



Trony Solar Holdings Company Limited

創益太陽能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2468



**Cleaner Energy
for a Cleaner World**

Interim Report 2017/18

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CORPORATE INFORMATION

Directors

Executive Directors

Ms. Yu Ying

Mr. Liu Bin

Independent Non-Executive Directors

Mr. Pak Wai Keung Martin (*Chairman*)

Mr. Zhang Xuehu

Ms. Chow Wai Fong

Registered Office

P.O. Box 1350, Clifton House

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Grand Cayman KY1-1108

Cayman Islands

Head Office in the PRC

Room 1403, Building A4

Kexing Science Park

Keyuan Road, Middle District of Science Park

Nanshan District

Shenzhen 518048

PRC

Principal Place of Business in Hong Kong

Suites 1106-08, 11th Floor

The Chinese Bank Building

61-65 Des Voeux Road Central

Hong Kong

Audit Committee

Mr. Pak Wai Keung Martin (*Committee Chairman*)

Mr. Zhang Xuehu

Ms. Chow Wai Fong

Nomination Committee

Mr. Zhang Xuehu (*Committee Chairman*)

Ms. Yu Ying

Ms. Chow Wai Fong

Remuneration Committee

Mr. Zhang Xuehu (*Committee Chairman*)
Ms. Yu Ying
Ms. Chow Wai Fong

Company Secretary

Ms. Chan Yuen Ying Stella

Company Website

www.trony.com

Authorized Representatives

Ms. Chan Yuen Ying Stella
Ms. Yu Ying

Cayman Islands Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
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

Legal Advisors

Troutman Sanders

Auditors

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited
Hang Seng Bank Limited
China Construction Bank



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31 December 2017, the Group recorded a loss for the period of approximately RMB30,119,000, representing a decrease in loss of approximately RMB14,024,000 or 32% as compared with the corresponding period in 2016.

Revenue

For the six months ended 31 December 2017, the Group recorded a revenue of approximately RMB15,217,000 (2016: approximately RMB31,863,000), representing a decrease in turnover of approximately RMB16,646,000 or 52% as compared to the corresponding period in 2016, which was mainly attributable to:

- (1) the turnover of manufacture and sale of solar products segment of approximately RMB15,105,000 (2016: approximately RMB15,675,000), decreasing by approximately RMB570,000 or 4% as compared with the corresponding period in 2016; and the decrease in the turnover of manufacture and sale of solar products segment mainly due to continuous competition and shrinking market.
- (2) the drop in the turnover of construction of photovoltaic cells segment mainly as a result of failing to obtain new production project order in the period.

Gross Loss

For the six months ended 31 December 2017, the Group recorded a gross loss of approximately RMB3,448,000 (2016: RMB501,000), representing an increase in gross loss of approximately RMB2,947,000 or 588% as compared with the corresponding period in 2016.

Other Income

For the six months ended 31 December 2017, the Group recorded other income of approximately RMB841,000 (2016: approximately RMB1,584,000), representing a year-on-year decrease of 47%.

The decrease in other income was due to the decrease of government grants.

Selling and Distribution Expenses

For the six months ended 31 December 2017, selling and distribution expenses were approximately RMB1,704,000 (2016: approximately RMB2,083,000), representing a decrease of approximately RMB379,000 or 18% as compared to the corresponding period in 2016.

The decrease in selling and distribution expenses was mainly due to the drop in the selling and distribution expenses of the construction of photovoltaic cells segment as a result of failing to obtain new production project order in the period.

Administrative Expenses

For the six months ended 31 December 2017, administrative expenses were approximately RMB25,780,000 (2016: approximately RMB43,072,000), representing a decrease of approximately RMB17,292,000 or 40% as compared to the corresponding period in 2016.

The decrease in administrative expenses was mainly attributable to the fact that most of the re-structuring costs and professional fees for resumption of trading were incurred in last year and thus such costs and fees decreased significantly during the six months ended 31 December 2017.

Exchange differences on Translating Foreign Operations

For the six months ended 31 December 2017, the exchange losses on translating foreign operations were approximately RMB531,000 (2016: exchange gains of approximately RMB4,017,000), representing a decrease in gains of approximately RMB4,548,000 or 113% as compared to the corresponding period in 2016.

The exchange losses on translating foreign operations were mainly due to the continuous appreciation of RMB against USD, as a result of which the Group recorded exchange losses on translating the accounts of foreign subsidiaries.

Human Resources

As at 31 December 2017, the Company has 197 employees (30 June 2017: 230 employees). The remuneration package of the existing employees comprises basic salaries, discretionary bonuses and social security funds. The employees' remuneration accords with their responsibilities, performance and contribution.

OTHER INFORMATION

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 31 December 2017 (2016: Nil).

Code on Corporate Governance Practices

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. The Group is committed to improving its corporate governance practices in compliance with regulatory requirements and in accordance with international recommended practices. The Company has adopted the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance. During the six months ended 31 December 2017, in the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 December 2017.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code ("**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the period.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2017, the interests and short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("**SFO**") which were notified to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code are as follows:

| Name of Director | Capacity | Long position/ Short position | Number of ordinary shares held | Approximate percentage of the Company's issued share capital |
|------------------|------------------|----------------------------------|--------------------------------------|--------------------------------------------------------------------------|
| Mr. Liu Bin | Beneficial owner | Long position | 50,000 (Note) | negligible |

Note: These shares are derived from the interests in share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme".

Substantial Shareholders Interests in Shares

As at 31 December 2017, so far as is known to any Director or chief executive of the Company, the persons or corporations 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 Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under section 336 of the SFO are as follows:

| Name of shareholder | Capacity/nature of interest | Long position/ short position | