卡姆丹克太陽能系統集團有限公司

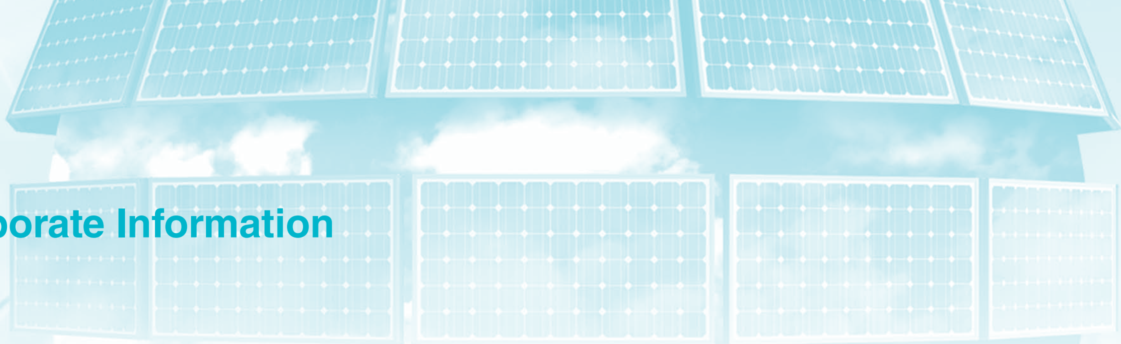
Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 712

2016
Interim Report

Contents



Corporate Information

DIRECTORS

Executive Directors

Mr. John Yi Zhang
Mr. Chau Kwok Keung

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 Yi 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 Yi 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 Yi Zhang
Mr. Kang Sun
Mr. Donald Huang
Mr. Daniel DeWitt Martin

CORPORATE GOVERNANCE COMMITTEE

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

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi 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				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenue	491,149	566,031	520,449	471,000	456,242
(Loss) Profit before interest expense and taxation	(1,655)	(196,998)	12,913	(2,621)	(95,066)
Interest expense	(5,045)	(7,455)	(9,798)	(9,476)	(23,077)
(Loss) Profit before taxation	(6,700)	(204,453)	3,115	(12,097)	(118,143)
Taxation	295	408	(125)	(25)	(2,988)
(Loss) Profit and total comprehensive income (expense) for the period, attributable to owners of the Company	(6,405)	(204,045)	2,990	(12,122)	(121,131)

ASSETS AND LIABILITIES

	As at 30 June 2016	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*
Total assets	2,006,918	2,125,319	2,484,678	2,608,545	2,440,099
Total liabilities	(874,885)	(988,407)	(970,163)	(1,083,732)	(975,413)
Net assets	1,132,033	1,136,912	1,514,515	1,524,813	1,464,686

Chairman Statement

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the unaudited interim results of the Group for the six months ended 30 June 2016. Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB491.1 million, representing a decrease of 13.2% from approximately RMB566.0 million for the corresponding period in 2015;
- Gross profit for the Period was approximately RMB31.1 million, representing an increase of 122.1% from approximately RMB14.0 million for the corresponding period in 2015;
- Gross profit margin for the Period was approximately 6.3%, increasing from the gross profit margin of 2.5% for the corresponding period in 2015;
- Net loss for the Period was approximately RMB6.4 million, decreasing from the net loss of RMB204.0 million for the corresponding period in 2015;
- Net loss margin for the Period was approximately 1.3%, compared to the net loss margin of 36.0% for the corresponding period in 2015;
- Loss per Share for the Period was approximately RMB0.5 cent, decreasing from the loss per Share of RMB14.7 cent for the corresponding period in 2015;
- Total shipment of ingots and wafers for the Period was approximately 166.2 MW, representing a decrease of approximately 15.9% from approximately 197.7 MW for the corresponding period in 2015;
- The Group achieved net cash inflow from operating activities of approximately RMB63.3 million during the Period and maintained cash and restricted cash balances of approximately RMB178.5 million; and
- The Group lowered its net debt to equity ratio to 21.3% as of 30 June 2016 from approximately 24.8% as of 31 December 2015.

On 7 July 2016, the Company entered into a sales and purchase agreement with 2 independent vendors (the "**Vendors**"), pursuant to which the Company agreed to acquire the entire issued share capital of Joy Boy HK Limited (together with its subsidiaries, the "**Target Group**") at a total maximum consideration of RMB130 million from the Vendors. The maximum consideration has been arrived at on an arm's length basis under normal commercial terms pursuant to the negotiations between the parties after taking into account, among others, the mid-point of the range of fair market value of the Target Group, which amounted to RMB133 million, as disclosed in the valuation report prepare by an independent professional party, the targeted profit before tax of RMB80 million for the 36 months ending 30 June 2019, and the implied multiple of 4.875x based on the maximum consideration over annualized target consolidated profit before taxation. The consideration is to be satisfied by the Company by allotting and issuing new Shares at an issue price of HK$0.46 per consideration share to the Vendors under the specific mandate which was sought from the Shareholders on 24 August 2016 (unless the Company opted to pay in cash with the consent of the Vendors) subject to and as determined according to the Target Group's achievement of certain profit targets. The issue price of HK$0.46 per consideration share was approximately 9.8% discount to the closing price of the Shares on the date of the sale and purchase agreement. Assuming that the maximum consideration will be paid and satisfied by the allotment and issue of the consideration shares, a total of 328,118,768 consideration shares will be allotted and issued by the Company, representing approximately 17.50% of the issued share capital of the Company as enlarged by the issue of the consideration shares.

All the conditions precedent to the acquisition had been fulfilled and the acquisition was completed on 15 September 2016. Following the completion of the acquisition, Joy Boy HK Limited became a wholly-owned subsidiary of the Group and its financial statements would be consolidated to those of the Group.

Further details of this transaction are set out in the Company's announcements dated 7 July 2016, 24 August 2016 and 15 September 2016 and the Company's circular dated 9 August 2016.

The Target Group is principally engaged in the provision of project development services and the development of downstream solar power projects in the PRC. It has entered into cooperation agreement with a PRC company engaged in the downstream solar business in the PRC for the development of 70MW downstream solar projects. It is currently expected that the Target Group will complete approximately 70MW downstream solar projects for the 12 months ending 30 June 2017 and no less than 300MW for the 36 months ending 30 June 2019.

The Company intends to explore opportunities to expand into downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group's existing upstream solar business. The completion of the acquisition marks the beginning of the Group's expansion into the business of downstream solar project development. The Target Group would bring the required expertise and project pipelines to us. It would also enhance our profit amounts and profitabilities. As a project development service provider, we also minimize our exposures to capital expenditures requirements.

