.



## Chairman Statement

Before our 300MW new facilities in Malaysia are fully ramp up and running, we achieved wafer shipment growth of approximately 5.8% from 179.6 MW for the corresponding period in 2013 to 190.1 MW for the Period. We continued to focus on our premium “Super Mono Wafers” which only have limited suppliers qualified by the major international customers in the market. Based on the feedback from our major customers, the high efficient solar cell with our “Super Mono Wafers” has reported to have over 25% conversion efficiency. We expect the product specifications and cost competitiveness of “Super Mono Wafers” would continue to improve in the coming few years. Our customers increasingly realize the benefits of buying high efficient solar wafers to improve their costs competitiveness and to achieve reliable product performance. It strengthens the demand and provides further business opportunities to our premium products.

During the Period, we continued to increase shipments to a reputable Japan-based customer. We also commenced shipment to Mission Solar Energy LLC (“Mission Solar”) under the long term agreement signed in December 2013. Our existing customers have indicated their plans to expand production capacities and we expect the demand from them would continue to increase. We are also committed to explore new customers. Credit to our proven abilities to manufacture more advanced and efficient products and our successful track record to complete qualification process with global leading solar cell manufacturers, we established strong reputations and marketing channels to attract new customers. We are in the process of qualification with two new customers headquartered in the United States. The more rigid and complicated requirements in the qualification process differentiates us in the market and strengthens the barrier to entry to our business.

Our top five customers in the Period contributed approximately 77.4% to our total revenues, compared to approximately 76.4% in the corresponding period last year. The sales to the largest customer in Philippines with the high quality “Super Mono Wafers” accounted for approximately 50.8% of our total revenues in the Period, as compared to approximately 61.1% in the corresponding period in 2013.

During the Period, 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. We expect to see further cost reductions in the coming quarters. The accumulated experiences from massive production of “Super Mono Wafers” as well as our strategic research and development cooperation with existing customers continue to drive down our production costs by technology advancements. After our 300MW facilities in Malaysia are fully ramp up and running, we expect our production cost would be further reduced. We would leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for our customers.



## Chairman Statement

Given the current industry environment, it is clear that strict financial discipline is essential to success and we believe diligence in financial matters will separate the winners from the rest. On 4 April 2014, Fonty, Mr. John Zhang, the Company and Sky Villie Investments Limited, ASM Connaught House Fund LP and ASM Hudson River Fund, (“the Placees”) entered into a placing and subscription agreement pursuant to which the Placees agreed to purchase 59,541,985 Shares (“the Placing Shares”) from Fonty at the placing price of HK\$1.31 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription Shares which is equivalent to the number of the Placing Shares at the price of HK\$1.31 per Share. The subscription price for the subscription represented a discount of 7.5% to the closing price of HK\$1.42 per Share as stated in the Stock Exchange’s daily quotations sheet on 4 April 2014. The net placing price, after deduction of placing commission and all other fees and expenses, was HK\$1.30 per Share. Approximately HK\$77.0 million was raised from the subscription to fund any investment opportunities identified by the Group and as general working capital of the Group. Further details of these transactions are set out in the Company’s announcement dated 4 April 2014. We would implement a balanced financing plan to support the operation of our solar wafer business.

Coupled with our disciplined financial and operational initiatives, we maintained a solid financial position during the Period. We controlled the net debt to equity ratio as 3.1% as of 30 June 2014. Our solid financial positions enable us to pursue growth opportunities. We believe we are well positioned to maximize our benefits from the industry consolidation process.

In June 2014, we commenced the trial production in our Malaysia plant. In addition, we are currently working with our existing customers to qualify our new production facilities. We expect it would be completed in the second half of 2014. The Group plans to further expand production capacity in Malaysia from 300 MW to 600 MW in 2015. It would enable us to further lower the production costs and to increase the scale of operation. We expect the demand on “Super Mono Wafers” would continue to increase strongly in coming few years. We are in the process of evaluating various opportunities for purchasing low-cost equipments for our expansion which can maximize our advantages from the industry consolidation process.

During the last few years, the costs of solar power keep decreasing. It has accelerated the industry’s progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The costs of solar power are now below user-paid rates for increasing number of markets and user categories. We believe that lower PV system costs will drive the adoption of solar power and long-term market growth. In 2014, we are optimistic that solar PV demand would continue to be strong and expect China, Japan and the United States as well as the Asia Pacific region and the Middle East to be key drivers of this increasing demand. The China market is expected to keep growing following the National Energy Administration’s reiteration of strong support for the solar industry and solar power generation, and particularly distributed power generation. We are also excited to see the increasing commitments on distributed/rooftop projects from various markets which would be more demanding for product quality and reliability. With the expected rapid growth of the distributed generation market, we are confident that the Group will benefit from this trend of increasing demand for high-efficiency products.



The background of the page features a perspective view of a large array of solar panels stretching towards the horizon. In the upper portion, a faint, light blue world map is visible against a sky background. The overall color palette is light blue and white, conveying a clean, modern, and sustainable aesthetic.

## Chairman Statement

With our advanced technological capabilities and proven track records, we are confident to capture enormous opportunities in solar industry and to drive continued and healthy growth for the Group in 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, the People's Republic of China, 29 August 2014



## Business Review

During the Period, uncertainties from international trade conflicts between China and overseas countries intensified. The international business environment for PRC-based solar manufacturing companies became more challenging. Our strategy to build production facilities in Malaysia enabled us to mitigate risks and costs in relation to these conflicts and any changes in trade policies. We are now one of the few PRC based solar companies with production facilities in overseas countries. It would strengthen our competitive advantages to yield new customers.

Before our 300MW new facilities in Malaysia are fully ramp up and running, we achieved wafer shipment growth of approximately 5.8% from 179.6MW for the corresponding period in 2013 to 190.1 MW for the Period. We continued to focus on our premium “Super Mono Wafers” which only have limited suppliers qualified by the major international customers in the market. Based on the feedback from our major customers, the high efficient solar cell with our “Super Mono Wafers” has reported to have over 25% conversion efficiency. We expect the product specifications and cost competitiveness of “Super Mono Wafers” would continue to improve in the coming few years. Our customers increasingly realize the benefits of buying high efficient solar wafers to improve their costs competitiveness and to achieve reliable product performance. It strengthens the demand on and provides further business opportunities to our premium products.

During the Period, we continued to increase shipments to a reputable Japan-based customer. We also commenced shipment to Mission Solar under the long term agreement signed in December 2013. Our existing customers have indicated their plans to expand production capacities and we expect the demand from them would continue to increase. We are also committed to explore new customers. Credit to our proven abilities to manufacture more advanced and efficient products and our successful track record to complete qualification process with global leading solar cell manufacturers, we established strong reputations and marketing channels to attract new customers. We are in the process of qualification with 2 new customers headquartered in the United States. The more rigid and complicated requirements in the qualification process differentiates us in the market and strengthens the barrier to entry to our business.

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## Business Review

During the Period, 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. We expect to see further cost reductions in the coming quarters. The accumulated experiences from massive production of “Super Mono Wafers” as well as our strategic research and development cooperation with existing customers continued to drive down our production costs by technology advancements. After our 300MW facilities in Malaysia are fully ramp up and running, we expect our production cost would be further reduced. We would leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for our customers.

Given the current industry environment, it is clear that strict financial discipline is essential to success and we believe diligence in financial matters will separate the winners from the rest. On 4 April 2014, Fonty, Mr. John Zhang, the Company and Sky Villie Investments Limited, ASM Connaught House Fund LP and ASM Hudson River Fund, (“the Placees”) entered into a placing and subscription agreement pursuant to which the Placees agreed to purchase 59,541,985 Shares (“the Placing Shares”) from Fonty at the placing price of HK\$1.31 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription Shares which is equivalent to the number of the Placing Shares at the price of HK\$1.31 per Share. The subscription price for the subscription represented a discount of 7.5% to the closing price of HK\$1.42 per Share as stated in the Stock Exchange’s daily quotations sheet on 4 April 2014. The net placing price, after deduction of placing commission and all other fees and expenses, was HK\$1.30 per Share. Approximately HK\$77.0 million was raised from the subscription to fund any investment opportunities identified by the Group and as general working capital of the Group. Further details of these transactions are set out in the Company’s announcement dated 4 April 2014. We would implement a balanced financing plan to support the operation of our solar wafer business.

Coupled with our disciplined financial and operational initiatives, we maintained a solid financial position during the Period. We controlled the net debt to equity ratio as 3.1% as of 30 June 2014. Our solid financial positions enabled us to pursue growth opportunities. We believe we are well positioned to maximize our benefits from the industry consolidation process.

