



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)

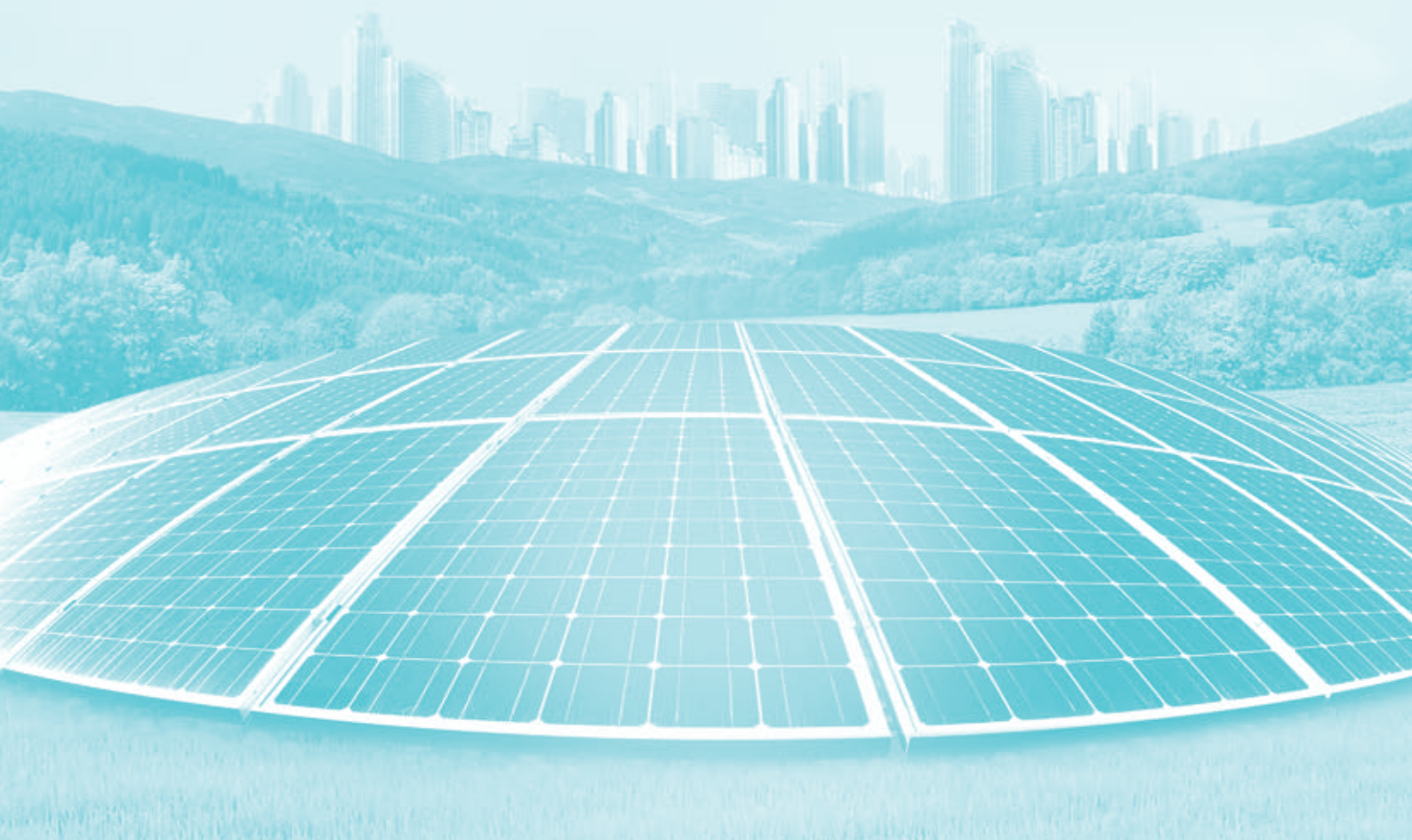
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Interim Report
2015



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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

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				
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Turnover	566,031	520,449	471,000	456,242	574,736
Profit (Loss) before interest expense and taxation	(196,998)	12,913	(2,621)	(95,066)	145,531
Interest expense	(7,455)	(9,798)	(9,476)	(23,077)	(7,997)
Profit (Loss) before taxation	(204,453)	3,115	(12,097)	(118,143)	137,534
Taxation	408	(125)	(25)	(2,988)	(35,910)
Profit (Loss) and total comprehensive income (expense) for the period, attributable to the owners of the Company	(204,045)	2,990	(12,122)	(121,131)	101,624

ASSETS AND LIABILITIES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)	As at 31 December 2013 RMB'000 (Audited)	As at 31 December 2012 RMB'000 (Audited)	As at 31 December 2011 RMB'000 (Audited)
Total assets	2,445,482	2,581,630	2,608,545	2,440,099	2,654,773
Total liabilities	(1,096,409)	(976,032)	(1,083,732)	(975,413)	(1,000,996)
Net assets	1,349,073	1,605,598	1,524,813	1,464,686	1,653,777

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 2015. During the Period, international trade conflicts between China and overseas countries continued. 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 sizable overseas production facilities. It strengthens our competitive advantages to attract new customers. Also, we expect the monocrystalline products would play an increasingly important role in the market.

Below are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB566.0 million (corresponding period in 2014: RMB520.4 million);
- Gross profit for the Period was approximately RMB14.0 million (corresponding period in 2014: RMB43.5 million);
- Gross profit margin for the Period was approximately 2.5% (corresponding period in 2014: 8.3%);
- Net loss for the Period was approximately RMB204.0 million (corresponding period in 2014: net profit of RMB3.0 million);
- Net loss for the Period was mainly due to the impairment losses on advance to suppliers and prepaid assignment fees of approximately RMB123.0 million and the non-cash share-based payment expenses of approximately RMB38.6 million;
- Loss per Share for the Period was approximately RMB14.7 cents (corresponding period in 2014: earnings per Share of RMB0.2 cents);
- Wafer shipment for the Period was approximately 197.7 MW, representing an increase by approximately 4.0% from approximately 190.1 MW for the corresponding period in 2014;
- The Group achieved net cash inflow from operating activities of approximately RMB111.2 million for the Period (corresponding period in 2014: net cash inflow from operating activities of approximately RMB1.7 million); and
- The Group lowered its net debt to equity ratio to 13.8% as of 30 June 2015 from approximately 18.9% as of 31 December 2014.

Chairman Statement

Before we fully ramp up our new facilities in Malaysia, we continued to increase our wafer shipment of approximately 4.0% from 190.1 MW for the corresponding period in 2014 to 197.7 MW for the Period. We continued to focus on the sale and supply of our premium “Super Mono Wafers”, the market of which has only a limited number of suppliers recognized and qualified by the major international customers. Based on the feedback from our major customers, the high efficient solar cell with our “Super Mono Wafers” has been 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 realized the benefits of utilizing highly efficient solar wafers to improve their costs competitiveness and achieve reliable product performance. Monocrystalline products are playing increasingly important role in the market. It strengthens the demand for and provides further business opportunities to our premium products.