Chairman Statement

On 8 July 2016, the Company entered into a subscription agreement with an independent subscriber (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for a total 154,651,306 shares of the Company at a price of HK$0.46 per share (the "**Subscription**"). The subscription price for the Subscription represented a discount of 9.8% to the closing price of HK$0.51 per Share as stated in the Stock Exchange's daily quotations sheet on 7 July 2016, the last trading day before the date of the subscription agreement. The subscription shares were allotted and issued pursuant to the general mandate on 18 August 2016. The net proceeds from the Subscription (after deducting related professional fees and related expenses) are approximately HK$70.4 million and the net placing price, after deduction of placing commission and all other fees and expenses, was HK$0.45 per Share. Further details of the Subscription are set out in the Company's announcements dated 8 July 2016 and 18 August 2016. The Company intends to use the net proceeds for any investment opportunities to be identified by the Group and as the general working capital of the Group. We believe the transaction represents a valuable opportunity for the Company to bring in renowned investor with strong financial resources and backgrounds and wide business networks, which in turn would bring strategic values to the Company.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position was further strengthened after completion of the Subscription. In addition, we continued to implement a balanced financing plan to support our business operation. During the Period, we achieved net cash inflow from operating activities of approximately RMB63.3 million and the net debt to equity ratio was 21.3 % as of 30 June 2016, as reduced from 24.8% as of 31 December 2015. Our solid financial positions enable us to pursue growth opportunities.

We are investing further resources to upgrade our production process and to train our staffs in our factory located in Malaysia. We expect the capacity utilization in our factory located in Malaysia would continue to increase in coming few quarters. The cost of electricity, average salaries per workers and the tax incentive policies in Malaysia are all very competitive. It would enable us to keep lowering our production costs. Besides, it also helps us to mitigate the risks and costs in relation to international trade conflicts between PRC and overseas countries. We expect the uncertainties from potential trade conflicts would continue to exist. We are one of the few PRC-based companies with overseas production facilities and we would benefit from the pioneer advantages. Considering the various competitive advantages of our production facilities in Malaysia, we would evaluate different alternatives to further expand our capacity over there.

Chairman Statement

In addition to the strategy of the Group to expand production capacities in low-cost region, we also continued to execute our cost reduction strategy on the supply chain management. In prior years, in order to secure a stable supply of raw materials, the Group has entered into several non-cancellable purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed a “take or pay” obligation to purchase the minimum annual quantity of raw materials at pre-determined prices over the contractual periods up to 2018. By early 2016, the Group has reached agreements with the two major suppliers under which one of the major suppliers has agreed to waive the terms relating to minimum annual quantity and pre-determined purchase price and the other major supplier has agreed to reduce the pre-determined purchase price for the forthcoming purchases. It would enable the Group, starting from 2016 onwards, to substantially mitigate the risks and costs related to the long term purchase agreements which led to the substantial amount of losses in 2015 and the operating losses in last few years. It would allow the Group to be more flexible in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials.

Our continual efforts to improve technology, manufacturing process and conversion efficiency of our wafers, and expansion of production capacities in Malaysia would enable us to continuously reduce our costs of production. We expect to see further costs reduction after achieving full utilization of our production facilities in Malaysia. Cost competitiveness driven by technical advancement would be crucial to the continuous development of the Company. We will focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive landscape of solar industry. We would also leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for customers. This strategy enabled us to differentiate ourselves in the market and would ensure our long term sustainability.

We are in the process of obtaining qualification with potential new customers. We were aware that an increasing number of PRC-based solar cell manufacturing companies were developing their N-type solar cell products and they were able to raise money from the capital market in China to fund their expansion. We believe our sounding track record differentiates us from our competitors in the market and strengthens the entry barrier to the market.

During the Period, there were further decreases in module and total system costs. The installation of PV systems is becoming increasingly affordable. The cost of solar power is now below user-paid rates for increasing number of markets and user categories. We believe that lower PV system costs will continuously drive the adoption of solar power and long-term market growth. While China and U.S.A. represent the leading end markets for solar energy, we see a ramping up in PV adoption and planning in emerging markets in South America, the Southeast Asia, Australia, Africa, and the Middle East. We are also excited to see the increasing commitments to distributed generation projects from various emerging markets. We expect that it would further strengthen the barrier to entry to our business as few suppliers can meet the rigorous standards of product quality and reliabilities for such projects. Our deep commitments to research and development (“**R&D**”) and delivering high conversion efficiency wafers ensure our leading position in the market. Going forward, we expect the Group will benefit from this trend of increasing demand for high efficiency products.

Chairman Statement

The Group intends to maintain its existing business of manufacturing and sales of high efficient monocrystalline solar wafers. And we intend to explore opportunities with the expansion into downstream solar business to integrate with our existing upstream solar business. With our leading technology, strong brand name and our products of premium quality and reliability, 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 Yi Zhang
Chairman

Shanghai, the People's Republic of China, 27 September 2016

Business Review

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Business Review

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On 8 July 2016, the Company entered into a subscription agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for a total 154,651,306 shares of the Company at a price of HK$0.46 per share. The subscription price for the Subscription represented a discount of 9.8% to the closing price of HK$0.51 per Share as stated in the Stock Exchange's daily quotations sheet on 7 July 2016, the last trading day before the date of the subscription agreement. The subscription shares were allotted and issued pursuant to the general mandate on 18 August 2016. The net proceeds from the Subscription (after deducting related professional fees and related expenses) are approximately HK$70.4 million and the net placing price, after deduction of placing commission and all other fees and expenses, was HK$0.45 per Share. Further details of the Subscription are set out in the Company's announcements dated 8 July 2016 and 18 August 2016. The Company intends to use the net proceeds for any investment opportunities to be identified by the group and as the general working capital of the Group. We believe the transaction represents a valuable opportunity for the Company to bring in renowned investor with strong financial resources and backgrounds and wide business networks, which in turn would bring strategic values to the Company.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position was further strengthened after Completion of the Subscription. In additions, we continued to implement a balanced financing plan to support our business operation. During the Period, we achieved net cash inflow from operating activities of approximately RMB63.3 million and the net debt to equity ratio was 21.3 % as of 30 June 2016, as reduced from 24.8% as of 31 December 2015. Our solid financial positions enable us to pursue growth opportunities.

Business Review

Upon our solid financial positions, we are investing further resources to upgrade our production process and to train our staffs in our factory located in Malaysia. We expect the capacity utilization in our factory located in Malaysia would continue to increase in coming few quarters. The cost of electricity, average salaries per workers and the tax incentive policies in Malaysia are all very competitive. It would enable us to keep lowering our production costs. Besides, it also helps us to mitigate the risks and costs in relation to international trade conflicts between PRC and overseas countries. We expect the uncertainties from potential trade conflicts would continue to exist. We are one of the few PRC-based companies with overseas production facilities and we would benefit from the pioneer advantages. Considering the various competitive advantages of our production facilities in Malaysia, we would evaluate different alternatives to further expand our capacity over there.