In June 2014, we commenced the trial production in our Malaysia plant. We are currently working with our existing customers to qualify our new production facilities. We expect it would be completed in the second half of 2014. The Group plans to further expand production capacity in Malaysia from 300 MW to 600 MW in 2015. It would enable us to lower the production costs and to increase the scale of operation. We expect the demand on “Super Mono Wafers” would continue to increase strongly in coming few years. We are in the process of evaluating various opportunities for purchasing low-cost equipments for our expansion which can maximize our advantages from the industry consolidation process.

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## Business Review

During the last few years, the costs of solar power kept decreasing. It has accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The costs of solar power are now below user-paid rates for increasing number of markets and user categories. We believe that lower PV system costs will drive the adoption of solar power and long-term market growth. In 2014, we are optimistic that solar PV demand would continue to be strong and expect China, Japan and the United States as well as the Asia Pacific region and the Middle East to be key drivers of this increasing demand. The China market is expected to keep growing following the National Energy Administration's reiteration of strong support for the solar industry and solar power generation, and particularly distributed power generation. We are also excited to see the increasing commitments on distributed/rooftop projects from various markets which would be more demanding for product quality and reliability. With expected rapid growth of the distributed generation market, we are confident that the Group will benefit from this trend of increasing demand for high-efficiency products.

With our advanced technological capabilities and proven track records, we are confident to capture enormous opportunities in solar industry and to drive continued and healthy growth for the Group in future.



## Financial Review

### REVENUE

Revenue increased by RMB49.4 million, or 10.5%, from RMB471.0 million for the corresponding period in 2013 to RMB520.4 million for the Period, primarily as a result of the growth in our wafer sales volume and improved re-sales prices of polysilicons, but partially offset by decrease in average wafer selling price. Due to the increase in customer demand for our high quality monocrystalline solar wafers, our wafers shipment volume increased by 5.8% from 179.6 MW for the corresponding period in 2013 to 190.1 MW for the Period.

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

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers increased by RMB26.3 million, or 9.5%, from RMB276.5 million for the corresponding period in 2013 to RMB302.8 million for the Period, primarily due to the increase in our sales volume by 16.4% from 142.5 MW for the corresponding period in 2013 to 165.9 MW for the Period, which was partially offset by the decrease in average selling price of approximately 5.3% from RMB1.9 per watt in the corresponding period in 2013 to RMB1.8 per watt for the Period.

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

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB4.2 million, or 79.2%, from RMB5.3 million for the corresponding period in 2013 to RMB9.5 million for the Period, primarily as a result of an increase of sales volume by 113.8% from 2.9 MW for the corresponding period in 2013 to 6.2 MW for the Period which was partially offset by the decrease in average selling price of approximately 16.7% from RMB1.8 per watt in the corresponding period in 2013 to RMB1.5 per watt for the Period.

#### **Processing services of 125 mm by 125 mm monocrystalline solar wafers**

Revenue from processing fees on 125 mm by 125 mm monocrystalline solar wafers was RMB4.8 million, decreased by RMB15.9 million or approximately 76.8% from RMB20.7 million for the corresponding period in 2013, primarily due to decrease in scale for the processing services during the Period.

#### **Others**

Other revenue was mainly generated from sales of polysilicon and ingots which increased by RMB34.8 or 20.7%, from RMB168.5 million for the corresponding period in 2013 to RMB203.3 million for the Period. It was mainly attributable to the increase of re-sale price of polysilicon from RMB107.1 per kg for the corresponding period in 2013 to RMB132.4 per kg for the Period.

#### **Revenue by geographical market**

In relation to the geographical analysis of our revenue, approximately 50.8% (2013: 61.1%) of total revenue for the Period was generated from our sales to Philippines. The remaining portion was mainly generated from our sales to PRC-based and Japan-based customers.



## Financial Review

### **COST OF SALES**

Cost of sales increased by RMB46.5 million, or 10.8%, from RMB430.5 million for the corresponding period in 2013 to RMB477.0 million for the Period, primarily as a result of the increase in purchase cost of polysilicon and wafer shipment volumes.

### **GROSS PROFIT**

Gross profit increased by RMB3.0 million, or 7.3%, from RMB40.5 million for the corresponding period in 2013 to RMB43.5 million for the Period, primarily due to the aforementioned factors.

### **OTHER INCOME**

Other income during the Period was approximately RMB2.9 million which was close to the amount incurred in corresponding period in 2013 and mainly represented bank interest income.

### **OTHER GAINS AND LOSSES**

Other gains were approximately RMB9.5 million during the Period, turnaround from other losses of RMB19.2 millions for the corresponding period in 2013. It was mainly related to the fair value changes of the outstanding warrants of the Company.

### **DISTRIBUTION AND SELLING EXPENSES**

Distribution and selling expenses increased by RMB1.8 million, or 39.4%, from RMB4.7 million for the corresponding period in 2013 to RMB6.5 million during the Period, primarily due to the increase in export sales during the Period.

### **ADMINISTRATIVE AND GENERAL EXPENSES**

Administrative and general expenses increased by RMB14.2 million, or 63.9%, from RMB22.2 million for the corresponding period in 2013 to RMB36.4 million for the Period, which was mainly due to the stock compensation expenses incurred for the share options newly grant during the Period.

### **INTEREST EXPENSES**

Interest expenses increased by RMB0.3 million from RMB9.5 million for the corresponding period in 2013 to RMB9.8 million for the Period.

### **PROFIT (LOSS) BEFORE TAXATION**

Profit before taxation was approximately RMB3.1 million for the Period, turnaround from the loss before taxation of RMB12.1 million for the corresponding period in 2013, due to the aforementioned factors.



## Financial Review

### TAXATION

The Group did not incur significant tax expenses in the Period and corresponding period in 2013 since no assessable profits were derived or tax losses were incurred from the Group entities.

### PROFIT (LOSS) FOR THE PERIOD

The Group recorded a profit of RMB3.0 million during the Period, turnaround from the loss of RMB12.1 million for the corresponding period in 2013, due to the aforementioned factors. Accordingly, the Group recorded a net profit margin of 0.6% for the Period, turnaround from the net loss margin of 2.6% for the corresponding period in 2013.

### INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2013: nil).

### INVENTORY TURNOVER DAYS

There was an increase in inventory balance of 2.1% from RMB383.6 million as at 31 December 2013 to RMB391.7 million as at 30 June 2014, which was mainly due to the increase in our work-in-progress in order to support the increase in our shipment volume and our substantial increase in overseas sales which would require longer transportation lead time and higher inventory level to ensure reliable delivery performance. The inventory turnover days as at 30 June 2014 totaled 149 days (31 December 2013: 162 days).

### TRADE RECEIVABLE TURNOVER DAYS

The trade receivable turnover days as at 30 June 2014 totaled 47 days (31 December 2013: 68 days). For the Period, the Group continued to focus on “Super Mono Wafers” which were mainly sold to overseas customers. The credit period to overseas customers is approximately 60 days. The Group normally grants a credit period of 30 to 90 days to other customers. The average receivable turnover days were approximately 47 days which was within the credit periods of the Group grants to its customers.

### TRADE PAYABLE TURNOVER DAYS

The trade payable turnover days as at 30 June 2014 totaled 45 days (31 December 2013: 118 days). The decrease in turnover days was mainly due to the market environments and payment terms of our purchase in the Period.



## Financial Review

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from share placing. As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was 1.7 (31 December 2013: 1.5) and it was in a net debt position of approximately RMB50.2 million (31 December 2013: net cash of approximately RMB4.0 million). The Group controlled net debt to equity ratio to be 3.1% as of 30 June 2014. The Group's financial position remained healthy during the Period. As at 30 June 2014, the Group was in a net debt position of RMB50.2 million (31 December 2013: net cash of approximately RMB4.0 million) which included cash and cash equivalent, note receivables endorsed by banks, bonds, other financial assets and pledged bank deposits of RMB441.8 million (31 December 2013: RMB448.0 million), short-term bank loans of RMB486.5 million (31 December 2013: RMB436.1 million) and long-term bank loans of RMB5.5 million (31 December 2013: RMB7.9 million).

On 4 April 2014, Fonty, Mr. John Zhang, the Company and Sky Villie Investments Limited, ASM Connaught House Fund LP and ASM Hudson River Fund, ("the Placees") entered into a placing and subscription agreement pursuant to which the Placees agreed to purchase 59,541,985 Shares from Fonty at the placing price of HK\$1.31 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription Shares which is equivalent to the of the Placing Shares at the subscription price of HK\$1.31 per Share. The subscription price for the subscription represented a discount of 7.5% to the closing price of HK\$1.42 per Share as stated in the Stock Exchange's daily quotations sheet on 4 April 2014. The net placing price, after deduction of placing commission and all other fees and expenses, was HK\$1.30 per Share. Approximately HK\$77.0 million was raised from the subscription to fund any investment opportunities identified by the Group and as general working capital of the Group. Further details of these transactions are set out in the Company's announcement dated 4 April 2014. We would implement a balanced financing plan to support the operation of our solar wafer business.