During the Period, we completed qualification process with a new Japan-based customer for the sale of our high quality “Super Mono” products and pilot shipments commenced during the second quarter of 2015. We expect the shipment to such new customer would further increase in the second half of 2015. Also, our massive shipment to Mission Solar Energy LLC (“Mission Solar”) pursuant to the long term sales agreement signed in December 2013 continued during the Period. 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 increasing number of customers and demands for our products of premium quality and reliability. We are in the process of obtaining qualification with two sizable and reputable customers that are both headquartered in the United States as well as certain potential customers located in Japan, Korea and Taiwan. We believe our ability to meet the stringent and complicated requirements stipulated under the qualification process differentiates us from our competitors in the market and strengthens the entry barrier to the market.

Our top five customers in the Period contributed approximately 62.8% to our total revenue, compared to approximately 77.4% in the corresponding period last year. The sales to the largest customer in Philippines with the high quality “Super Mono Wafers” accounted for approximately 38.9% of our total revenues in the Period, as compared to approximately 50.8% in the corresponding period in 2014. We continued to diversify and expand our customer bases.

During the Period, we continued to execute our cost reduction strategy. We achieved a combination of cost reductions through continuous improvements in supply chain management, technology development, 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 facilities in Malaysia are fully ramped 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. We believe diligence in financial matters will differentiate the winners from the rest. Thus, we continued to implement a balanced financing plan to support the operation of our solar wafer business. During the Period, we achieved net cash inflow from operating activities of approximately RMB111.2 million and the net debt to equity ratio was 13.8 % as of 30 June 2015, as reduced from 18.9% as of 31 December 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.

Considering the continuous growth of demand and the potential advantages to reduce production costs and to mitigate risk from trade conflicts between China and overseas governments, the Group plans to further expand production capacity in Malaysia. 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.

Demand in the global solar markets continues to trend upwards and is led by countries such as China, the United States, Japan and India. The installation of PV systems is becoming increasingly affordable and 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. Looking ahead, we are expecting a strong year in the global solar market. China is poised to generate even greater demand as the Chinese government made renewable energy as its top priority for the country and is committed to achieving its 2015 grid connection target. Besides, we expect Japan, the United States and India as well as countries in the South America, the Asia Pacific region and the Middle East to be key drivers of this increasing demand. We are also excited to see the increasing commitments on distributed/rooftop projects from various markets which would be more demanding in terms of 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.

With our leading technology, strong brand name and our products of premium quality and reliability, we will further solidify our market leading position. We are well positioned 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, 31 August 2015

Business Review

During the Period, international trade conflicts between China and overseas countries continued. 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 sizable overseas production facilities. It strengthens our competitive advantages to yield new customers. Also, we expect the monocrystalline products would play increasingly important role in market.

Before we fully ramp up our new facilities in Malaysia, we continued to increase our wafer shipment of approximately 4.0% from approximately 190.1 MW for the corresponding period in 2014 to approximately 197.7 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 been 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 achieve reliable product performance. Monocrystalline products are playing increasingly important role in the market. It strengthens the demand for and provides further business opportunities to our premium products.

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Our top five customers in the Period contributed approximately 62.8% to our total revenue, compared to approximately 77.4% in the corresponding period last year. The sales to the largest customer in Philippines with the high quality “Super Mono Wafers” accounted for approximately 38.9% of our total revenues in the Period, as compared to approximately 50.8% in the corresponding period in 2014. We continued to diversify and expand our customer bases.

Business Review

During the Period, we continued to execute our cost reduction strategy. We achieved a combination of cost reductions through continuous improvements in supply chain management, technology development, 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 facilities in Malaysia are fully ramped 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. We believe diligence in financial matters will differentiate the winners from the rest. Thus, we continued to implement a balanced financing plan to support the operation of our solar wafer business. During the Period, we achieved net cash inflow from operating activities of approximately RMB111.2 million and the net debt to equity ratio was 13.8 % as of 30 June 2015, as reduced from 18.9% as of 31 December 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.

Considering the continuous growth of demand and potential advantages to reduce production costs and to mitigate risk from trade conflicts between China and overseas governments, the Group plans to further expand production capacity in Malaysia. 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.

Demand in the global solar markets continues to trend upwards and is led by countries such as China, the United States, Japan and India. The installation of PV systems is becoming increasingly affordable and 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. Looking ahead, we are expecting a strong year in the global solar market. China is poised to generate even greater demand as the Chinese government made renewable energy as its top priority and is committed to achieving its 2015 grid connection target. Besides, we expect Japan, the United States and India as well as countries in the South America, the Asia Pacific region and the Middle East to be key drivers of this increasing demand. We are also excited to see the increasing commitments on distributed/rooftop projects from various markets which would be more demanding in terms of 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.

With our leading technology, strong brand name and our products of premium quality and reliability, we will further solidify our market leading position. We are well positioned 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 RMB45.6 million, or 8.8%, from RMB520.4 million for the corresponding period in 2014 to RMB566.0 million for the Period, primarily as a result of the increase in our sales volume which was partially offset by a decrease in the average selling price. Due to the increase in customer demand for our high quality monocrystalline solar wafers, our wafers shipment volume increased by 4.0% from 190.1 MW for the corresponding period in 2014 to 197.7 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 decreased by RMB71.5 million, or 23.6%, from RMB302.8 million for the corresponding period in 2014 to RMB231.3 million for the Period, primarily due to the decrease in our sales volume by 11.6% from 165.9 MW for the corresponding period in 2014 to 146.7 MW for the Period, as well as by the decrease in average selling price of approximately 11.1% from RMB1.8 per watt in the corresponding period in 2014 to RMB1.6 per watt for the Period. During the Period, we increased the shipment of 156 mm by 156 mm monocrystalline solar wafers pursuant to the signed agreement with Mission Solar and thus reduced the production capacity available to produce 125 mm by 125 mm monocrystalline solar wafers.

Sales of 156 mm by 156 mm monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB69.5 million, or 731.6%, from RMB9.5 million for the corresponding period in 2014 to RMB79.0 million for the Period, primarily as a result of an increase of sales volume by 688.7% from 6.2 MW for the corresponding period in 2014 to 48.9 MW for the Period as well as by the increase in average selling price of approximately 6.7% from RMB1.5 per watt in the corresponding period in 2014 to RMB1.6 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 RMB0.5 million, decreased by RMB4.3 million or approximately 89.6% from RMB4.8 million for the corresponding period in 2014, primarily due to the decision of the Company to decrease in scale for the processing services.

Others

Other revenue was mainly generated from sales of excess inventory of polysilicon which increased by RMB51.9 million or 25.5%, from RMB203.3 million for the corresponding period in 2014 to RMB255.2 million for the Period. It was mainly attributable to the increase in sales volume of polysilicon for the Period.