In addition to the strategy of the Group to expand production capacities in low-cost region, we also continued to execute our cost reduction strategy on the supply chain management. In prior years, in order to secure a stable supply of raw materials, the Group has entered into several non-cancellable purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed a “take or pay” obligation to purchase the minimum annual quantity of raw materials at pre-determined prices over the contractual periods up to 2018. By early 2016, the Group has reached agreements with the two major suppliers under which one of the major suppliers has agreed to waive the terms relating to minimum annual quantity and pre-determined purchase price and the other major supplier has agreed to reduce the pre-determined purchase price for the forthcoming purchases. It would enable the Group, starting from 2016 onwards, to substantially mitigate the risks and costs related to the long term purchase agreements which led to the substantial amount of losses in 2015 and the operating losses in last few years. It would allow the Group to be more flexible in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials.

Our continual efforts to improve technology, manufacturing process and conversion efficiency of our wafers, and expansion of production capacities in Malaysia would enable us to continuously reduce our costs of production. We expect to see further costs reduction after achieving full utilization of our production facilities in Malaysia. Cost competitiveness driven by technical advancement would be crucial to the continuous development of the Company. We will focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive landscape of solar industry. We would also leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for customers. This strategy enabled us to differentiate our Company in the market and would ensure our long term sustainability.

We are currently in the process of obtaining qualification with potential new customers. We were aware that an increasing number of PRC-based solar cell manufacturing companies were developing their N-type solar cell products and they were able to raise money from the capital market in China to fund their expansion. We believe our sounding track record differentiates us from our competitors in the market and strengthens the entry barrier to the market.

Business Review

Our top five customers in the Period contributed approximately 59.2% to our total revenue, compared to approximately 62.8% in the corresponding period last year. The sales to the largest customer in the Philippines with the high quality "Super Mono Wafers" accounted for approximately 36.0% of our total revenues in the Period, as compared to approximately 38.9% in the corresponding period in 2015. We continued to diversify and expand our customer bases.

The Group intends to maintain its existing business of manufacturing and sales of high efficient monocrystalline solar wafers. And we intend to explore opportunities with the expansion into downstream solar business to integrate with our existing upstream solar business. To leverage on our advanced technological capabilities, high quality product offerings, premium customer bases and the strategic partnership with reputable institutional investors, we are confident to capture enormous opportunities in the solar industry and to drive continued and healthy growth for the Group in the future.

Financial Review

REVENUE

Revenue decreased by RMB74.9 million, or 13.2%, from RMB566.0 million for the corresponding period in 2015 to RMB491.1 million for the Period, primarily as a result of the decrease in the average selling price and the sales volume. The average selling prices generally decreased in the industry during the Period to ensure our cost competitiveness. In addition, we invested further resources to upgrade our product quality and to train our staffs in our factory located in Malaysia. It thus impacted on our total ingot and wafers shipment volume which decreased by 15.9% from 197.7 MW for the corresponding period in 2015 to 166.2 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 RMB54.1 million, or 23.4%, from RMB231.3 million for the corresponding period in 2015 to RMB177.2 million for the Period, primarily due to the decrease in our sales volume by 14.8% from 146.7 MW for the corresponding period in 2015 to 125.0 MW for the Period, as well as by the decrease in average selling price of approximately 12.5% from RMB1.6 per watt in the corresponding period in 2015 to RMB1.4 per watt for the Period.

Sales of 156 mm by 156 mm monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers decreased by RMB27.8 million, or 35.2%, from RMB79.0 million for the corresponding period in 2015 to RMB51.2 million for the Period, primarily as a result of an decrease of sales volume by 28.0% from 48.9 MW for the corresponding period in 2015 to 35.2 MW for the Period as well as by the decrease in average selling price of approximately 6.3% from RMB1.6 per watt in the corresponding period in 2015 to RMB1.5 per watt for the Period.

Processing services income

Revenue from processing fees on monocrystalline solar ingots and wafers was RMB1.9 million, an increase of RMB1.4 million or approximately 280.0% from RMB0.5 million for the corresponding period in 2015, primarily due to the significant increase in scale for the processing services. The Company considered processing services as value-added services provided by the Company to its major customers and such services were not the major focus of the Company.

Others

Other revenue was mainly generated from the sales of excess inventory of polysilicon which were purchased under the long term agreements with our major polysilicon suppliers. Such revenues increased by RMB5.7 million or 2.2%, from RMB255.2 million for the corresponding period in 2015 to RMB260.9 million for the Period. It was mainly attributable to the increase in average selling price of polysilicon for the Period.

REVENUE BY GEOGRAPHICAL MARKET

In relation to the geographical analysis of our revenue, approximately 55.2% (2015: 37.7%) of total revenue for the Period was generated from our sales in China. The remaining portion was mainly generated from our sales to the Philippines, the United States of America and Japan-based customers.

COST OF SALES

Cost of sales decreased by RMB91.9 million, or 16.6%, from RMB552.0 million for the corresponding period in 2015 to RMB460.1 million for the Period, primarily as a result of the decrease in sales volumes due to the aforementioned factors and reduction of raw material costs during the Period.

GROSS PROFIT

Gross profit increased by RMB17.1 million, or 122.1%, from RMB14.0 million for the corresponding period in 2015 to RMB31.1 million for the Period, primarily due to the aforementioned factors.

OTHER INCOME

Other income during the Period was approximately RMB3.0 million which was similar to the amount incurred in corresponding period in 2015 and mainly represented bank interest income.

OTHER GAINS AND LOSSES

Other losses were approximately RMB3.1 million during the Period, representing a decrease from RMB132.7 million for the corresponding period in 2015. Such losses during the Period were mainly related to the net foreign exchange losses. The material amount of other losses in 2015 was mainly due to the impairment losses on advance to suppliers and the loss from fair value changes of the outstanding warrants which did not exist in the Period.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by RMB0.7 million, or 8.3%, from RMB8.4 million for the corresponding period in 2015 to RMB9.1 million during the Period, primarily due to the increase in transportation expenses during the Period.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses decreased by RMB49.5 million, or 67.9%, from RMB72.9 million for the corresponding period in 2015 to RMB23.4 million for the Period, which was mainly due to the stock compensation expenses of approximately RMB38.6 million incurred for the share options granted during the corresponding period in 2015.

INTEREST EXPENSES

Interest expenses decreased by RMB2.5 million from RMB7.5 million for the corresponding period in 2015 to RMB5.0 million for the Period. It was mainly due to the decrease in outstanding loan amount during the Period.

Financial Review

PROFIT (LOSS) BEFORE TAXATION

Loss before taxation was approximately RMB6.7 million for the Period, representing a decrease from RMB204.5 million for the corresponding period in 2015, due to the aforementioned factors.

TAXATION

The Group did not incur significant tax expenses in the Period and the corresponding period in 2015 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 RMB6.4 million during the Period, representing a decrease from the RMB204.0 million for the corresponding period in 2015, due to the aforementioned factors. Accordingly, the Group recorded a net loss margin of 1.3% for the Period, representing a decrease from 36.0% for the corresponding period in 2015.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2015: nil).

INVENTORY TURNOVER DAYS

There was an increase in inventory balance of 7.5% from RMB263.6 million as at 31 December 2015 to RMB283.5 million as at 30 June 2016, which was mainly to support our increasing operating scale in our factory located in Malaysia. The inventory turnover days as at 30 June 2016 totaled 112 days (31 December 2015: 81 days).

TRADE RECEIVABLE TURNOVER DAYS

The trade receivable turnover days as at 30 June 2016 totaled 50 days (31 December 2015: 60 days). The credit period for overseas customers is approximately 60 days while the credit period for other customers was approximately 30 to 90 days. The average receivable turnover days were approximately 50 days which was within the credit periods of the Group granted to its customers.

TRADE PAYABLE TURNOVER DAYS

The trade payable turnover days as at 30 June 2016 totaled 70 days (31 December 2015: 62 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 2016, the Group's current ratio (current assets divided by current liabilities) was 1.0 (31 December 2015: 0.9) and it was in a net debt position of approximately RMB240.9 million (31 December 2015: approximately RMB282.0 million). The Group controlled net debt to equity ratio as 21.3% as of 30 June 2016, compared to 24.8% as of 31 December 2015. The Group's financial position remained healthy during the Period.

CAPITAL COMMITMENTS

As at 30 June 2016, the capital commitments of the Group remained stable at approximately RMB206.2 million (31 December 2015: RMB205.2 million).

CONTINGENT LIABILITIES

As at 30 June 2016, there was no material contingent liability (31 December 2015: 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 during the Period.

CHARGES ON GROUP ASSETS

As at 30 June 2016, other than the restricted cash of approximately RMB117.4 million (31 December 2015: RMB171.1 million), the Group pledged its buildings and prepaid lease payments with net book values of approximately RMB147.8 million (31 December 2015: RMB152.3 million) and approximately RMB23.3 million (31 December 2015: RMB19.6 million), respectively, to banks to secure banking facilities granted to the Group. Save as disclosed above, as at 30 June 2016, 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.

On 7 July 2016, the Company entered into a sales and purchase agreement with the Vendors, pursuant to which the Company agreed to acquire the entire issued share capital of Joy Boy HK Limited, a company principally engaged in the provision of project development services and the development of downstream solar power projects in the PRC, at a total maximum consideration of RMB130 million from the Vendors. The consideration is to be satisfied by the Company by allotting and issuing new Shares at an issue price of HK$0.46 per consideration share to the Vendors under the specific mandate which was sought from the Shareholders on 24 August 2016 (unless the Company opted to pay in cash with the consent of the Vendors).

All the conditions precedent to the acquisition had been fulfilled and the acquisition was completed on 15 September 2016. Following the completion of the acquisition, Joy Boy HK Limited became a wholly-owned subsidiary of the Group and its financial statements would be consolidated to those of the Group. For details, please refer to the Company's announcements dated 7 July 2016, 24 August 2016 and 15 September 2016 and the Company's circular dated 9 August 2016.

DISPOSAL OF SUBSIDIARY

No subsidiary of the Company was disposed of during the Period.

USE OF PROCEEDS

On 8 July 2016, the Company entered into a subscription agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for a total 154,651,306 shares of the Company at a price of HK$0.46 per share. The net proceeds from the Subscription (after deducting related professional fees and related expenses) are approximately HK$70.4 million and the net placing price, after deduction of placing commission and all other fees and expenses, was HK$0.45 per Share. Further details, please refer to the Company's announcements dated 8 July 2016 and 18 August 2016. The Company intends to use the net proceeds for any investment opportunities to be identified by the Group and as the general working capital of the Group.

Save as disclosed herein, the Company has not conducted any equity fund raising activities in the past 12 months preceding the date of this report.

HUMAN RESOURCES

As at 30 June 2016, the Group had 1,019 (31 December 2015: 1,140) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Payment 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 rapidly 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.

The Company intends to explore opportunities to expand into downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group's existing upstream solar business. Also, the provision of project development services of our downstream solar business would minimize our exposures to capital expenditures requirements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group recognised net exchange losses of approximately RMB4.1 million, which mainly arose from monetary assets and liabilities of the group entities denominated in foreign currencies. 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 as disclosed below, during the Period, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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 Yi 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 two executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company advises that:

(1) as disclosed in the circular of the Company dated 21 April 2016, Mr. Shi Cheng Qi retired as an executive Director by rotation and did not offer himself for re-election at the annual general meeting of the Company held on 23 May 2016; and

(2) Mr. Kang Sun is currently the chief executive officer of Amprius Inc, a high energy density lithium ion battery developer and manufacturer.

Save as disclosed herein, to the best knowledge of the Board, there is no other change in any of the information of the Directors or the chief executive of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

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".

Corporate Governance and Other Information

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this 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 2016, 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 Yi Zhang[1]	Beneficial owner, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	629,283,550	45.21%
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 576,453,844 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.

(2) The Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 13,228,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012 and on 31 March 2014 under the Share Option Scheme (as defined below).

(3) The 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 (as defined below) granted to him on 24 May 2010 and 11 May 2015 under the Share Option Scheme (as defined below). As disclosed in the circular of the Company dated 21 April 2016, Mr. Shi Cheng Qi retired as an executive Director by rotation and did not offer himself for re-election at the annual general meeting of the Company held on 23 May 2016.

(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 2016, 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 2016, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Yi Zhang[1]	Beneficial owner, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	629,283,550	45.21%
Fonty Holdings Limited	Beneficial owner	576,453,844	41.42%
Ms. Carrie Wang[2]	Interest of spouse	629,283,550	45.21%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 576,453,844 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.

(2) Ms. Carrie Wang is the spouse of Mr. John Yi Zhang and therefore, pursuant to the SFO, she is deemed to be interested in all the Shares in which Mr. John Yi Zhang is interested.

Save as disclosed above, as at 30 June 2016, 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 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 2016 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2016	Exercised during the Period	Balance as at 30 June 2016
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, lapse or cancellation of any Pre-IPO Share Options for the six months ended 30 June 2016.

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.

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. On 24 December 2015, the scheme mandate limit under the Share Option Scheme was further refreshed with a maximum number of 139,186,175 Shares, being 10% of the Shares in issue as at 24 December 2015. 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 50,186,175 Shares, being the refreshed scheme mandate limit as reduced by a total of 89,000,000 share options granted on 9 September 2016, representing 3.25% of the issued share capital of the Company as at the date of this report.

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, lapsed, or cancelled under the Share Option Scheme.