### CAPITAL COMMITMENTS

As at 30 June 2014, the Group had capital commitments of approximately RMB225.7 million (31 December 2013: RMB119.6 million). The increase is mainly due to the proposed second phase manufacturing capacity expansion of the Group in Malaysia.

### CONTINGENT LIABILITIES

As at 30 June 2014, there was no material contingent liability (31 December 2013: Nil).

### RELATED PARTY TRANSACTIONS

Other than remuneration that the Group paid to the Directors and key management, the Group did not have any related party transactions for the Period.



## Financial Review

### CHARGES ON GROUP ASSETS

As at 30 June 2014, other than the restricted cash of approximately RMB171.0 million (31 December 2013: RMB1.0 million), the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB85.2 million (31 December 2013: RMB87.7 million) and approximately RMB14.1 million (31 December 2013: RMB14.2 million), respectively, to banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 30 June 2014, no other assets of the Group were under charge to any financial institutions.

### ACQUISITION OF SUBSIDIARY

No subsidiary of the Company was acquired during the Period.

### DISPOSAL OF SUBSIDIARY

No subsidiary of the Company was disposed during the Period.

### USE OF PROCEEDS

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

Date of initial Announcement	Capital raising activity	Use of Net proceeds	Intended use of net proceeds not yet utilised
4 April 2014	Placing of 59,541,985 Shares at the placing price of HK\$1.31 per Share (net price equals to HK\$1.3 per Share)	It was expected that the net proceeds from the subscription would be approximately HK\$77 million and the Directors intended to use the net proceeds for any investment opportunity to be identified by the Group and as general working capital of the Group	Approximately HK\$77 million

### HUMAN RESOURCES

As at 30 June 2014, the Group had 875 (31 December 2013: 864) 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.

The background of the page features a perspective view of solar panels in the foreground, with a faint world map visible in the upper portion. The overall color scheme is light blue and white.

## Financial Review

### **DETAILS OF THE FUTURE INVESTMENT PLANS FOR MATERIAL INVESTMENT**

The Group is planning to further expand production capacity in Malaysia of approximately 300MW which would enable the Group to lower production costs and to increase the scale of operation. We expect to complete the expansion in 2015. Once completed, we would have total production capacity of around 600 MW in our Malaysia facilities. We are still in the process of evaluating various opportunities for purchasing low costs equipments for our expansion in Malaysia. Due to the rapid changing market environment, the Group may adjust the expansion plan according to the market environment. It would enable the Group to maintain flexibilities throughout the expansion process. We believe this strategy would enable the Group to maximize its advantages from the industry consolidation process.

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES**

The Group recognised net exchange losses of approximately RMB3.2 million, which mainly arose from monetary assets and liabilities of the group entities denominated in foreign currencies. Although the Group entered into foreign currency forward contracts, the Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Corporate Governance and Other Information

### CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of the Shareholders. Except for the deviation from code provision A.2.1 of the Corporate Governance Code as disclosed below, during Period, the Company has complied with the Corporate Governance Code.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. John Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

### CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company advises that (1) Mr. Chau Kwok Keung was appointed as an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a listed company on the Stock Exchange in May 2014 (stock code: 6198).

### MODEL CODE

The Company has also adopted the Model Code 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 and its code of conduct regarding directors' securities transactions throughout the Period.

### REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited condensed consolidated interim financial statements for the Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## Corporate Governance and Other Information

### 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 report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the Period.

### DISCLOSURE OF INTERESTS

#### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2014, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### *Long Positions in the Company*

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang <sup>1</sup>	Beneficial owner, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	628,513,550	45.17%
Mr. Chau Kwok Keung <sup>2</sup>	Beneficial owner	13,228,000	0.95%
Mr. Shi Cheng Qi <sup>3</sup>	Beneficial owner	300,000	0.022%
Mr. Kang Sun <sup>4</sup>	Beneficial owner	549,574	0.039%
Mr. Daniel DeWitt Martin <sup>5</sup>	Beneficial owner	499,659	0.036%
Mr. Leung Ming Shu <sup>6</sup>	Beneficial owner	362,787	0.026%

## Corporate Governance and Other Information

### Notes:

- (1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 575,683,844 Shares. For the purposes of the SFO, 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. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.
- (2) The Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 13,228,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012 and on 31 March 2014 under the Share Option Scheme (as defined below).
- (3) The 300,000 Shares in which Mr. Shi Cheng Qi is deemed to be interested represent 300,000 Shares which may be issued to him upon the exercise of the Share Options granted to him on 24 May 2010 under the Share Option Scheme.
- (4) The 549,574 Shares in which Mr. Kang Sun is deemed to be interested represent 549,574 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options (as defined below) granted to him on 3 August 2009 and 2 October 2009 under the Pre-IPO Share Option Scheme and the Share Options (as defined below) granted to him on 27 December 2012 under the Share Option Scheme.
- (5) The 499,659 Shares in which Mr. Daniel DeWitt Martin is deemed to be interested represent 499,659 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options (as defined below) granted to him on 3 August 2009 and 2 October 2009 under the Pre-IPO Share Option Scheme and the Share Options (as defined below) granted to him on 27 December 2012 under the Share Option Scheme.
- (6) The 362,787 Mr. Leung Ming Shu is deemed to be interested represent 362,787 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options (as defined below) granted to him on 3 August 2009 and 2 October 2009 under the Pre-IPO Share Option Scheme and the Share Options (as defined below) granted to him on 27 December 2012 under the Share Option Scheme.

Save as disclosed above, as at 30 June 2014, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## Corporate Governance and Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 30 June 2014, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang <sup>1</sup>	Beneficial owner, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	628,513,550	45.17%
Fonty Holdings Limited	Beneficial owner	575,683,844	41.37%
Ms. Carrie Wang <sup>2</sup>	Interest of spouse	628,513,550	45.17%

*Notes:*

- (1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 575,683,844 Shares. For the purposes of the SFO, 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. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.
- (2) Ms. Caries Wang is the spouse of Mr. John Zhang, therefore, pursuant to the SFO, she is deemed to be interested in all the Shares in which Mr. John Zhang is interested.

Save as disclosed above, as at 30 June 2014, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Corporate Governance and Other Information

### SHARE OPTION SCHEMES

#### Pre-IPO Share Option Scheme

The Company has adopted a share option scheme on 2 June 2008 (the “Pre-IPO Share Option Scheme”) for the purpose of giving its employees an opportunity to have a personal stake in the Company and helping motivate its employees to optimize their performance and efficiency, and retaining its employees whose contributions are important to the long-term growth and profitability of the Group. Options to subscribe for an aggregate of 574,020 Shares (the “Underlying Shares”) were granted to three independent non-executive Directors on 3 August 2009 and 2 October 2009, in respect of 230,000 Underlying Shares and 344,020 Underlying Shares, respectively. The exercise price per Share is HK\$2.51, which is at a 19.5% premium to the final offer price of the Company’s Shares in the initial public offering of the Company. No further options would be granted under the Pre-IPO Share Option Scheme on or after 30 October 2009 (the “Listing Date”), being the date on which dealings in the Shares first commenced on the Stock Exchange.

All options granted under the Pre-IPO Share Option Scheme (the “Pre-IPO Share Options”) can only be exercised in the following manner: (a) Shares representing 1/12th of the Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme shall vest on 1 November 2009; (b) from 1 November 2009 onwards, the remaining 11/12th of the Underlying Shares shall vest in equal quarterly instalments of 1/12th of the Underlying Shares at the end of each three-month period subject to continued employment with the Company during that period and all other terms and conditions as described in the Pre-IPO Share Option Scheme; and (c) all outstanding Pre-IPO Share Options shall lapse on the date falling 10 years from the offer date of the Pre-IPO Share Options.

Details of the exercise of the share options granted under the Pre-IPO Share Option Scheme as at 30 June 2014 are as follows:

Category of participants	Date of Grant <sup>(3)</sup>	Exercise price per Share	Balance as at 1 January 2014	Exercised during the Period	Balance as at 30 June 2014
Director					
Kang Sun	3 August 2009	HK\$2.51	249,574	–	249,574
Daniel DeWitt Martin	3 August 2009	HK\$2.51	199,659	–	199,659
Leung Ming Shu	3 August 2009	HK\$2.51	62,787	–	62,787
Total			512,020	–	512,020

There was no exercise, lapse or cancel of any Pre-IPO Share Options during the Period.

## Corporate Governance and Other Information

### SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 16 September 2013 for the purpose of give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The maximum number of Share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 100,000,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

During the Period, no share options (the "Share Options") to subscribe for the ordinary Shares each in the share capital of the Company were granted, subject to acceptance of the grantees, under the Share Option Scheme.