Financial Review

REVENUE BY GEOGRAPHICAL MARKET

In relation to the geographical analysis of our revenue, approximately 38.9% (2014: 50.8%) of total revenue for the Period was generated from our sales to Philippines. The remaining portion was mainly generated from our sales to PRC, the United States., Korea and Japan-based customers.

COST OF SALES

Cost of sales increased by RMB75.0 million, or 15.7%, from RMB477.0 million for the corresponding period in 2014 to RMB552.0 million for the Period, primarily as a result of the increase sales volumes of both wafers and polysilicons. In addition, impairment of inventory of approximately RMB3.5 million was made during the Period.

GROSS PROFIT

Gross profit decreased by RMB29.5 million, or 67.8%, from RMB43.5 million for the corresponding period in 2014 to RMB14.0 million for the Period. The decrease in the Group's gross profit margin was primarily attributable to the decrease in the selling price of wafers during the six months ended 30 June 2015. In particular, as disclosed in the above section headed "Financial Review — Revenue" of this report, the average selling prices for the Group's 125 mm by 125 mm monocrystalline solar wafers, which accounted for over 74% of the Group's revenue excluding revenue from sale of excess inventory of polysilicon, decreased by approximately 11.1% to RMB1.6 per watt for the six months ended 30 June 2015 from RMB1.8 per watt for the corresponding period in 2014. The Group sold approximately 146.7 MW of 125 mm by 125 mm monocrystalline solar wafers. The decrease of RMB0.2 per watt resulted in decrease of gross profit of approximately RMB29.3 million.

On the other hand, the increase in revenue of the Company for the six months ended 30 June 2015 was mainly attributable to the increase in the Group's sales of excess inventory of polysilicon, which increased by RMB51.9 million or 25.5%, from RMB203.3 million for the corresponding period in 2014 to RMB255.2 million for the six months ended 30 June 2015, which did not make any profit or loss to the Company after the offset of impairment provision on advances to suppliers of approximately RMB144.1 million with the cost of sale of the excess inventory of polysilicon during the period.

As a result of the foregoing, the gross profit margin of the Company decreased from 8.3% in for the six months ended 30 June 2014 to 2.5% for the six months ended 30 June 2015.

OTHER INCOME

Other income during the Period was approximately RMB3.0 million which was similar to the amount incurred in corresponding period in 2014 and mainly represented bank interest income.

Financial Review

OTHER GAINS AND LOSSES

Other losses were approximately RMB132.7 million during the Period, turnaround from other gains of RMB9.5 millions for the corresponding period in 2014. It was mainly due to the impairment losses on advance to suppliers and the loss from fair value changes of the outstanding warrants recorded during the period.

As disclosed in note 13 to the financial statements contained in this report, the Group had entered into several purchase agreements (the “Purchase Agreements”) with two major suppliers, who are independent parties not related to the Group, pursuant to which, among other things, the Group committed to purchase a minimum quantity of polysilicon virgins (to be used in the manufacture of its products) each year during the period from 1 January 2008 to 31 December 2018 at pre-determined prices. According to the terms of the Purchase Agreements, the Group has paid the equivalent of approximately RMB516.8 million of prepayments in aggregate during the period from January 2007 to December 2011 (collectively, the “Advances”), to these suppliers. In purchasing polysilicon virgins from these two major suppliers, the Group utilized part of the Advances in settlement of part, but not in full, of the purchase price payable such that only a portion of the Advances shall be utilized on each purchase. The Group has not made any further prepayments to these suppliers since December 2011.

The management of the Company has adopted a consistent review process to assess the sufficiency of impairment recognized in respect of the Advances and provision for the Purchase Agreements on a regular basis. Such reviews included the reviews conducted for the Company’s interim results and the audit of the Company’s annual results every year, with reference to a number of factors, including: the Group’s budgeted annualized production capacity is expected to gradually increase to approximately 1,000 MW from 2017 onwards; the Group’s product mix would mainly comprise 125 mm x 125 mm and 156 mm x 156 mm “Super Mono” wafers; recent market demand for the Group’s products continued to increase; selling prices of the polysilicons are expected to be around USD15 per kg within 2015 and to be stabilizing at such level, reflecting current market assessments; and the Group’s committed delivery of solar products of approximately 500MW under the signed sales agreement with Mission Solar.

Based on the result of the analysis, the Group recognized incremental impairment losses on advances to suppliers of approximately RMB121.2 million during the six months ended 30 June 2015. The Group had recognized impairment losses of approximately RMB114.5 million during the year ended 31 December 2014 when it conducted the previous impairment analysis. The Impairment represents the incremental impairment recognized for the six months ended 30 June 2015 in respect of the Advances and provision for the Purchase Agreements, which was primarily attributable to the substantial decrease in the market price of polysilicon during the six months ended 30 June 2015 as compared to the market price of polysilicon during the year 2014.

Financial Review

The balances of advances to suppliers decreased from approximately RMB120.3 million as at 31 December 2014 to approximately RMB94.8 million as at 30 June 2015. The drop of approximately RMB25.5 million was mainly due to additional impairment provision of approximately RMB121.2 million during the six months ended 30 June 2015 and the usage of approximately RMB42.3 million to offset the payables for purchase of materials from these long term suppliers. These decreases were partially offset by an increase of approximately RMB144.1 million in relation to utilization of impairment provision on such advances during the period. The utilization of the impairment provision represents an offset of such provision with the cost of sale of the excess inventory of polysilicon which resulted in an increase in the net balance of advance to suppliers by the utilized impairment provision amount.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by RMB1.9 million, or 29.2%, from RMB6.5 million for the corresponding period in 2014 to RMB8.4 million during the Period, primarily due to the increase in sales volume and export sales during the Period.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses increased by RMB 36.5 million, or 100.3% , from RMB36.4 million for the corresponding period in 2014 to RMB72.9 million for the Period, which was mainly due to the stock compensation expenses of approximately RMB38.6 million incurred for the share options newly grant during the Period.

INTEREST EXPENSES

Interest expenses decreased by RMB2.3 million from RMB9.8 million for the corresponding period in 2014 to RMB7.5 million for the Period.

PROFIT (LOSS) BEFORE TAXATION

Loss before taxation was approximately RMB204.5 million for the Period, turnaround from the profit before taxation of RMB3.1 million for the corresponding period in 2014, due to the aforementioned factors.

TAXATION

The Group did not incur significant tax expenses in the Period and corresponding period in 2014 since no material assessable profits were derived or tax losses were incurred from the Group entities.

PROFIT (LOSS) FOR THE PERIOD

The Group recorded losses of RMB204.0 million during the Period, turnaround from the profits of RMB3.0 million for the corresponding period in 2014, due to the aforementioned factors . Accordingly, the Group recorded a net loss margin of 36.0% for the Period, turnaround from the net profit margin of 0.6% for the corresponding period in 2014.

Financial Review

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2014: nil).