Details of the movement of the Share Options under the Share Option Scheme during the Period are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2016	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Balance as at 30 June 2016
Other participants in aggregate	25 November 2015	HK$0.736	59,000,000	–	–	–	59,000,000
Other participants in aggregate	26 June 2015	HK$1.500	20,000,000	–	–	–	20,000,000
Director							
Mr. Shi Cheng Qi [9]	11 May 2015	HK$1.390	600,000	–	–	–	600,000
Other participants in aggregate	11 May 2015	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 Yi 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	3,556,000	–	–	–	3,556,000
Director							
Mr. Shi Cheng Qi [9]	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
			197,032,000	–	–	–	197,032,000

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
28 June 2012	50% of the total number of Share Options granted
28 September 2012	12.5% of the total number of Share Options granted
28 December 2012	12.5% of the total number of Share Options granted
28 March 2013	12.5% of the total number of Share Options granted
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
27 December 2012	50% of the total number of Share Options granted
27 March 2013	12.5% of the total number of Share Options granted
27 June 2013	12.5% of the total number of Share Options granted
27 September 2013	12.5% of the total number of Share Options granted
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
30 September 2013	50% of the total number of Share Options granted
30 December 2013	12.5% of the total number of Share Options granted
30 March 2014	12.5% of the total number of Share Options granted
30 June 2014	12.5% of the total number of Share Options granted
30 September 2014	12.5% of the total number of Share Options granted

(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
31 March 2014	50% of the total number of Share Options granted
30 June 2014	12.5% of the total number of Share Options granted
30 September 2014	12.5% of the total number of Share Options granted
31 December 2014	12.5% of the total number of Share Options granted
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
31 March 2014	1/3 of the total number of options granted
30 June 2014	1/12 of the total number of options granted
30 September 2014	1/12 of the total number of options granted
31 December 2014	1/12 of the total number of options granted
31 March 2015	1/12 of the total number of options granted
30 June 2015	1/12 of the total number of options granted
30 September 2015	1/12 of the total number of options granted
31 December 2015	1/12 of the total number of options granted
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
11 May 2015	50% of the total number of Share Options granted
11 August 2015	12.5% of the total number of Share Options granted
11 November 2015	12.5% of the total number of Share Options granted
11 February 2016	12.5% of the total number of Share Options granted
11 May 2016	12.5% of the total number of Share Options granted

(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
26 June 2015	50% of the total number of Share Options granted
26 September 2015	12.5% of the total number of Share Options granted
26 December 2015	12.5% of the total number of Share Options granted
26 March 2016	12.5% of the total number of Share Options granted
26 June 2016	12.5% of the total number of Share Options granted

(8) Share options granted under the Share Option Scheme on 25 November 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
25 November 2015	50% of the total number of Share Options granted
25 February 2016	12.5% of the total number of Share Options granted
25 May 2016	12.5% of the total number of Share Options granted
25 August 2016	12.5% of the total number of Share Options granted
25 November 2016	12.5% of the total number of Share Options granted

(9) As disclosed in the circular of the Company dated 21 April 2016, Mr. Shi Cheng Qi retired as an executive Director by rotation and did not offer himself for re-election at the annual general meeting of the Company held on 23 May 2016.

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

Deloitte.
德勤

TO THE MEMBERS OF COMTEC SOLAR SYSTEMS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

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 30 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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**") issued by the International accounting Standards Board. The directors of the Company (the "**Directors**") 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" issued by the International accounting Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2016

	NOTES	Six months ended 30 June 2016 *RMB'000* *(Unaudited)*	2015 *RMB'000* *(Unaudited)*
Revenue		491,149	566,031
Cost of sales		(460,086)	(552,014)
Gross profit		31,063	14,017
Other income	5	2,917	2,972
Other gains and losses	6	(3,118)	(132,714)
Distribution and selling expenses		(9,091)	(8,394)
Administrative expenses		(23,426)	(72,879)
Finance costs	7	(5,045)	(7,455)
Loss before taxation	8	(6,700)	(204,453)
Taxation	9	295	408
Loss and total comprehensive expense for the period, attributable to owners of the Company		(6,405)	(204,045)
		RMB cents	*RMB cents*
Loss per share — Basic and diluted	11	(0.46)	(14.66)

Condensed Consolidated Statement of Financial Position

at 30 June 2016

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	1,000,028	1,018,072
Prepaid lease payments-non-current		30,899	26,179
Deposits paid for acquisition of property, plant and equipment	12	30,171	31,370
Advance to suppliers	13	52,684	108,256
		1,113,782	1,183,877
Current assets			
Inventories		283,471	263,645
Trade and other receivables	15	192,503	251,832
Bills receivable	15	12,454	6,971
Advance to suppliers	13	59,284	2,920
Prepaid lease payments-current		693	600
Prepaid assignment fee-current	14	166,190	175,546
Pledged bank deposits		117,377	171,084
Bank balances and cash		61,164	49,715
		893,136	922,313
Assets classified as held for sale	24	–	19,129
		893,136	941,442
Current liabilities			
Trade and other payables	16	253,847	286,048
Customers' deposits received-current	14	175,822	178,676
Short-term bank loans	17	431,889	509,793
Tax liabilities		275	400
Deferred revenue		287	287
		862,120	975,204
Net current assets (liabilities)		31,016	(33,762)
Total assets less current liabilities		1,144,798	1,150,115

Condensed Consolidated Statement of Financial Position

at 30 June 2016

	NOTES	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Capital and reserves			
Share capital	19	1,205	1,205
Reserves		1,130,828	1,135,707
Total equity		1,132,033	1,136,912
Non-current liabilities			
Deferred tax liabilities		8,324	8,620
Deferred revenue		4,441	4,583
		12,765	13,203
		1,144,798	1,150,115

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016

	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 2015 (Audited)	1,205	1,316,968	29,141	11,012	84,583	71,606	1,514,515
Loss and total comprehensive income 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
At 1 January 2016 (Audited)	1,205	1,317,003	86,217	11,012	84,583	(363,108)	1,136,912
Loss and total comprehensive expense for the period	–	–	–	–	–	(6,405)	(6,405)
Recognition of equity-settled share-based payments	–	–	1,526	–	–	–	1,526
At 30 June 2016 (Unaudited)	1,205	1,317,003	87,743	11,012	84,583	(369,513)	1,132,033

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
(Loss) profit before taxation	(6,700)	(204,453)
Adjustments for:		
Allowance for inventories	–	3,546
Interest income	(1,609)	(2,824)
Interest expense	5,045	7,455
Depreciation of property, plant and equipment	30,433	37,910
Loss on disposal of property, plant and equipment	13	–
Gain on disposal of assets held for sale	(81)	–
Release of deferred revenue	(143)	(143)
Share-based payment expenses	1,526	38,579
Release of prepaid lease payments	415	498
Loss on fair value changes of warrants	–	4,500
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 and prepaid assignment	(45,409)	(144,065)
Operating cash flows before movements in working capital	(16,510)	(135,997)
(Increase) decrease in inventories	(19,826)	75,342
Decrease in trade and other receivables	59,328	20,639
Increase in bills receivable	(5,483)	(35,155)
Decrease in advance to suppliers	44,617	40,823
Decrease in prepaid assignment fee	9,356	7,717
(Decrease) increase in trade and other payables	(5,206)	135,532
(Decrease) increase in customers' deposits received	(2,854)	2,344
Cash generated from operations	63,422	111,245
Tax (paid) refunded	(125)	2
Net cash generated from operating activities	63,297	111,247

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Investing activities		
Withdrawal of pledged bank deposits	171,084	171,188
Proceeds from disposal of property, plant and equipment	–	3,760
Additions of prepaid lease payments	(5,228)	–
Interest received	1,609	2,824
Additions to and deposits paid for acquisition of property, plant and equipment	(18,987)	(38,276)
Placement of pledged bank deposits	(117,377)	(171,124)
Net cash generated from (used in) investing activities	31,101	(31,628)
Financing activities		
Bank loans raised	275,846	245,997
Exercise of share options	–	24
Interest paid	(5,045)	(13,593)
Repayment of bank loans	(353,750)	(246,307)
Net cash used in financing activities	(82,949)	(13,879)
Increase in cash and cash equivalents	11,449	65,740
Cash and cash equivalents at beginning of the period	49,715	52,123
Cash and cash equivalents at end of the period, represented by bank balances and cash	61,164	117,863

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2016

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 Yi 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 International Accounting Standard 34 (IAS 34) Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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.

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 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

The Directors 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 is the loss before taxation of the Group.

5. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grant	1,308	148
Interest income	1,609	2,824
	2,917	2,972

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange losses	(4,095)	(5,214)
Loss on fair value changes of 2012 Warrants *(defined in note 18)*	–	(4,500)
Bad debt recovered	909	–
Loss on disposal of property, plant and equipment	(13)	–
Gain on disposal of assets held for sale	81	–
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)
	(3,118)	(132,714)

7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest expense in relation to bank loans wholly repayable within five years	10,430	13,593
Less: amounts capitalised in the cost of qualifying assets	(5,385)	(6,138)
	5,045	7,455

8. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	460,086	552,014
Depreciation of property, plant and equipment	30,433	37,910
Release of prepaid lease payments	415	498
Research and development expenses (included in administrative expenses)	3,713	3,737
Operating lease rentals in respect of rented premises	1,116	810

9. TAXATION

	Six months ended 30 June	
	2016 *RMB'000* *(Unaudited)*	2015 *RMB'000* *(Unaudited)*
People's Republic of China (the "**PRC**") Enterprise Income Tax		
— Tax credit for the current period	295	408

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 2016 and 30 June 2015. 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 2016 and 2015.

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2016 *RMB'000* *(Unaudited)*	2015 *RMB'000* *(Unaudited)*
Loss		
Loss for the period attributable to owners of the Company		
for the purpose of basic loss per share	(6,405)	(204,045)
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic loss per share	1,391,861,750	1,391,834,709

11. LOSS PER SHARE *(continued)*

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

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 per share for the six months ended 30 June 2016 and 30 June 2015 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 RMB18,987,000 (six months ended 30 June 2015: RMB38,276,000) on deposits paid for and purchases of property, plant and equipment.

13. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS

In prior years, in order to secure a stable supply of raw materials, the Group has entered into several non-cancellable purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed a "take or pay" obligation to purchase the minimum annual quantity of raw materials, mainly polysilicon virgins (to be used in the manufacture of its products) at pre-determined prices over the contractual periods up to 2018 (can be extended to 2021 with prior written notice to the supplier). According to the terms of these agreements, the Group were required to made upfront advances to these suppliers. The advances are unsecured, interest-free and non-refundable but could be utilised to reduce the invoice amount of purchases up to those agreed minimum annual quantities. Therefore, at the end of each reporting period, the Directors estimate the amount of advances that is expected to be settled by the offset of the purchases of the agreed contract quantity in the next twelve months and classify it as current asset at the end of each reporting period. The remaining balance is classified as non-current asset in the consolidated statement of financial position. In early 2016, the Group has reached into agreements with the two major suppliers, of which one has unconditionally agreed to waive the term relating to minimum annual quantity and pre-determined purchase price and the other has unconditionally agreed to reduce the pre-determined purchase price for the forthcoming purchases.

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

The Group has periodically 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 annualised 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 take or pay supply agreements referred above, etc. Based on such analysis, the Group recognised impairment provision/onerous contracts provision, which represented expected losses to be suffered or future payments that the Group is presently obliged to make under the above-mentioned non-cancellable take or pay agreements, after taking into account the revenue expected to be earned and costs to be incurred in production over the contractual periods, and the movement of which are as follow:

	Provision for impairment on advance to suppliers	Provision for onerous contracts	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	174,521	7,576	182,097
Utilise*	(144,065)	–	(144,065)
Transfer	7,576	(7,576)	–
Provision	121,200	–	121,200
At 30 June 2015	159,232	–	159,232
Utilise*	(95,100)	–	(95,100)
Provision	31,558	–	31,558
At 31 December 2015	95,690	–	95,690
Utilise*	(45,049)	–	(45,049)
At 30 June 2016	50,641	–	50,641

* the provision was utilised as a reduction of cost of sales on disposal of the excessive polysilicon virgins which were purchased from the above suppliers and in turn resold to the free market.

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

The balance of advance to suppliers are analysed as follows:

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Gross amounts	162,609	206,866
Provision	(50,641)	(95,690)
	111,968	111,176
Less: Amounts recoverable within one year shown under current assets	(59,284)	(2,920)
Amounts shown under non-current assets	52,684	108,256

14. PREPAID ASSIGNMENT FEE/CUSTOMERS' DEPOSITS RECEIVED

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

In addition, Mission paid non-refundable deposits of USD35 million (equivalent to approximately RMB213,391,000) to Comtec Solar HK which 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 consolidated statement of financial position. At each reporting date, the Directors 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 consolidated statement of financial position. In early 2016, Comtec Solar HK has reached into an agreement with Mission under which neither parties under the Wafer Supply Agreement shall be bounded by the pre-determined delivery schedule and supply price terms for the forthcoming supply/purchase. As the revised delivery schedule has not been reached as to the date of this financial statements, the full amount of the deposit received from Mission is classified as current liabilities as of 30 June 2016 and 31 December 2015.

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

Carrying amounts of deposits received from Mission:

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Within one year	166,190	175,546

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

The Group recognised such prepaid assignment fee in the consolidated statement of financial position. At 30 June 2016 and 31 December 2015, the Directors estimate the amount of assignment fee that is expected to be released to the consolidated statement of profit or loss and other comprehensive income over the sales of the agreed contract quantity in the next twelve months and classify it as current asset.

Carrying amounts of prepaid assignment fee:

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Current portion	166,190	175,546

The Directors assessed provision for onerous contract in relation to the Wafer Supply Agreement and prepaid assignment fee on regular basis. Details of parameters of analysis are set out in note 13.

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

The Group recognised impairment losses in respect of prepaid assignment fee of nil as at 30 June 2016 (31 December 2015: nil). Movement in the allowance for prepaid assignment fee:

	RMB'000
Balance at 1 January 2015	5,190
Impairment losses recognised in profit or loss	1,800
Utilisation	(5,190)
Balance at 30 June 2015	1,800
Reversal during the six-months period ended 31 December 2015	(1,800)
Balance at 31 December 2015 and 30 June 2016	–

15. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Trade receivables	137,635	183,894
Less: allowance for doubtful debts	(3,351)	(4,260)
	134,284	179,634
Utility deposits	3,181	2,988
Value-added-tax recoverable	36,204	49,091
Other receivables and prepayments	18,834	20,119
	192,503	251,832
Bills receivable	12,454	6,971

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Age		
0 to 30 days	12,020	41,402
31 to 60 days	41,345	40,043
61 to 90 days	24,830	29,849
91 to 180 days	30,580	54,294
Over 180 days	25,509	14,046
	134,284	179,634

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Age		
0 to 30 days	6,116	5,800
31 to 60 days	3,838	871
61 to 90 days	1,000	–
91 to 180 days	1,500	300
	12,454	6,971

16. TRADE AND OTHER PAYABLES

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Trade payables	177,891	202,450
Payables for acquisition of property, plant and equipment	44,935	52,720
Other payables and accrued charges	31,021	30,878
	253,847	286,048

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

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Age		
0 to 30 days	38,630	47,758
31 to 60 days	8,381	21,952
61 to 90 days	13,728	16,119
91 to 180 days	15,411	34,667
Over 180 days	101,741	81,954
	177,891	202,450

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.

17. BANK LOANS

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Bank loans		
— secured	346,565	423,912
— unsecured	85,324	85,881
	431,889	509,793
Carrying amounts repayable:		
Within one year	431,889	509,793
Less: Amounts due within one year shown under current liabilities	(431,889)	(509,793)
Amounts shown under non-current liabilities	–	–

During the six months ended 30 June 2016, the Group obtained new bank loans amounting to approximately RMB275,846,000 (six months ended 30 June 2015: RMB245,997,000). The loans carry interest at variable market rates ranging from 1.69% to 5.67% (six months ended 30 June 2015: 1.69% to 6.00%) per annum.

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 from 13 March 2012 to 13 March 2016, 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 2015.

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

	RMB'000
Carrying amount at 1 January 2015	10,600
Gain on fair value change recognised in profit or loss	4,500
Carrying amount at 30 June 2015	15,100
Loss on fair value change recognised in profit or loss during the six-months period ended 31 December 2015	(15,100)
Carrying amount at 31 December 2015 and 30 June 2016	–

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 of HKD0.001 each at 1 January 2015, 31 December 2015 and 30 June 2016	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount
		HKD'000
Ordinary shares		
Ordinary shares at 1 January 2015	1,391,831,750	1,393
Exercise of share options *(note 1)*	30,000	–
Ordinary shares at 31 December 2015 and 30 June 2016	1,391,861,750	1,393

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Presented as RMB:		
Ordinary shares	1,205	1,205

Note:

(1) 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 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 2016 and 30 June 2015:

	Number of options				
	Outstanding as at 1 January 2015, 30 June 2015 and 1 January 2016	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2016
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
	512,020	–	–	–	512,020
Exercisable at the end of the period	512,020				512,020
Weighted average exercise price (HK$)	2.510				2.510

The number of share options under the Pre-IPO Share Option Scheme exercisable at HKD 2.51 per share as at 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016 were 512,020.

At 30 June 2016, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (30 June 2015: 512,020), representing 0.04% (30 June 2015: 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 2016 and 30 June 2015 since the share options were fully vested in the prior period.

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 2016 and 30 June 2015:

Granted on 24 May 2010

	Number of options				
	Outstanding as at 1 January 2015, 30 June 2015 and 1 January 2016	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2016
Directors:					
Mr. Shi Chen Qi ("**Mr. Shi**")	300,000	–	–	–	300,000
Employees	1,940,000	–	–	–	1,940,000
	2,240,000	–	–	–	2,240,000
Exercisable at the end of the period	2,240,000				2,240,000
Weighted average exercise price (HK$)	1.490				1.490

At 30 June 2016, 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 2015: 2,240,000), representing 0.16% (30 June 2015: 0.16%) of the shares of the Company in issue at that date.

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 28 June 2012

For the six months ended 30 June 2016:

	Number of options				
	Outstanding as at 1 January 2016	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2016
Directors:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau Kwok Keung ("**Mr. Chau**")	228,000	–	–	–	228,000
Employees	3,506,000	–	–	–	3,506,000
Consultants	50,000	–	–	–	50,000
	8,784,000	–	–	–	8,784,000
Exercisable at the end of the period	8,784,000				8,784,000
Weighted average exercise price (HK$)	0.980				0.980

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 28 June 2012 (continued)

For the six months ended 30 June 2015:

	Number of options				
	Outstanding as at 1 January 2015	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2015
Directors:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau	228,000	–	–	–	228,000
Employees	3,706,000	(30,000)	–	(170,000)	3,506,000
Consultants	50,000	–	–	–	50,000
	8,984,000	(30,000)	–	(170,000)	8,784,000
Exercisable at the end of the period	8,984,000				8,784,000
Weighted average exercise price (HK$)	0.980				0.980

At 30 June 2016, the number of shares in respect of which options granted on 28 June 2012 under the Share Option Scheme remained outstanding was 8,784,000 (30 June 2015: 8,784,000), representing 0.63% (30 June 2015: 0.63%) of the shares of the Company in issue at that date.

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 27 December 2012

	Number of options				
	Outstanding as at 1 January 2015, 30 June 2015 and 1 January 2016	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2016
Directors:					
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
	7,538,000	–	–	–	7,538,000
Exercisable at the end of the period	7,538,000				7,538,000
Weighted average exercise price (HK$)	1.262				1.262

At 30 June 2016, 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 2015: 7,538,000), representing 0.54% (30 June 2015: 0.54%) of the shares of the Company in issue at that date.

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 30 September 2013

	Number of options				
	Outstanding as at 1 January 2015, 30 June 2015 and 1 January 2016	Issue during the period	Exercised during the period	Forfeited during in the period	Outstanding as at 30 June 2016
Consultants	4,020,000	–	–	–	4,020,000
	4,020,000	–	–	–	4,020,000
Exercisable at the end of the period	4,020,000				4,020,000
Weighted average exercise price (HK$)	1.870				1.870

At 30 June 2016, 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 2015: 4,020,000), representing 0.29% (30 June 2015: 0.29%) of the shares of the Company in issue at that date.

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 31 March 2014

For the six months ended 30 June 2016

	Number of options				
	Outstanding as at 1 January 2016	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2016
Director:					
Mr. Chau	13,000,000	–	–	–	13,000,000
Employees	4,850,000	–	–	–	4,850,000
Consultants	17,800,000	–	–	–	17,800,000
	35,650,000	–	–	–	35,650,000
Exercisable at the end of the period	34,787,500				35,650,000
Weighted average exercise price (HK$)	1.386				1.386

For the six months ended 30 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
Director:					
Mr. Chau	13,000,000	–	–	–	13,000,000
Employees	4,850,000	–	–	–	4,850,000
Consultants	17,800,000	–	–	–	17,800,000
	35,650,000	–	–	–	35,650,000
Exercisable at the end of the period	29,487,500				31,937,500
Weighted average exercise price (HK$)	1.386				1.386

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 31 March 2014 (continued)

At 30 June 2016, 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 2015: 35,650,000), representing 2.56% (30 June 2015: 2.56%) of the shares of the Company in issue at that date.

Granted on 11 May 2015

For the six months ended 30 June 2016

	Number of options				
	Outstanding as at 1 January 2016	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2016
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	47,341,666				59,800,000
Weighted average exercise price (HK$)	1.390				1.390

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 11 May 2015 (continued)

For the six months ended 30 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
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					29,900,000
Weighted average exercise price (HK$)					1.390

At 30 June 2016, the number of shares in respect of which options granted on 11 May 2015 under the Share Option Scheme remained outstanding was 59,800,000 (30 June 2015: 59,800,000), representing 4.30% (30 June 2015: 4.30%) of the shares of the Company in issue at that date.

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 26 June 2015

For the six months ended 30 June 2016

	Number of options				
	Outstanding as at 1 January 2016	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2016
Consultants	20,000,000	–	–	–	20,000,000
Exercisable at the end of the period	20,000,000				20,000,000
Weighted average exercise price (HK$)	1.500				1.500

For the six months ended 30 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
Weighted average exercise price (HK$)					1.500

At 30 June 2016, the number of shares in respect of which options granted on 26 June 2015 under the Share Option Scheme remained outstanding was 20,000,000 (30 June 2015: 20,000,000), representing 1.44% (30 June 2015: 1.44%) of the shares of the Company in issue at that date.

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 25 November 2015

For the six months ended 30 June 2016

	Number of options				
	Outstanding as at 1 January 2016	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2016
Consultants	59,000,000	–	–	–	59,000,000
Exercisable at the end of the period	31,958,333				41,791,667
Weighted average exercise price (HK$)	0.736				0.736

At 30 June 2016, the number of shares in respect of which options granted on 25 November 2015 under the Share Option Scheme remained outstanding was 59,000,000 (30 June 2015: nil), representing 4.24% (30 June 2015: nil) of the shares of the Company in issue at that date.

21. CAPITAL COMMITMENTS

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Capital expenditure in respect of the acquisition of property, plant and equipment		
— Contracted for but not provided in the condensed consolidated financial statements	6,241	5,160
— Authorised but not contracted for	200,000	200,000
	206,241	205,160

22. PLEDGE OF ASSETS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Prepaid lease payments	23,337	19,640
Property, plant and equipment	147,803	152,259
Pledged bank deposits	117,377	171,084
	288,517	342,983

23. 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Basic salaries and allowances	2,762	2,925
Retirement benefit scheme contributions	75	78
Share-based payments	608	1,762
	3,445	4,765

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.

24. ASSETS CLASSIFIED AS HELD FOR SALE

In 2012, the Group entered into an agreement with an independent third party (the "**Original Buyer**") to dispose of the entire equity interests in a subsidiary, Comtec New Energy (Shanghai) Limited ("**Comtec SH**"), which principal asset is the prepaid lease payments for a parcel of land, at a cash consideration of RMB28,500,000 (the "**Original Transaction**").

The Original Transaction was not completed during the year ended 31 December 2014 due to unexpected time spent for the group restructuring before disposal of Comtec SH.

On 26 January 2015, the Group entered into an agreement with the Original Buyer to terminate the Original Transaction and entered into another share transfer agreement with another independent third party (the "**Second Buyer**") to dispose of the entire equity interests in Comtec SH for a consideration of RMB28,500,000 (the "**Second Transaction**"). Pursuant to the terms of the Second Transaction, the Second Transaction shall be completed within 180 days from 26 January 2015. Towards the beginning of March 2016, however, in view of certain closing condition under the terms of the Second Transactions have not been satisfied, both contractual parties have verbally agreed to unconditionally terminate the Second Transaction and such termination agreement were formally signed off on 25 March 2016.

Concurrently, on 11 March 2016, Comtec SH has entered into a written agreement with an independent third party to dispose of the entire parcel of land it owns for a cash consideration of RMB19,823,000. Therefore, the prepaid lease payments for the parcel of land was classified as assets held for sale as of 31 December 2015.

This disposal transaction has been duly completed during the six-months period ended 30 June 2016.

	30 June 2016 *RMB'000* *(Unaudited)*	31 December 2015 *RMB'000* *(Audited)*
Prepaid lease payments	–	19,129
Assets classified as held for sale	–	19,129

25. SUBSEQUENT EVENTS

(a) On 7 July 2016, the Company entered into a sales and purchase agreement with 2 independent vendors (the "Vendors"), pursuant to which the Company agreed to acquire the entire issued share capital of Joy Boy HK Limited and its subsidiaries (the "Target Group") at a total maximum consideration of RMB130 million from the Vendors. The consideration is to be satisfied by allotting and issuing the Company's shares at an issue price of HK$0.46 per consideration share to the Vendors under the specific mandate which was sought from the shareholders of the Company on 24 August 2016 (unless the Company opted to pay in cash with the consent of the Vendors).

The issue price of HK$0.46 per consideration share was approximately 9.8% discount to the closing price of the Company's shares on the date of the sale and purchase agreement. Assuming that the maximum consideration will be paid and satisfied by the allotment and issue of the consideration shares, a total of 328,118,768 consideration shares will be allotted and issued by the Company, representing approximately 19.08% of the issued share capital of the Company as enlarged by the consideration shares. The completion of the acquisition is subject to various conditions, including but not limited to, the shareholders' approval at the extraordinary general meeting of the Company. Further details of this transaction are set out in the Company's announcements dated 7 July 2016 and 24 August 2016 and the Company's circular dated 9 August 2016.

The Target Group is principally engaged in the provision of project development services and the development of downstream solar power projects in the PRC.

(b) On 8 July 2016, the Company entered into a subscription agreement with an independent subscriber (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for a total 154,651,306 shares of the Company at a price of HK$0.46 per share (the "Subscription"). The subscription price for the Subscription represented a discount of 9.8% to the closing price of HK$0.51 per share as stated in the Stock Exchange's daily quotations sheet on 7 July 2016, the last trading day before the date of the subscription agreement. The subscription shares were allotted and issued pursuant to the general mandate on 18 August 2016. The net proceeds from the Subscription (after deducting related professional fees and related expenses) are approximately HK$70.4 million. Further details of the Subscription are set out in the Company's announcements dated 8 July 2016 and 18 August 2016.

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 2016

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