## Corporate Governance and Other Information

Details of the Share Options exercised under the Share Option Scheme as at 30 June 2014 are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2014	Share options granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2014
<b>Director</b>							
Mr. Chau Kwok Keung	31 March 2014	HK\$1.386	-	13,000,000	-	-	13,000,000
Other participants in aggregate	31 March 2014	HK\$1.386	-	23,650,000	-	(1,000,000)	22,650,000
Other participants in aggregate	30 September 2013	HK\$1.870	4,020,000	-	-	-	4,020,000
<b>Director</b>							
Mr. Kang Sun	27 December 2012	HK\$1.262	300,000	-	-	-	300,000
Mr. Daniel DeWitt Martin	27 December 2012	HK\$1.262	300,000	-	-	-	300,000
Mr. Leung Ming Shu	27 December 2012	HK\$1.262	300,000	-	-	-	300,000
Other participants in aggregate	27 December 2012	HK\$1.262	6,638,000	-	-	-	6,638,000
<b>Director</b>							
Mr. John Zhang	28 June 2012	HK\$0.980	5,000,000	-	-	-	5,000,000
Mr. Chau Kwok Keung	28 June 2012	HK\$0.980	228,000	-	-	-	228,000
Mr. Shi Cheng Qi	28 June 2012	HK\$0.980	210,000	-	(210,000)	-	-
Other participants in aggregate	28 June 2012	HK\$0.980	4,246,000	-	(290,000)	-	3,956,000
<b>Director</b>							
Mr. Shi Cheng Qi	24 May 2010	HK\$1.490	300,000	-	-	-	300,000
Other participants in aggregate	24 May 2010	HK\$1.490	1,940,000	-	-	-	1,940,000
			23,482,000	36,650,000	(500,000)	(1,000,000)	58,632,000

## Corporate Governance and Other Information

### Notes:

- (1) Share options granted under the Share Option Scheme on 24 May 2010 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
24 May 2010	50% of the total number of options granted
30 June 2011	50% of the total number of options granted

- (2) Share options granted under the Share Option Scheme on 28 June 2012 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
On or after 28 June 2012	50% of the total number of options granted
On or after 28 September 2012	12.5% of the total number of options granted
On or after 28 December 2012	12.5% of the total number of options granted
On or after 28 March 2013	12.5% of the total number of options granted
On or after 28 June 2013	12.5% of the total number of options granted

- (3) Share options granted under the Share Option Scheme on 27 December 2012 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
On or after 27 December 2012	50% of the total number of options granted
On or after 27 March 2013	12.5% of the total number of options granted
On or after 27 June 2013	12.5% of the total number of options granted
On or after 27 September 2013	12.5% of the total number of options granted
On or after 27 December 2013	12.5% of the total number of options granted

- (4) Share options granted under the Share Option Scheme on 30 September 2013 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
On or after 30 September 2013	50% of the total number of options granted
On or after 30 December 2013	12.5% of the total number of options granted
On or after 30 March 2014	12.5% of the total number of options granted
On or after 30 June 2014	12.5% of the total number of options granted
On or after 30 September 2014	12.5% of the total number of options granted

## Corporate Governance and Other Information

- (5) Share options granted under the Share Option Scheme on 31 March 2014 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

The 30,800,000 Share Options (including the Share Options granted to Mr. Chau Kwok Keung) shall be subject to a vesting period as follows:

Vesting Date	Percentage of Share Options to vest
On or after 31 March 2014	50% of the total number of options granted
On or after 30 June 2014	12.5% of the total number of options granted
On or after 30 September 2014	12.5% of the total number of options granted
On or after 31 December 2014	12.5% of the total number of options granted
On or after 31 March 2015	12.5% of the total number of options granted

The remaining 5,850,000 Share Options shall be subject to a vesting period as follows:

Vesting Date	Percentage of Share Options to vest
On or after 31 March 2014	1/3 of the total number of options granted
On or after 30 June 2014	1/12 of the total number of options granted
On or after 30 September 2014	1/12 of the total number of options granted
On or after 31 December 2014	1/12 of the total number of options granted
On or after 31 March 2015	1/12 of the total number of options granted
On or after 30 June 2015	1/12 of the total number of options granted
On or after 30 September 2015	1/12 of the total number of options granted
On or after 31 December 2015	1/12 of the total number of options granted
On or after 31 March 2016	1/12 of the total number of options granted

- (6) Save as disclosed above, during the Period, no Share Options were granted, exercised or cancelled or lapsed.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 21 to the financial statements.

# Report on Review of Interim Condensed Consolidated Financial Statements

**Deloitte.**  
**德勤**

TO THE BOARD OF DIRECTORS OF COMTEC SOLAR SYSTEMS GROUP LIMITED

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Comtec Solar Systems Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 28 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong  
29 August 2014

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue		520,449	471,000
Cost of sales		(476,999)	(430,504)
Gross profit		43,450	40,496
Other income	5	2,914	2,998
Other gains and losses	6	9,534	(19,187)
Distribution and selling expenses		(6,544)	(4,693)
Administrative expenses		(36,441)	(22,235)
Finance costs	7	(9,798)	(9,476)
Profit (loss) before taxation	8	3,115	(12,097)
Taxation	9	(125)	(25)
Profit (loss) and total comprehensive income (expense) for the period, attributable to owners of the Company		<u>2,990</u>	<u>(12,122)</u>
		RMB cents	RMB cents
Earnings (loss) per share			
— Basic	11	<u>0.22</u>	<u>(0.98)</u>
— Dilutive	11	<u>0.22</u>	<u>(0.98)</u>

# Condensed Consolidated Statement of Financial Position

at 30 June 2014

	NOTES	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	951,511	828,609
Prepaid lease payments — non-current		28,267	28,496
Prepaid assignment fee — non-current	14	179,070	197,953
Deposits paid for acquisition of property, plant and equipment	12	96,451	154,167
Advance to suppliers	13	128,901	168,926
Deferred tax assets		638	638
Held-to-maturity investments		14,105	14,105
Other financial instruments	16	—	38,673
		<u>1,398,943</u>	<u>1,431,567</u>
<b>Current assets</b>			
Inventories		391,707	383,626
Trade and other receivables	15	210,430	287,309
Bills receivable	15	28,930	63,412
Advance to suppliers	13	97,990	71,788
Prepaid lease payments — current		600	600
Prepaid assignment fee — current	14	33,058	15,438
Pledged bank deposits		170,968	1,019
Bank balances and cash		227,755	330,773
		<u>1,161,438</u>	<u>1,153,965</u>
Assets classified as held for sale		21,249	23,013
		<u>1,182,687</u>	<u>1,176,978</u>
<b>Current liabilities</b>			
Trade and other payables	17	186,109	322,437
Customers' deposits received — current	14	33,498	19,216
Short-term bank loans	18	486,494	436,067
Tax liabilities		266	270
Deferred revenue		287	287
		<u>706,654</u>	<u>778,277</u>
Liabilities associated with assets classified as held for sale		11	81
		<u>706,665</u>	<u>778,358</u>
<b>Net current assets</b>		<u>476,022</u>	<u>398,620</u>
<b>Total assets less current liabilities</b>		<u>1,874,965</u>	<u>1,830,187</u>

# Condensed Consolidated Statement of Financial Position

at 30 June 2014

	NOTES	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
<b>Capital and reserves</b>			
Share capital	20	1,205	1,157
Reserves		1,604,393	1,523,656
<b>Total equity</b>		<b>1,605,598</b>	<b>1,524,813</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		9,652	9,568
Customers' deposits received — non-current	14	179,070	197,953
Long-term bank loans	18	5,525	7,889
Provision for onerous contracts	13	39,107	39,107
Warrants	19	31,000	45,700
Deferred revenue		5,013	5,157
		269,367	305,374
		<b>1,874,965</b>	<b>1,830,187</b>

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2014

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013 (Audited)	1,039	1,050,798	22,080	11,012	84,583	295,174	1,464,686
Loss and total comprehensive expense for the period	–	–	–	–	–	(12,122)	(12,122)
Issue of ordinary shares	97	168,905	–	–	–	–	169,002
Transaction costs attributable to issue of shares	–	(3,900)	–	–	–	–	(3,900)
Exercise of share options	7	9,771	(3,218)	–	–	–	6,560
Recognition of equity-settled share-based payments	–	–	2,052	–	–	–	2,052
At 30 June 2013 (Unaudited)	1,143	1,225,574	20,914	11,012	84,583	282,052	1,626,278
At 1 January 2014 (Audited)	1,157	1,254,225	11,739	11,012	84,583	162,097	1,524,813
Profit and total comprehensive income for the period	–	–	–	–	–	2,990	2,990
Issue of ordinary shares	48	62,126	–	–	–	–	62,174
Transaction costs attributable to issue of shares	–	(192)	–	–	–	–	(192)
Exercise of share options	–	386	(191)	–	–	–	195
Recognition of equity-settled share-based payments	–	191	15,427	–	–	–	15,618
At 30 June 2014 (Unaudited)	1,205	1,316,736	26,975	11,012	84,583	165,087	1,605,598



# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit (loss) before taxation	3,115	(12,097)
Adjustments for:		
Interest income	(2,771)	(2,639)
Interest expense	9,798	9,476
Depreciation of property, plant and equipment	40,968	40,472
Loss on disposal of property, plant and equipment	304	68
Release of deferred revenue	(144)	(287)
Share-based payment expenses	15,618	2,052
Release of prepaid lease payments	427	427
(Gain) loss on fair value changes of warrants	(14,700)	24,800
Gain on fair value changes of forward contracts	(500)	(9,222)
Operating cash flows before movements in working capital	52,115	53,050
Increase in inventories	(8,081)	(93,647)
Decrease in trade and other receivables	76,880	1,494
Decrease (increase) in bills receivable	34,482	(91,977)
Decrease in advance to suppliers	13,823	23,097
Decrease in trade and other payables	(163,962)	(10,713)
Decrease in customers' deposits received	(3,338)	(779)
Cash generated from (used in) operations	1,919	(119,475)
Tax paid	(45)	(5)
Net cash generated from (used in) operating activities	1,874	(119,480)
Investing activities		
Proceeds from other financial instruments	37,047	–
Interest received	2,771	2,639
Proceeds from disposal of property, plant and equipment	103	323
Additions to and deposits paid for acquisition of property, plant and equipment	(78,997)	(18,389)
Placement of pledged bank deposits	(169,949)	–
Withdrawal of pledged bank deposits	–	135,749
Purchase of held-to-maturity investments	–	(14,105)
Net cash (used in) from investing activities	(209,025)	106,217

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Financing activities		
Bank loans raised	280,691	306,690
Proceeds from issue of new shares	61,982	175,562
Expenses on issue of shares	195	(3,900)
Interest paid	(7,672)	(9,476)
Repayment of bank loans	(232,628)	(373,597)
Payment for redemption of convertible bonds and cancellation of warrants	–	(90,910)
	<hr/>	<hr/>
Net cash from financing activities	102,568	4,369
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(104,583)	(8,894)
Cash and cash equivalents at beginning of the period	333,478	345,909
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>228,895</u>	<u>377,015</u>

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares were 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, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Zhang (“Mr. Zhang”).

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are the manufacture and sales of solar wafers and related products and provision of processing services for solar products.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 “Interim Financial Reporting”.

## 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to International Financial Reporting Standards (“IFRSs”) that are mandatorily effective for the current interim period.

The application of the new Interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

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

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 14	Regulatory Deferral Accounts <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle <sup>6</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle <sup>4</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>5</sup>
Amendments to IAS 27	Equity Method in Separate Financial Statements <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for first annual IFRS financial statements beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of the Company do not anticipate that the application of the above new or revised IFRSs will have any significant impact on the Group's financial results and financial position.

## 4. SEGMENT INFORMATION

The Group is currently engaged in manufacturing and sales of solar wafers and related products and provision of processing services for solar products. Mr. Zhang, the chief operating decision maker of the Group, regularly reviews revenue analysis by major products and results of the Group as a whole for the purposes of performance assessment and making decisions about resource allocation. Accordingly, the Group has only one operating segment for financial reporting purpose. The Group's segment profit (loss) is the profit (loss) before taxation of the Group.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 5. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grant	143	359
Interest income	2,771	2,639
	<u>2,914</u>	<u>2,998</u>

## 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	(3,220)	(3,541)
Loss on disposal of property, plant and equipment	(304)	(68)
Gain on fair value changes of forward contracts (note 16)	500	9,222
Gain (loss) on fair value changes of 2012 Warrants (defined in note 19)	14,700	(24,800)
Provision for lawsuit case (note)	(2,142)	–
	<u>9,534</u>	<u>(19,187)</u>

Note: During 2013, a lawsuit arose from an independent third party (the "Counterparty") against the Group for failing to execute in full the obligations of delivery of solar products to the Counterparty in accordance with the relevant sale and purchase agreement. The Group provided an amount of approximately RMB4,000,000 for the case in 2013. During the six months ended 30 June 2014, the lawsuit was concluded by court and the Group incurred a further loss of approximately RMB2,142,000. The Group recognised such loss in profit or loss.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest expense in relation to bank loans wholly repayable within five years	9,798	9,476

## 8. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit (loss) before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	476,999	430,504
Depreciation of property, plant and equipment	40,968	40,472
Release of prepaid lease payments	427	427
Research and development expenses (included in administrative expenses)	3,716	4,175
Operating lease rentals in respect of rented premises	588	424

## 9. TAXATION

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
People's Republic of China (the "PRC") Enterprise Income Tax		
— Current period	41	39
Deferred taxation	84	(14)
	125	25

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 9. TAXATION (continued)

Taxation arising in the PRC is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2014 and 30 June 2013. There is no provision for Hong Kong Profits Tax since the group entities incorporated in Hong Kong incurred tax losses for both periods. Withholding tax has been provided for based on the anticipated dividends to be distributed by PRC entities to non-PRC residents, if any.

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2014 and 2013.

## 11. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Profit (loss)</b>		
Profit (loss) for the period attributable to owners of the Company		
for the purpose of basic earnings (loss) per share	2,990	(12,122)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,344,017,350	<u>1,237,149,704</u>
Effect of dilutive potential ordinary shares:		
Share options	<u>10,700,091</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>1,354,717,441</u>	

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 11. EARNINGS (LOSS) PER SHARE *(continued)*

The Company's outstanding 2012 Warrants (defined in note 19) did not have a dilutive effect on the Company's earnings (loss) per share for the six months ended 30 June 2014 and 30 June 2013 since their potential conversion to ordinary shares would incur or decrease loss per share.

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's earnings (loss) per share for the six months ended 30 June 2014 and 30 June 2013 as their exercise prices were higher than the average market prices of the Company or they will decrease the loss per share of the Company.

## 12. DEPOSITS PAID FOR AND PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB78,997,000 (six months ended 30 June 2013: RMB18,389,000) on deposits paid for acquisition of property, plant and equipment and purchases of property, plant and equipment.

## 13. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS

From time to time, the Group makes advance payments to suppliers of raw materials prior to delivery of raw materials by these suppliers. Except for the purchase agreements with two major suppliers detailed below, the advance payments are for purchases in the next twelve months from the end of each reporting period and are therefore classified as current assets.

In prior years, the Group entered into several purchase agreements with two major suppliers, who are independent parties not related to the Group, whereby the Group is committed to purchasing a minimum quantity of raw materials, mainly polysilicon virgins (to be used in the manufacture of its products), each year during the period from 1 January 2008 to 31 December 2021 (the "Supply Period") at pre-determined prices. According to the terms of the agreements, the Group made advances to these suppliers during the six months ended 30 June 2014 and the year ended 31 December 2013. At 30 June 2014 and 31 December 2013, the Group had outstanding aggregate advance payments, net of allowance, of approximately RMB105 million and RMB240 million, respectively, with these suppliers. The advances are unsecured, interest-free and will be used to offset part of the invoiced amounts in the manner as discussed below on an annual basis before expiry of the agreements at the end of the Supply Period.

Pursuant to the terms of the agreements with these two suppliers, during each year of the Supply Period, the amount of advances made in respect of the agreed contract quantity in that particular year would be utilised to reduce the invoiced amount of purchases up to those annual agreed quantities. The total minimum amount of raw materials to be purchased by the Group from the two major suppliers during the Supply Period is approximately RMB6,357,501,000.



# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 13. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS (continued)

For the arrangement with one of the major suppliers, if the minimum purchase requirement is not met in a particular year, the advance made to that supplier in relation to the minimum purchase commitment would be forfeited. In addition, pursuant to the terms of this purchase agreement, the Group granted to this supplier a continuing security interest in the raw materials supplied by such supplier and the proceeds from the sale or insurance of such raw materials and if applicable, all late payments, interest and expenses necessary to enforce such security interest. The supplier has the right to take all necessary measures to create, perfect, preserve and enforce the security interest. At 30 June 2014 and 31 December 2013, the Group did not have any outstanding trade payable with this supplier.

For the arrangement with the other major supplier, the Group is obliged to purchase at least the minimum amount as set out in the agreement. If the Group fails to accept deliveries for a certain number of times in any calendar year, the Group's payment obligations for the minimum purchase commitment may be accelerated in that particular year and the Group will be liable for paying to the supplier the difference between the actual purchase and the minimum purchase commitment in that particular year.