INVENTORY TURNOVER DAYS

There was a decrease in inventory balance of 14.7% from RMB537.8 million as at 31 December 2014 to RMB458.9 million as at 30 June 2015, which was mainly due to our efforts to reduce inventory balances. The inventory turnover days as at 30 June 2015 totaled 150 days (31 December 2014: 232 days).

TRADE RECEIVABLE TURNOVER DAYS

The trade receivable turnover days as at 30 June 2015 totaled 43 days (31 December 2014: 57 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 43 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 2015 totaled 84 days (31 December 2014: 54 days). The increase in turnover days was mainly due to the market environments and payment terms of our purchase in the Period.

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 2015, the Group's current ratio (current assets divided by current liabilities) was 1.2 (31 December 2014: 1.4) and it was in a net debt position of approximately RMB186.8 million (31 December 2014: approximately RMB286.8 million). The Group controlled net debt to equity ratio as 13.8% as of 30 June 2015. The Group's financial position remained healthy during the Period.

CAPITAL COMMITMENTS

As at 30 June 2015, the capital commitments of the Group remained stable at approximately RMB205.0 million (31 December 2014: RMB216.9 million).

CONTINGENT LIABILITIES

As at 30 June 2015, there was no material contingent liability (31 December 2014: 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 2015, other than the restricted cash of approximately RMB171.1 million (31 December 2014: RMB171.2 million), the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB156.7 million (31 December 2014: RMB82.8 million) and approximately RMB19.9 million (31 December 2014: RMB13.9 million), respectively, to banks to secure banking facilities granted to the Group. Save as disclosed above, as at 30 June 2015, 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

Reference is made to the announcement of the Company dated 26 January 2015 in relation to the disposal of Comtec New Energy China Holdings Limited and Comtec New Energy (Shanghai) Limited* (卡姆丹克新能源科技(上海)有限公司), it is expected that the disposal will be completed during the third quarter of 2015.

Save as disclosed above, no subsidiary of the Company was disposed during the period ended 30 June 2015.

USE OF PROCEEDS

The Company has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

HUMAN RESOURCES

As at 30 June 2015, the Group had 1,087 (31 December 2014: 1,067) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

DETAILS OF THE FUTURE INVESTMENT PLANS FOR MATERIAL INVESTMENT

The Group is planning to further expand production capacity in Malaysia which would enable the Group to further lower production costs and to increase the scale of operation. 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 RMB5.2 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.

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.

The external auditor has reviewed the interim financial information for the Period in accordance with International Standard on Review engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

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

Corporate Governance and Other Information

SUFFICIENT 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 for the Period.

DISCLOSURE OF INTEREST

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

As at 30 June 2015, 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 ¹	Beneficial owner, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	628,513,550	45.16%
Mr. Chau Kwok Keung ²	Beneficial owner	13,228,000	0.95%
Mr. Shi Cheng Qi ³	Beneficial owner	900,000	0.06%
Mr. Kang Sun ⁴	Beneficial owner	549,574	0.04%
Mr. Daniel DeWitt Martin ⁵	Beneficial owner	499,659	0.04%
Mr. Leung Ming Shu ⁶	Beneficial owner	362,787	0.03%

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 2013.

Corporate Governance and Other Information

- (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 2013 and on 31 March 2014 under the Share Option Scheme (as defined below).
- (3) The 900,000 Shares in which Mr. Shi Cheng Qi is deemed to be interested represent 900,000 Shares which may be issued to him upon the exercise of the Share Options granted to him on 24 May 2010 and 11 May 2015 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 2015, 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).

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 2015, 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:

Corporate Governance and Other Information

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 ¹	Beneficial owner, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	628,513,550	45.16%
Fonty Holdings Limited	Beneficial owner	575,683,844	41.36%
Ms. Carrie Wang ²	Interest of spouse	628,513,550	45.16%

Note:

- (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 2013.
- (2) Ms. Caries Wang is the spouse of Mr. John Zhang and 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 2015, 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.

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

Corporate Governance and Other Information

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 2015 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2015	Exercised during the Period	Balance as at 30 June 2015
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

Save as disclosed above, there was no exercise of any Pre-IPO Share Options granted, lapsed or cancelled for the six months ended 30 June 2015.

Share Option Scheme

The Company has adopted the share option scheme (the "Share Option Scheme") on 2 October 2009 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining 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.

Corporate Governance and Other Information

Upon adoption, the maximum number of Shares 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.

On 30 May 2014, the scheme mandate limit under the Share Option Scheme was refreshed with a maximum number of 139,156,175 Shares, being 10% of the Shares in issue as at 30 May 2014. As at the date of this report, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company is 59,356,175 Shares, being the scheme mandate limit as reduced by the grant of a total of 59,800,000 share options on 11 May 2015 and the grant of a total of 20,000,000 share options on 26 June 2015.

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 Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the 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 granted, exercised and lapsed under the Share Option Scheme during the Period are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2015	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Balance as at 30 June 2015
Other participants in aggregate	26 June 2015 ⁽¹⁾	HK\$1.500	–	20,000,000	–	–	20,000,000
Director							
Mr. Shi Cheng Qi	11 May 2015 ⁽²⁾	HK\$1.390	–	600,000	–	–	600,000
Other participants in aggregate	11 May 2015 ⁽²⁾	HK\$1.390	–	59,200,000	–	–	59,200,000
Director							
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	22,650,000	–	–	–	22,650,000
Other participants in aggregate	30 September 2013	HK\$1.870	4,020,000	–	–	–	4,020,000
Director							
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
Director							
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
Other participants in aggregate	28 June 2012	HK\$0.980	3,756,000	–	(30,000)	(170,000)	3,556,000
Director							
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
			58,432,000	79,800,000	(30,000)	(170,000)	138,032,000

Notes:

- (1) The closing price per share on 25 June 2015, being the business day immediately prior to the date of grant, was HK\$1.23.
- (2) The closing price per share on 8 May 2015, being the business day immediately prior to the date of grant, was HK\$1.34.

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 the 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 Share Options granted
30 June 2011	50% of the total number of Share Options granted

- (2) Share options granted under the Share Option Scheme on 28 June 2012 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for the 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 Share Options granted
On or after 28 September 2012	12.5% of the total number of Share Options granted
On or after 28 December 2012	12.5% of the total number of Share Options granted
On or after 28 March 2013	12.5% of the total number of Share Options granted
On or after 28 June 2013	12.5% of the total number of Share Options granted

- (3) Share options granted under the Share Option Scheme on 27 December 2012 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 27 December 2012	50% of the total number of Share Options granted
On or after 27 March 2013	12.5% of the total number of Share Options granted
On or after 27 June 2013	12.5% of the total number of Share Options granted
On or after 27 September 2013	12.5% of the total number of Share Options granted
On or after 27 December 2013	12.5% of the total number of Share 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 Share Options granted
On or after 30 December 2013	12.5% of the total number of Share Options granted
On or after 30 March 2014	12.5% of the total number of Share Options granted
On or after 30 June 2014	12.5% of the total number of Share Options granted
On or after 30 September 2014	12.5% of the total number of Share Options granted

Corporate Governance and Other Information

- (5) Share options granted under the Share Option Scheme on 31 March 2014 vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for the 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 Option granted to Mr. Chau Kwok Keung) shall be subject to a vesting period as followings:

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

The remaining 5,850,000 share options shall be subject to a vesting period as followings:

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) Share options granted under the Share Option Scheme on 11 May 2015 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 11 May 2015	50% of the total number of Share Options granted
On or after 11 August 2015	12.5% of the total number of Share Options granted
On or after 11 November 2015	12.5% of the total number of Share Options granted
On or after 11 February 2016	12.5% of the total number of Share Options granted
On or after 11 May 2016	12.5% of the total number of Share Options granted

Corporate Governance and Other Information

- (7) Share options granted under the Share Option Scheme on 26 June 2015 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 26 June 2015	50% of the total number of Share Options granted
On or after 26 September 2015	12.5% of the total number of Share Options granted
On or after 26 December 2015	12.5% of the total number of Share Options granted
On or after 26 March 2016	12.5% of the total number of Share Options granted
On or after 26 June 2016	12.5% of the total number of Share Options granted

During the Period, save as disclosed above, no options granted under the Share Option Scheme were lapsed or cancelled.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 20 to the financial statements.

Report on Review of Condensed Consolidated Financial Statements



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 27 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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, 31 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2015

		Six months ended 30 June	
	NOTES	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue		566,031	520,449
Cost of sales		(552,014)	(476,999)
Gross profit		14,017	43,450
Other income	5	2,972	2,914
Other gains and losses	6	(132,714)	9,534
Distribution and selling expenses		(8,394)	(6,544)
Administrative expenses		(72,879)	(36,441)
Finance costs	7	(7,455)	(9,798)
(Loss) profit before taxation	8	(204,453)	3,115
Taxation	9	408	(125)
(Loss) profit and total comprehensive (expense) income for the period, attributable to owners of the Company		(204,045)	2,990
		RMB cents	RMB cents
(Loss) earnings per share			
— Basic and diluted	11	(14.66)	0.22

Condensed Consolidated Statement of Financial Position

at 30 June 2015

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	1,067,183	1,071,163
Prepaid lease payments-non-current		26,677	27,175
Prepaid assignment fee-non-current	14	106,035	145,225
Deposits paid for acquisition of property, plant and equipment	12	35,902	37,004
Advance to suppliers	13	77,743	71,449
Deferred tax assets		638	638
		1,314,178	1,352,654
Current assets			
Inventories		458,927	537,815
Trade and other receivables	15	211,995	231,565
Bills receivable	15	51,119	15,964
Advance to suppliers	13	17,098	48,926
Prepaid lease payments-current		600	600
Prepaid assignment fee-current	14	81,740	52,067
Tax recoverable		131	–
Pledged bank deposits		171,124	171,188
Bank balances and cash		117,863	52,123
		1,110,597	1,110,248
Assets classified as held for sale		20,707	21,776
		1,131,304	1,132,024
Current liabilities			
Trade and other payables	16	334,987	207,281
Customers' deposits received-current	14	98,819	57,285
Short-term bank loans	17	526,875	524,113
Tax liabilities		–	275
Deferred revenue		287	287
		960,968	789,241
Liabilities associated with assets classified as held for sale		11	11
		960,979	789,252
Net current assets		170,325	342,772
Total assets less current liabilities		1,484,503	1,695,426

Condensed Consolidated Statement of Financial Position

at 30 June 2015

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Capital and reserves			
Share capital	19	1,205	1,205
Reserves		1,347,868	1,513,310
Total equity		1,349,073	1,514,515
Non-current liabilities			
Deferred tax liabilities		9,568	9,568
Customers' deposits received-non-current	14	106,035	145,225
Long-term bank loans	17	–	3,072
Provision for onerous contracts	13	–	7,576
Warrants	18	15,100	10,600
Deferred revenue		4,727	4,870
		135,430	180,911
		1,484,503	1,695,426

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015

	Share capital	Share premium	Share options reserve	Special reserve	Statutory surplus reserve	Retained profits (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	-	577	(191)	-	-	-	386
Recognition of equity-settled share-based payments	-	-	15,427	-	-	-	15,427
At 30 June 2014 (Unaudited)	1,205	1,316,736	26,975	11,012	84,583	165,087	1,605,598
At 1 January 2015 (Audited)	1,205	1,316,968	29,141	11,012	84,583	71,606	1,514,515
Loss and total comprehensive expense for the period	-	-	-	-	-	(204,045)	(204,045)
Exercise of share options	-	35	(11)	-	-	-	24
Recognition of equity-settled share-based payments	-	-	38,579	-	-	-	38,579
At 30 June 2015 (Unaudited)	1,205	1,317,003	67,709	11,012	84,583	(132,439)	1,349,073

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Operating activities		
(Loss) profit before taxation	(204,453)	3,115
Adjustments for:		
Allowance for inventories	3,546	–
Interest income	(2,824)	(2,771)
Interest expense	7,455	9,798
Depreciation of property, plant and equipment	37,910	40,968
Loss on disposal of property, plant and equipment	–	304
Release of deferred revenue	(143)	(144)
Share-based payment expenses	38,579	15,427
Release of prepaid lease payments	498	427
Loss (gain) on fair value changes of warrants	4,500	(14,700)
Gain on fair value changes of forward contracts	–	(500)
Impairment losses recognized in respect of advance to suppliers	121,200	–
Impairment losses recognized in respect of prepaid assignment fee	1,800	–
Utilization of allowance for advance to suppliers	(144,065)	–
Operating cash flows before movements in working capital	(135,997)	51,924
Decrease (increase) in inventories	75,342	(8,081)
Decrease in trade and other receivables	20,639	76,880
(Increase) decrease in bills receivable	(35,155)	34,482
Decrease in advance to suppliers	40,823	13,823
Decrease in prepaid assignment fee	7,717	–
Increase (decrease) in trade and other payables	135,532	(163,962)
(Decrease) in customers' deposits received	2,344	(3,338)
Cash generated from operations	111,245	1,728
Tax (paid) refunded	2	(45)
Net cash generated from operating activities	111,247	1,683
Investing activities		
Withdrawal of pledged bank deposits	171,188	–
Proceeds from disposal of property, plant and equipment	3,760	103
Interest received	2,824	2,771
Additions to and deposits paid for acquisition of property, plant and equipment	(38,276)	(78,997)
Placement of pledged bank deposits	(171,124)	(169,949)
Proceeds from other financial instruments	–	37,047
Net cash used in investing activities	(31,628)	(209,025)

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Financing activities		
Bank loans raised	245,997	280,691
Exercise of share options	24	386
Interest paid	(13,593)	(7,672)
Repayment of bank loans	(246,307)	(232,628)
Proceeds from issue of new shares	–	61,982
Net cash (used in) from financing activities	(13,879)	102,759
Increase (decrease) in cash and cash equivalents	65,740	(104,583)
Cash and cash equivalents at beginning of the period	52,123	333,478
Cash and cash equivalents at end of the period, represented by bank balances and cash	117,863	228,895

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

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

The application of the new standards of 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 2015

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 ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ¹
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to IAS 1	Disclosure Initiative ³
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle ³
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ³
Amendments to IAS 27	Equity Method in Separate Financial Statements ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2016

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 loss (profit) is the loss (profit) before taxation of the Group.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

5. OTHER INCOME

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Government grant	148	143
Interest income	2,824	2,771
	<u>2,972</u>	<u>2,914</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net foreign exchange losses	(5,214)	(3,220)
(Loss) gain on fair value changes of 2012 Warrants (defined in note 18)	(4,500)	14,700
Impairment losses recognised in respect of advance to suppliers (note 13)	(121,200)	–
Impairment losses recognised in respect of prepaid assignment fee (note 14)	(1,800)	–
Loss on disposal of property, plant and equipment	–	(304)
Gain on fair value changes of forward contracts	–	500
Provision for lawsuit case	–	(2,142)
	<u>(132,714)</u>	<u>9,534</u>

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

7. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense in relation to bank loans wholly repayable within five years	13,593	9,798
Less: amounts capitalised in the cost of qualifying assets	(6,138)	–
	<u>7,455</u>	<u>9,798</u>

8. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	552,014	476,999
Depreciation of property, plant and equipment	37,910	40,968
Release of prepaid lease payments	498	427
Research and development expenses (included in administrative expenses)	3,737	3,716
Operating lease rentals in respect of rented premises	810	588
	<u>810</u>	<u>588</u>

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

9. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
People's Republic of China (the "PRC") Enterprise Income Tax		
— Current period	408	(41)
Deferred taxation	—	(84)
	408	(125)

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 2015 and 30 June 2014. 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 2015 and 2014.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

11. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
(Loss) profit		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(204,045)	2,990
Number of shares		
Weighted average number of ordinary shares for the purpose of (loss) basic earnings per share	1,391,834,709	1,344,017,350
Effect of dilutive potential ordinary shares:		
Share options	–	10,700,091
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>1,391,834,709</u>	<u>1,354,717,441</u>

The Company's outstanding 2012 Warrants (defined in note 18) did not have a dilutive effect on the Company's (loss) earnings per share for the six months ended 30 June 2015 and 30 June 2014 since their potential conversion to ordinary shares would decrease and incur loss per share in the respective periods.

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 (loss) earnings per share for the six months ended 30 June 2015 and 30 June 2014 since 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 RMB38,276,000 (six months ended 30 June 2014: RMB78,997,000) on deposits paid for and purchases of property, plant and equipment.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

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, pursuant to which, among other things, the Group committed to purchase a minimum quantity of polysilicon virgins (to be used in the manufacture of its products) each year during the period from 1 January 2008 to 31 December 2018, while the Group has discretion to extend supply in certain years to 2021 (the "Supply Period") at pre-determined prices. According to the terms of the agreements, the Group has paid the equivalent of approximately RMB516.8 million of prepayments in aggregate during the period from January 2007 to December 2011 to these suppliers. At 30 June 2015 and 31 December 2014, the Group had outstanding aggregate advance payments, net of allowance, of approximately RMB94.8 million and RMB120.4 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.

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 2015 and 31 December 2014, 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.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

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

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
2015	453,925
2016	625,468
2017	495,107
2018	394,607
2019	394,607
2020	394,607
2021	394,607
	<u>3,152,928</u>

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.

Allowance for advance to suppliers:

	<i>RMB'000</i>
Balance at 31 December 2014	133,930
Utilisation	(73,869)
Impairment losses recognised	114,460
Balance at 31 December 2014	174,521
Utilisation	(144,065)
Reclassification to allowance for the provision for onerous contracts	7,576
Impairment losses recognised	121,200
Balance at 30 June 2015	<u>159,232</u>

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

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

Allowance for the provision for onerous contracts:

	RMB'000
Balance at 1 January 2014 and 30 June 2014	39,107
Reversal of provision in profit and loss	(31,531)
Balance at 31 December 2014	7,576
Reclassification to allowance for advance to suppliers	(7,576)
Balance at 30 June 2015	—

During the six months ended 30 June 2015 and the year ended 31 December 2014, the Group performed an analysis of the sufficiency of impairment 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. The analysis has made 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; and the Group's committed delivery of solar products including terms governed the Wafer Supply Agreement (defined in note 14), etc. The Group recognised impairment provision in respect of advances to the two major suppliers of approximately RMB159,232,000 (31 December 2014: RMB174,521,000) and onerous contracts provision of nil (31 December 2014: RMB7,576,000) as at 30 June 2015, which 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.

14. PREPAID ASSIGNMENT FEE/CUSTOMERS' DEPOSITS RECEIVED

In 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 Solar") which is an independent third party, pursuant to which Comtec Solar HK will supply solar wafers with capacity of approximately 500MW to Mission Solar from June 2014 to July 2017 at pre-determined delivery schedule and supply price.

In addition, Mission Solar paid non-refundable deposits of USD35 million (equivalent to approximately RMB213,391,000) to Comtec Solar HK which 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 in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

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

At 30 June 2015, the current portion of customers' deposits received of approximately RMB98,819,000 (31 December 2014: RMB57,285,000) included approximately RMB83,540,000 (31 December 2014: RMB57,257,000) due from Mission Solar. At 30 June 2015 and 31 December 2014, 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 in the condensed consolidated statement of financial position.

	30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
Carrying amounts of customers' deposits received:		
Within one year	83,540	57,257
One to two years	79,092	78,736
More than two years, but not exceeding five years	26,943	66,489
	<hr/> 189,575	<hr/> 202,482
Less: Amounts due within one year shown under current liabilities	(83,540)	(57,257)
	<hr/> 106,035	<hr/> 145,225
Amounts shown under non-current liabilities		

Immediately before the conclusion of the Wafer Supply Agreement between Comtec Solar (HK) and Mission Solar, Comtec Solar (HK) entered into an agreement with an independent third party (the "Assignor" or the former seller of Mission Solar) 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 2015

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

The Group recognised such balance in the condensed consolidated statement of financial position as prepaid assignment fee. At 30 June 2015 and 31 December 2014, 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Carrying amounts of prepaid assignment fee:		
Current portion	81,740	52,067
Non-current portion	106,035	145,225
	187,775	197,292

The Group recognised impairment provision in respect of prepaid assignment fee of approximately RMB1,800,000 as at 30 June 2015 (31 December 2014: RMB5,190,000).

Movement in the allowance for prepaid assignment fee:

	RMB'000
Balance at 1 January 2014 and 30 June 2014	–
Impairment losses recognised in profit or loss	5,190
Balance at 31 December 2014	5,190
Utilisation	(5,190)
Impairment losses recognised in profit or loss	1,800
Balance at 30 June 2015	1,800

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

15. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables	135,060	141,297
Utility deposits	3,356	3,320
Value-added-tax recoverable	53,837	53,259
Other receivables and prepayments	19,742	33,689
	<u>211,995</u>	<u>231,565</u>
Bills receivable	<u>51,119</u>	<u>15,964</u>

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 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
Age		
0 to 30 days	74,094	55,748
31 to 60 days	24,659	55,604
61 to 90 days	12,604	26,015
91 to 180 days	19,181	2,827
Over 180 days	4,522	1,103
	<u>135,060</u>	<u>141,297</u>

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

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

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

Age	30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
0 to 30 days	33,720	10,604
31 to 60 days	10,400	2,710
61 to 90 days	6,629	2,500
91 to 180 days	370	150
	51,119	15,964

16. TRADE AND OTHER PAYABLES

	30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
Trade payables	255,390	124,591
Payables for acquisition of property, plant and equipment	52,396	60,222
Other payables and accrued charges	27,201	22,468
	334,987	207,281

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

16. 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Age		
0 to 30 days	103,465	51,987
31 to 60 days	41,928	19,275
61 to 90 days	22,638	3,820
91 to 180 days	43,027	4,422
Over 180 days	44,332	45,087
	<u>255,390</u>	<u>124,591</u>

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 2015

17. BANK LOANS

	30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
Bank loans		
— secured	472,476	435,599
— unsecured	54,399	91,586
	<u>526,875</u>	<u>527,185</u>
Carrying amounts repayable:		
Within one year	526,875	524,113
One to two years	—	3,072
	<u>526,875</u>	<u>527,185</u>
Less: Amounts due within one year shown under current liabilities	<u>(526,875)</u>	<u>(524,113)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>3,072</u>

During the six months ended 30 June 2015, the Group obtained new bank loans amounting to approximately RMB245,997,000 (six months ended 30 June 2014: RMB280,691,000). The loans carry interest at variable market rates ranging from 1.69% to 6.00% (six months ended 30 June 2014: 0.78% to 6.00%) per annum.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

18. 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 2014.

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

	<i>RMB’000</i>
Carrying amount at 1 January 2014	45,700
Gain on fair value change recognised in profit or loss	(35,100)
Carrying amount at 31 December 2014	<u>10,600</u>
Loss on fair value change recognised in profit or loss	4,500
Carrying amount at 30 June 2015	<u><u>15,100</u></u>

The fair values of the 2012 Warrants of the Company at 30 June 2015 and 31 December 2014 were calculated using the Binominal pricing model. The inputs into the model were as follows:

	30 June 2015 <i>RMB’000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB’000</i> <i>(Audited)</i>
Share price	HK\$1.22	HK\$1.03
Exercise price	HK\$1.24	HK\$1.24
Warrant volatility	53.00%	47.46%
Warrant life	0.70 years	1.20 years
Risk-free interest rate	<u>0.092%</u>	<u>0.228%</u>

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 2015

19. 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
Ordinary shares		
Ordinary shares at 1 January 2014, 31 December 2014 and 30 June 2015	7,600,000,000	7,600
<hr/>		
Issued and fully paid:	Number of shares	Amount HKD'000
Ordinary shares		
Ordinary shares at 1 January 2014	1,331,589,765	1,332
Issue of shares (<i>note 1</i>)	59,541,985	60
Exercise of share options (<i>note 2</i>)	700,000	1
<hr/>		
Ordinary shares at 31 December 2014	1,391,831,750	1,393
Exercise of share options (<i>note 3</i>)	30,000	–
<hr/>		
Ordinary shares at 30 June 2015	1,391,861,750	1,393
<hr/>		
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Presented as RMB:		
Ordinary shares	1,205	1,205
<hr/>		

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

19. SHARE CAPITAL (continued)

Notes:

- (1) 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.
- (2) During the year ended 31 December 2014, the Company issued 700,000 new shares upon exercise of share options at the exercise price of HKD0.98 per share.
- (3) During the six months ended 30 June 2015, the Company issued 30,000 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 2015 and year ended 31 December 2014 ranked pari passu with the existing shares in all respects.

20. 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 2015 and 30 June 2014:

	Number of options				Outstanding as at 30 June 2015
	Outstanding as at 1 January 2014, 30 June 2014 and 1 January 2015	Exercised during the period	Forfeited during the period	Lapsed in the period	
Directors:					
Mr. Leung Ming Shu ("Mr. Leung")	62,787	–	–	–	62,787
Mr. Daniel DeWitt Martin ("Mr. Daniel")	199,659	–	–	–	199,659
Mr. Kang Sun ("Mr. Kang")	249,574	–	–	–	249,574
	<u>512,020</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>512,020</u>

The number of share options under the Pre-IPO Share Option Scheme exercisable at HKD 2.51 per share as at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015 were 512,020.

At 30 June 2015, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (30 June 2014: 512,020), representing 0.04% (30 June 2014: 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 2015 and 30 June 2014 since the share options were fully vested in the prior period.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

20. SHARE-BASED COMPENSATION *(continued)*

(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 2015 and 30 June 2014:

Granted on 24 May 2010

	Number of options				Outstanding as at 30 June 2015
	Outstanding as at 1 January 2014, 30 June 2014 and 1 January 2015	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>–</u>	<u>–</u>	<u>–</u>	<u>2,240,000</u>
Exercisable at the end of the period	<u>2,240,000</u>				<u>2,240,000</u>

The number of share options under the Share Option Scheme exercisable at HKD1.49 per share as at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015 were 2,240,000.

At 30 June 2015, 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 2014: 2,240,000), representing 0.16% (30 June 2014: 0.16%) 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 2015

20. SHARE-BASED COMPENSATION (continued)

(B) Share Option Scheme (continued)

Granted on 28 June 2012

For the six months ended 30 June 2015:

	Number of options				Outstanding as at 30 June 2015
	Outstanding as at 1 January 2015	Exercised during the period	Forfeited during the period	Lapsed in the period	
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau Kwok Keung ("Mr. Chau")	228,000	–	–	–	228,000
Employees	3,756,000	(30,000)	–	(170,000)	3,556,000
	<u>8,984,000</u>	<u>(30,000)</u>	<u>–</u>	<u>(170,000)</u>	<u>8,784,000</u>
Exercisable at the end of the period	<u>8,984,000</u>				<u>8,784,000</u>

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. Zhang	5,000,000	–	–	–	5,000,000
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>(500,000)</u>	<u>–</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>

The number of share options under the Share Option Scheme exercisable at HKD0.98 per share as at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015 were 9,684,000, 9,184,000, 8,984,000 and 8,954,000, respectively.

At 30 June 2015, the number of shares in respect of which options granted on 28 June 2012 under the Share Option Scheme remained outstanding was 8,954,000 (30 June 2014: 9,184,000), representing 0.64% (30 June 2014: 0.66%) 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 2015

20. SHARE-BASED COMPENSATION (continued)

(B) Share Option Scheme (continued)

Granted on 27 December 2012

	Number of options				Outstanding as at 30 June 2015
	Outstanding as at 1 January 2014, 30 June 2014 and 1 January 2015	Exercised during the period	Forfeited during the period	Lapsed in the period	
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>7,538,000</u>
Exercisable at the end of the period	<u>7,538,000</u>				<u>7,538,000</u>

The number of share options under the Share Option Scheme exercisable at HKD1.26 per share as at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015 were 7,538,000.

At 30 June 2015, 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 2014: 7,538,000), representing 0.54% (30 June 2014: 0.54%) 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 2015

20. SHARE-BASED COMPENSATION (continued)

(B) Share Option Scheme (continued)

Granted on 30 September 2013

For the six months ended 30 June 2015:

	Number of options				Outstanding as at 30 June 2015
	Outstanding as at 1 January 2015	Exercised during the period	Forfeited during the period	Lapsed in the period	
Consultants	4,020,000	–	–	–	4,020,000
Exercisable at the end of the period	<u>4,020,000</u>				<u>4,020,000</u>

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	
Consultants	4,020,000	–	–	–	4,020,000
Exercisable at the end of the period	<u>2,512,500</u>				<u>2,512,500</u>

The number of share options under the Share Option Scheme exercisable at HKD1.87 per share as at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015 were 2,512,500, 2,512,500, 4,020,000 and 4,020,000 respectively.

At 30 June 2015, 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 (30 June 2014: 4,020,000), representing 0.29% (30 June 2014: 0.29%) 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 2015

20. SHARE-BASED COMPENSATION (continued)

(B) Share Option Scheme (continued)

Granted on 31 March 2014

For the six months ended 30 June 2015

	Number of options				Outstanding as at 30 June 2015
	Outstanding as at 1 January 2015	Exercised during the period	Forfeited during the period	Lapsed in the period	
Director:					
Mr. Chau	13,000,000	–	–	–	13,000,000
Employees	4,850,000	–	–	–	4,850,000
Consultants	17,800,000	–	–	–	17,800,000
	<u>35,650,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>35,650,000</u>
Exercisable at the end of the period	<u>29,487,500</u>				<u>31,937,500</u>

For the six months ended 30 June 2014

	Number of options				Outstanding as at 30 June 2014
	Outstanding as at 1 January 2014	Issue during the period	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
	<u>–</u>	<u>36,650,000</u>	<u>–</u>	<u>–</u>	<u>35,650,000</u>
Exercisable at the end of the period	<u>–</u>				<u>25,356,000</u>

The number of share options under the Share Option Scheme exercisable at HKD1.39 per share as at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015 were nil, 25,356,000, 29,487,500 and 31,937,500 respectively.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 31 March 2014 (continued)

At 30 June 2015, 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 (30 June 2014: 35,650,000), representing 3.48% (30 June 2014: 2.56%) of the shares of the Company in issue at that date.

Pursuant to a board resolution dated 11 May 2015 and 26 June 2015, the Company granted 59,800,000 and 20,000,000 share options of the Company, which respectively represent 4.30% and 1.44% of the shares of the Company in issue at that dates, to a director, 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 on 11 May 2015 and 26 June 2015:

- (1) Options granted on 11 May 2015 and 26 June 2015 were at an exercise price of HKD1.39 per share and HKD1.50 per share, respectively. Except for the expenses in relation to share options granted to certain consultants which are fully charged to profit or loss upon their grant, holders of options granted on 11 May 2015 and 26 June 2015 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 the date of grant.
- (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.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

20. SHARE-BASED COMPENSATION (continued)

(B) Share Option Scheme (continued)

Set out below are details of movements of the outstanding options granted under the Share Option Scheme on 11 May 2015 and 26 June 2015 during the six months ended 30 June 2015:

Granted on 11 May 2015

	Number of options				
	Outstanding as at 1 January 2015	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2015
Director:					
Mr. Shi	–	600,000	–	–	600,000
Employees	–	10,200,000	–	–	10,200,000
Consultants	–	49,000,000	–	–	49,000,000
	–	59,800,000	–	–	59,800,000
Exercisable at the end of the period	–				54,400,000

Granted on 26 June 2015

	Number of options				
	Outstanding as at 1 January 2015	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2015
Consultants	–	20,000,000	–	–	20,000,000
Exercisable at the end of the period	–				20,000,000

The number of share options under the Share Option Scheme exercisable at HKD1.39 per share and HKD1.50 per share as at 30 June 2015 were 54,400,000 and 20,000,000 respectively.

At 30 June 2015, the number of shares in respect of which options granted on 11 May 2015 and 26 June 2015 under the Share Option Scheme remained outstanding were 59,800,000 and 20,000,000, representing 4.30% and 1.44%, respectively 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 2015

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

The estimated fair value of share options granted on 11 May 2015 and 26 June 2015 were approximately RMB32 million and RMB9 million, respectively. The fair value was calculated using the Binomial model. The inputs into the model are as follows:

	Granted on 11 May 2015	Granted on 26 June 2015
Share price	HKD1.39	HKD1.25
Exercise price	HKD1.39	HKD1.50
Expected volatility	60.70%	61.00%
Exercise multiple	2.0	2.0
Risk-free interest rate	1.65%	1.79%

The risk-free interest rate was based on the interpolated market yield rates of Hong Kong government bond as of the valuation 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 RMB38,579,000 (30 June 2014: RMB15,618,000) for the six months ended 30 June 2015 in relation to the share options granted by the Company under the Share Option Scheme.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

21. 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).

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
	30/06/2015	31/12/2014				
Warrants classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities — RMB15,100,000	Liabilities — RMB10,600,000	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 2015

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Reconciliation of Level 3 fair value measurements of 2012 Warrants

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
At beginning of the period/year	10,600	45,700
Loss (gain) on fair value change	4,500	(35,100)
At end of the period/year	<u>15,100</u>	<u>10,600</u>

There were no transfers between Level 1 and Level 2 during the six months ended 30 June 2015 and year ended 31 December 2014.

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 instruments are disclosed above.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

22. CAPITAL COMMITMENTS

	30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
Capital expenditure in respect of the acquisition of property, plant and equipment		
— Contracted for but not provided in the condensed consolidated financial statements	5,023	16,877
— Authorised but not contracted for	200,000	200,000
	<u>205,023</u>	<u>216,877</u>

23. PLEDGE OF ASSETS

	30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
Prepaid lease payments	19,869	13,919
Property, plant and equipment	156,715	82,804
Pledged bank deposits	171,124	171,188
	<u>347,708</u>	<u>267,911</u>

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2015

24. 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	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Basic salaries and allowances	2,925	2,614
Retirement benefit scheme contributions	78	78
Share-based payments	1,762	4,842
	<u>4,765</u>	<u>7,534</u>

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 ⁶ Watt
“Period”	the six months ended 30 June 2015



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