These purchase agreements do not expressly stipulate that the Group will be subject to any other liabilities should the Group fail to meet the minimum purchase commitment. The Group's minimum annual purchase commitment during the remaining Supply Period is as follows:

Year ending 31 December	Amount equivalent to RMB'000
2014	560,140
2015	707,960
2016	675,681
2017	204,477
2018	322,409
2019	345,609
2020	345,609
2021	345,609
	<hr/>
	3,507,494
	<hr/> <hr/>

At the end of each reporting period, the directors of the Company estimate the amount of advances that is expected to be settled by offsetting against the purchases of the agreed contract quantity in the next twelve months and classify it as a current asset. The remaining balance is classified as a non-current asset in the condensed consolidated statement of financial position.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 13. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS (continued)

Allowance for advance to suppliers:

	<i>RMB'000</i>
Balance at 1 January 2013	7,149
Impairment losses recognised	<u>126,781</u>
Balance at 31 December 2013 and 30 June 2014	<u><u>133,930</u></u>

Allowance for the provision for onerous contracts:

	<i>RMB'000</i>
Balance at 1 January 2013, 31 December 2013 and 30 June 2014	<u><u>39,107</u></u>

During the six months ended 30 June 2014 and the year ended 31 December 2013, the Group performed an analysis of the sufficiency of impairment losses recognised in respect of advance to suppliers and provision for onerous contracts, due to volatility of the solar industry which the Group is engaged in, with reference to the Group's budgeted annualized production capacity, the Group's product mix, recent market demand for the Group's products, updated forecasted selling prices of the products that reflected current market assessments, the Group's committed delivery of solar products, etc. The Group recognised impairment losses in respect of advances to the two major suppliers of approximately RMB126,781,000 during the year ended 31 December 2013. No further impairment losses were recognised in the six months ended 30 June 2014. No further provision for onerous contracts was made during the year ended 31 December 2013 and the six months ended 30 June 2014. Impairment losses made or recognised by the Group during the year ended 31 December 2013 represented expected losses to be suffered or future payments that the Group is presently obliged to make under the above-mentioned non-cancellable operating contracts, after taking into account the revenue expected to be earned and costs to be incurred in production, in certain calendar year(s) in the Supply Period. The directors of the Company will further assess sufficiency of impairment losses recognised for advance suppliers, provision for onerous contract and reversal of these provision, if any, for the year ending 31 December 2014.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 14. PREPAID ASSIGNMENT FEE/CUSTOMERS' DEPOSITS RECEIVED

On 27 December 2013, a wholly-owned subsidiary of the Company, namely Comtec Solar (Hong Kong) Limited ("Comtec Solar HK"), entered into a wafer supply agreement (the "Wafer Supply Agreement") with Mission Solar Energy LLC, a Delaware limited liability company ("Mission") which is an independent third party, pursuant to which Comtec Solar HK will supply solar wafers with capacity of approximately 500MW to Mission from June 2014 to July 2017 at pre-determined delivery schedule and supply price.

In addition, Mission paid non-refundable deposits of USD35 million (equivalent to approximately RMB213,391,000) to Comtec Solar HK which the amount will be used to offset the related consideration payable from June 2014 to July 2017 upon delivery of the solar wafers under the Wafer Supply Agreement. As a result, the Group recognised such deposits as customers' deposits received. At 30 June 2014 and 31 December 2013, the directors of the Company estimate the amount of advances that is expected to be settled by the offset of the sales of the agreed contract quantity in the next twelve months and classify it as current liability. The remaining balance is classified as non-current liability.

	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Carrying amounts of customers' deposits received:		
Within one year	33,058	15,438
One to two years	72,660	51,996
More than two years, but not exceeding five years	106,410	145,957
	<u>212,128</u>	<u>213,391</u>
Less: Amounts due within one year shown under current liabilities	<u>(33,058)</u>	<u>(15,438)</u>
Amounts shown under non-current liabilities	<u>179,070</u>	<u>197,953</u>

Immediately before the conclusion of the Wafer Supply Agreement between Comtec Solar (HK) and Mission, Comtec Solar (HK) entered into an agreement with an independent third party (the "Assignor" or the former seller of Mission) and paid an amount of USD35 million (equivalent to approximately RMB213,391,000) to the Assignor as an assignment fee that Comtec Solar (HK) assumed obligations as seller and the Assignor assigned its rights to Comtec Solar (HK) under the Wafer Supply Agreement over the relevant contractual period.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 14. PREPAID ASSIGNMENT FEE/CUSTOMERS' DEPOSITS RECEIVED *(continued)*

The Group recognised such prepaid assignment fee in the condensed consolidated statement of financial position. At 30 June 2014 and 31 December 2013, the directors of the Company estimate the amount of assignment fee that is expected to be released in profit or loss over the sales of the agreed contract quantity in the next twelve months and classify it as current asset. The remaining balance is classified as non-current asset.

	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Carrying amounts of prepaid assignment fee:		
Current portion	33,058	15,438
Non-current portion	179,070	197,953
	<u>212,128</u>	<u>213,391</u>

The directors of the Company assessed sufficiency of provision for onerous contract in relation to the Wafer Supply Agreement periodically. Details of such analysis are set out in note 13.

## 15. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables	134,006	174,411
Utility deposits	2,889	3,489
Value-added-tax recoverable	62,912	82,612
Other receivables and prepayments	10,623	26,797
	<u>210,430</u>	<u>287,309</u>
Bills receivable	<u>28,930</u>	<u>63,412</u>

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 15. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE *(continued)*

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

	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Age		
0 to 30 days	22,698	62,024
31 to 60 days	64,009	74,290
61 to 90 days	44,941	34,810
91 to 180 days	1,255	84
Over 180 days	1,103	3,203
	134,006	174,411

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

	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Age		
0 to 30 days	–	180
31 to 60 days	1,401	7,600
61 to 90 days	1,000	11,693
91 to 180 days	26,029	40,939
Over 180 days	500	3,000
	28,930	63,412

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 16. OTHER FINANCIAL INSTRUMENTS

30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
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Fair value through profit or loss ("FVTPL")	–	38,673
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### Long-term contract

In 2012, the Group entered into an arrangement with an established commercial bank in Hong Kong pursuant to which the Group would buy United States Dollars ("USD") with RMB at an exchange rate of 6.3205 from this bank for a contractual period of three years at a principal amount of approximately USD63,444,000 (equivalent to approximately RMB401,000,000). The contract would be settled net upon maturity date on 16 March 2015.

On 29 January 2014, the Group and the bank mutually agreed to terminate this arrangement. Upon termination of the arrangement, the Group received USD2,080,000 (equivalent to approximately RMB12,800,000) from the bank and resulted in a gain of approximately USD81,000 (equivalent to approximately RMB500,000) as other gains and losses in the condensed consolidated statement of profit or loss and other comprehensive income. At 31 December 2013, the contract was recognised as other financial assets of approximately RMB12,182,000 in the consolidated statement of financial position.

### Principal-protected unsecured deposit

As at 31 December 2013, the Group had a contract of principal-protected unsecured deposit with a bank for a period of five years. The significant terms and conditions relating to the financial assets as FVTPL were as follows:

Notional amount	Start date	Deposit end date	Interest rate	Fair value as at	Fair value as at
				30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
USD4,000,000	18 July 2011	17 July 2016	variable	–	26,491

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 16. OTHER FINANCIAL INSTRUMENTS (continued)

### Principal-protected unsecured deposit (continued)

The deposit was a principal-protected deposit guaranteed by the relevant bank. In accordance with the relevant terms of the agreement, the yield rate was 5.00% per annum for the period from 18 July 2011 to 17 July 2012. The yield rate for the remaining years ending 17 July 2016 would be the higher of 0.65% or a rate subject to the formula below:

10% per annum \* (Index (as defined below) at the end of each contractual period of the agreement – Index at 18 July 2012)/Index at 18 July 2012.

Index referred to a portfolio of financial instruments, related to forward and spot exchange rates of USD and Hong Kong dollars (“HKD”) and interest rates, and were extracted from Bloomberg. The deposit was denominated in USD.

On 28 January 2014, the Group agreed with the bank to withdraw the deposit with an account of USD3,960,000 (equivalent to approximately RMB24,365,000), which resulted in an interest expense of approximately RMB2,126,000 recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

The deposit at 31 December 2013 was designated at fair value through profit or loss upon initial recognition as the deposit formed part of contracts containing embedded derivatives. It was stated at fair values derived from discounted cash flow analysis based on the terms of the deposits and relevant market inputs, mainly forward and spot exchange rates of USD and HKD and interest rates on 31 December 2013, which was provided by the counterparty financial institution.

## 17. TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade payables	119,569	278,805
Payables for acquisition of property, plant and equipment	35,011	23,973
Other payables and accrued charges	31,529	19,659
	<hr/>	<hr/>
	186,109	322,437

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 17. TRADE AND OTHER PAYABLES (continued)

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Age		
0 to 30 days	27,222	123,180
31 to 60 days	11,575	71,727
61 to 90 days	13,178	51,294
91 to 180 days	21,016	31,107
Over 180 days	46,578	1,497
	<hr/>	<hr/>
	119,569	278,805

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



# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 18. BANK LOANS

	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Bank loans		
— secured	435,734	130,308
— unsecured	56,285	313,648
	<u>492,019</u>	<u>443,956</u>
Carrying amounts repayable:		
Within one year	486,494	436,067
One to two years	4,873	4,829
More than two years, but not exceeding five years	652	3,060
	<u>492,019</u>	<u>443,956</u>
Less: Amounts due within one year shown under current liabilities	<u>(486,494)</u>	<u>(436,067)</u>
Amounts shown under non-current liabilities	<u>5,525</u>	<u>7,889</u>

During the six months ended 30 June 2014, the Group obtained new bank loans amounting to approximately RMB280,691,000 (six months ended 30 June 2013: RMB306,690,000). The loans carry interest at variable market rates ranging from 0.78% to 6.00% (six months ended 30 June 2013: 0.79% to 6.56%) per annum.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 19. WARRANTS

In 2012, the Company and an independent third party not related to the Group (the “Investor”) entered into a warrant subscription agreement, pursuant to which the Company agreed to issue the Investor detachable and transferrable warrants (“2012 Warrants”), exercisable for a period of four years from the date of issue, to the Investor who was entitled to subscribe for up to 94,354,839 shares at a price of HKD1.24 per share.

Details of the 2012 Warrants are set out in the Company’s annual report for the year ended 31 December 2013.

The movement of the fair value of the 2012 Warrants was set out below:

	<i>RMB'000</i>
Carrying amount at 1 January 2013	39,400
Loss on fair value change recognised in profit or loss	<u>6,300</u>
Carrying amount at 31 December 2013	45,700
Gain on fair value change recognised in profit or loss	<u>(14,700)</u>
Carrying amount at 30 June 2014	<u><u>31,000</u></u>

The fair values of the 2012 Warrants of the Company at 30 June 2014 and 31 December 2013 were calculated using the Binominal pricing model. The inputs into the model were as follows:

	30 June 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Share price	HK\$1.25	HK\$1.46
Exercise price	HK\$1.24	HK\$1.24
Warrant volatility	65.70%	67.19%
Warrant life	1.7 years	2.2 years
Risk-free interest rate	0.306%	0.409%

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

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 20. SHARE CAPITAL

The share capital of the Group represented the issued and fully paid share capital of the Company.

Authorised:	Number of shares	Amount HKD'000
<b>Ordinary shares</b>		
Ordinary shares of HKD0.001 each at 1 January 2013, 31 December 2013 and 30 June 2014	7,600,000,000	7,600
<b>Issued and fully paid:</b>		
<b>Ordinary shares</b>		
Ordinary shares of HKD0.001 each at 1 January 2013	1,183,890,000	1,184
Issue of shares ( <i>note 1</i> )	121,351,765	122
Exercise of share options ( <i>note 2</i> )	26,348,000	26
Ordinary shares of HKD0.001 each at 31 December 2013	1,331,589,765	1,332
Issued of shares ( <i>note 3</i> )	59,541,985	60
Exercise of share options ( <i>note 4</i> )	500,000	–
Ordinary shares of HKD0.001 each at 30 June 2014	1,391,631,750	1,392
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Presented as RMB:		
Ordinary shares	1,205	1,157

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 20. SHARE CAPITAL (continued)

Notes:

- (1) In January 2013, the Company issued 120,000,000 ordinary shares of HKD0.001 each for a consideration of HKD1.74 per share. The allotment was in the form of a private placement with shares subscribed by independent third parties not related to the Group. In July 2013, the Company issued 1,351,765 ordinary shares of HK\$0.001 each at nil consideration to third party consultants who provided consultancy services to the Group.
- (2) During the year ended 31 December 2013, the Company issued 150,000, 9,836,000 and 16,362,000 new shares upon exercise of share options at the exercise price of HKD1.49 per share, HKD0.98 per share and HKD1.26 per share, respectively.
- (3) In April 2014, the Company issued 59,541,985 ordinary shares of HKD0.001 each for a consideration of HKD1.31 per share. The allotment was in the form of a private placement with shares subscribed by independent third parties not related to the Group.
- (4) During the six months ended 30 June 2014, the Company issued 500,000, new shares upon exercise of share options at the exercise price of HKD0.98 per share.

All the shares issued by the Company during the six months ended 30 June 2014 and year ended 31 December 2013 ranked pari passu with the existing shares in all respects.

## 21. SHARE-BASED COMPENSATION

### (A) Pre-IPO Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2014 and 30 June 2013:

	Number of options				Outstanding as at 30 June 2014
	Outstanding as at 1 January 2013, 30 June 2013 and 1 January 2014	Exercised during the period	Forfeited during the period	Lapsed in the period	
Directors:					
Mr. Leung Ming Shu ("Mr. Leung")	63,000	–	–	–	63,000
Mr. Daniel Dewitt Martin ("Mr. Daniel")	200,000	–	–	–	200,000
Mr. Kang Sun ("Mr. Kang")	249,000	–	–	–	249,000
	512,020	–	–	–	512,020

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 21. SHARE-BASED COMPENSATION (continued)

### (A) Pre-IPO Share Option Scheme (continued)

The share options under the Pre-IPO Share Option Scheme exercisable at HKD2.51 per share as at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014 were 512,020.

No share options under the Pre-IPO Share Option Scheme were exercised during the period ended 30 June 2014 and 30 June 2013.

At 30 June 2014, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (30 June 2013: 512,020), representing 0.04% (30 June 2013: 0.04%) of the shares of the Company in issue at that date.

The Company did not recognise any expense in relation to the share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2014 and 30 June 2013 since the share options were fully vested in the prior period.

### (B) Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the six months ended 30 June 2014 and 30 June 2013:

*Granted on 24 May 2010*

For the six months ended 30 June 2014:

	Number of options				Outstanding as at 30 June 2014
	Outstanding as at 1 January 2014	Exercised during the period	Forfeited during the period	Lapsed in the period	
Director:					
Mr. Shi Chen Qi ("Mr. Shi")	300,000	–	–	–	300,000
Employees	1,940,000	–	–	–	1,940,000
	<u>2,240,000</u>	–	–	–	<u>2,240,000</u>
Exercisable at the end of the period	<u>2,240,000</u>				<u>2,240,000</u>

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 21. SHARE-BASED COMPENSATION (continued)

### (B) Share Option Scheme (continued)

Granted on 24 May 2010 (continued)

For the six months ended 30 June 2013:

	Number of options				Outstanding as at 30 June 2013
	Outstanding as at 1 January 2013	Exercised during the period	Forfeited during the period	Lapsed in the period	
Director:					
Mr. Shi	300,000	–	–	–	300,000
Employees	2,090,000	(150,000)	–	–	1,940,000
	<u>2,390,000</u>	<u>(150,000)</u>	<u>–</u>	<u>–</u>	<u>2,240,000</u>
Exercisable at the end of the period	<u>2,390,000</u>				<u>2,240,000</u>

In respect of the share options exercised during the six months ended 30 June 2013, the weighted average share price at the dates of exercise is HKD1.49 per share.

At 30 June 2014, the number of shares in respect of which options granted on 24 May 2010 under the Share Option Scheme remained outstanding was 2,240,000 (30 June 2013: 2,240,000), representing 0.16% (30 June 2013: 0.17%) of the shares of the Company in issue at that date.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 21. SHARE-BASED COMPENSATION (continued)

### (B) Share Option Scheme (continued)

Granted on 28 June 2012

For the six months ended 30 June 2014:

	Outstanding as at 1 January 2014	Issue during the period	Number of options		Outstanding as at 30 June 2014
			Exercised during the period	Forfeited during the period	
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau Kwok Keung (“Mr. Chau”)	228,000	–	–	–	228,000
Mr. Shi	210,000	–	(210,000)	–	–
Employees	4,246,000	–	(290,000)	–	3,956,000
	<u>9,684,000</u>	<u>–</u>	<u>(500,000)</u>	<u>–</u>	<u>9,184,000</u>
Exercisable at the end of the period	<u>9,684,000</u>				<u>9,184,000</u>

For the six months ended 30 June 2013:

	Outstanding as at 1 January 2013	Issue during the period	Number of options		Outstanding as at 30 June 2013
			Exercised during the period	Forfeited during the period	
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau	6,000,000	–	(5,250,000)	–	750,000
Mr. Shi	360,000	–	–	–	360,000
Employees	8,480,000	–	(2,930,000)	–	5,550,000
	<u>19,840,000</u>	<u>–</u>	<u>(8,180,000)</u>	<u>–</u>	<u>11,660,000</u>
Exercisable at the end of the period	<u>9,920,000</u>				<u>11,660,000</u>

In respect of the share options exercised during the six months ended 30 June 2014, the weighted average share price at the dates of exercise is HKD0.98 per share.

At 30 June 2014, the number of shares in respect of which options granted on 28 June 2012 under the Share Option Scheme remained outstanding was 9,184,000 (30 June 2013: 11,660,000), representing 0.66% (30 June 2013: 0.87%) of the shares of the Company in issue at that date.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 21. SHARE-BASED COMPENSATION (continued)

### (B) Share Option Scheme (continued)

Granted on 27 December 2012

For the six months ended 30 June 2014

	Outstanding as at 1 January 2014	Issue during the period	Number of options Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2014
Director:					
Mr. Leung	300,000	–	–	–	300,000
Mr. DeWitt	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	600,000	–	–	–	600,000
Consultants	6,038,000	–	–	–	6,038,000
	<u>7,538,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,538,000</u>
Exercisable at the end of the period	<u>7,538,000</u>				<u>7,538,000</u>

For the six months ended 30 June 2013

	Outstanding as at 1 January 2013	Issue during the period	Number of options Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2013
Director:					
Mr. Leung	300,000	–	–	–	300,000
Mr. DeWitt	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	600,000	–	–	–	600,000
Consultants	22,400,000	–	–	–	22,400,000
	<u>23,900,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,900,000</u>
Exercisable at the end of the period	<u>11,950,000</u>				<u>17,925,000</u>

At 30 June 2014, the number of shares in respect of which options granted on 27 December 2012 under the Share Option Scheme remained outstanding was 7,538,000 (30 June 2013: 23,900,000), representing 0.54% (30 June 2013: 1.82%) of the shares of the Company in issue at that date.



# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 21. SHARE-BASED COMPENSATION (continued)

### (B) Share Option Scheme (continued)

Granted on 30 September 2013

For the six months ended 30 June 2014

	Outstanding as at 1 January 2014	Number of options			Outstanding as at 30 June 2014
		Issue during the period	Exercised during the period	Forfeited during the period	
Employees	3,500,000	–	–	–	3,500,000
Consultants	520,000	–	–	–	520,000
	<u>4,020,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,020,000</u>
Exercisable at the end of the period	<u>2,512,500</u>				<u>2,512,500</u>

At 30 June 2014, the number of shares in respect of which options granted on 30 September 2013 under the Share Option Scheme remained outstanding was 4,020,000, respectively 0.29% of the shares of the Company in issue.

Pursuant to a board resolution dated 31 March 2014, the Company granted 36,650,000, representing 2.75% of the shares of the Company in issue at the date, share options to a directly, certain employees and consultants of the Company under the Share Option Scheme. Set out below were details of the outstanding options granted under the Share Option Scheme in 2013:

- (1) Options granted on 31 March 2014 were at an exercise price of HK\$1.39 per share.

Except for the expenses in relation to share options granted to certain consultants which are fully charged to profit or loss upon their grant,

- (a) holders of 5,850,000 options granted on 31 March 2014 might only exercise their options in the following manner:
- (i) One-third of the share options vested and exercisable on date of grant and
  - (ii) The remaining share options will have one-twelfth to be vested every three months since 31 March 2014.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 21. SHARE-BASED COMPENSATION (continued)

### (B) Share Option Scheme (continued)

Granted on 30 September 2013 (continued)

(1) (continued)

(b) holders of 30,800,000 options granted on 31 March 2014 might only exercise their options in the following manner:

(i) Half of the share options vested and exercisable on date of grant and

(ii) The remaining share options will have one-eighth to be vested every three months since 31 March 2014.

(2) The options will be lapsed or forfeited automatically and not be exercisable (to the extent not already exercised) to the earlier of the end of their exercisable periods or when the grantees ceased to be employees of the Group.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme on 31 March 2014 during the six months ended 30 June 2014:

Granted on 31 March 2014

For the six months ended 30 June 2014

	Outstanding as at 1 January 2014	Issue during the period	Number of options		Outstanding as at 30 June 2014
			Exercised during the period	Forfeited during the period	
Director:					
Mr. Chau	–	13,000,000	–	–	13,000,000
Employees	–	5,850,000	–	(1,000,000)	4,850,000
Consultants	–	17,800,000	–	–	17,800,000
	–	36,650,000	–	(1,000,000)	35,650,000
Exercisable at the end of the period	–				25,356,000

At 30 June 2014, the number of shares in respect of which options granted on 31 March 2014 under the Share Option Scheme remained outstanding was 35,650,000, representing 2.56% of the shares of the Company.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 21. SHARE-BASED COMPENSATION *(continued)*

### (B) Share Option Scheme *(continued)*

#### *Granted on 31 March 2014 (continued)*

The estimated fair value of share options granted on 31 March 2014 was approximately RMB19 million. The fair value was calculated using the Binomial model. The inputs into the model are as follows:

Share price	HK\$1.35
Exercise price	HK\$1.38
Expected volatility	65.10%
Expected life	2.0 years
Risk-free interest rate	2.29%

The risk-free rate was based on market yield rate of Hong Kong Government Bond with maturity on 20 February 2024 and 20 August 2024 for employees and directors respectively as of the grant date. Expected volatility was determined by using the historical volatility of the Company's share prices. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognised an expense of approximately RMB15,618,000 (30 June 2013: RMB2,052,000) for the six months ended 30 June 2014 in relation to the share options granted by the Company under the Share Option Scheme.

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

	Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		30/06/2014	31/12/2013				
(1)	Long-term foreign currency forward contracts classified as other financial instruments in the condensed consolidated statement of financial position	N/A	Assets — RMB12,182,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at rates that reflected the credit risk of various counterparties.	N/A	N/A
(2)	Principal-protected unsecured deposits classified as other financial assets in the condensed consolidated statement of financial position	N/A	Assets — RMB26,491,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflected the credit risk of the counterparty.	N/A	N/A
(3)	Warrants classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities — RMB31,000,000	Liabilities — RMB45,700,000	Level 3	Binomial Model with parameters of the Company's shares, including share prices, expected volatility, dividend yield, etc, at the end of the reporting period and expected life of the warrants, discounted at a rate that reflected credit risk of the Company.	Expected volatility of the warrants, which is made reference to the historical volatility to the share prices of the Company	The higher of the expected volatility, the higher fair value of the warrants.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

### Reconciliation of Level 3 fair value measurements of 2012 Warrants

	30 June 2014 RMB'000 <i>(Unaudited)</i>	31 December 2013 RMB'000 <i>(Audited)</i>
At beginning of the period/year	45,700	39,400
(Gain) loss on fair value change	(14,700)	6,300
	<hr/>	<hr/>
At end of the period/year	<u>31,000</u>	<u>45,700</u>

There were no transfers between Level 1 and Level 2 in the six months ended 30 June 2014 and year ended 31 December 2013.

### Fair value measurements and valuation processes

The board of directors of the Company has set up a team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial assets and liabilities of the Group, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the related financial assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of the financial assets and liabilities are disclosed above.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 23. CAPITAL COMMITMENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment		
— Contracted for but not provided in the condensed consolidated financial statements	25,683	119,585
— Authorised but not contracted for	200,000	—
	<hr/>	<hr/>
	225,683	119,585
	<hr/> <hr/>	<hr/> <hr/>

## 24. PLEDGE OF ASSETS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Prepaid lease payments	14,080	14,242
Property, plant and equipment	85,266	87,727
Pledged bank deposits	170,968	1,019
	<hr/>	<hr/>
	270,314	102,988
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 25. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management personnel during the period were as follows:

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Basic salaries and allowances	2,614	2,189
Retirement benefit scheme contributions	78	78
Share-based payments	4,842	1,314
	<hr/>	<hr/>
	7,534	3,581
	<hr/> <hr/>	<hr/> <hr/>

The remuneration of directors and key management personnel is determined by the remuneration committee of the Company having regard to the performance of the individuals and market trends.

## Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

“Board” or “Board of Directors”	the board of Directors
“Company”	Comtec Solar Systems Group Limited
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Directors(s)”	the director(s) of the Company
“Euro”	the lawful currency of the eurozone
“Fonty”	Fonty Holdings Limited
“Group”	the Company and its subsidiaries
“HKD” or “HK\$” and “HK cent(s)”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Date”	the date on which dealing in the Shares first commences on the main board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	Model code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MW”	megawatt, which equals 10 <sup>6</sup> Watt
“Period”	the six months ended 30 June 2014





## Definitions

“Photovoltaic” or “PV”	the field of technology and research related to the application of solar cells for energy by converting solar energy (sunlight, including ultra violet radiation) directly into electricity (solar electricity)
“PRC” or “China”	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)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent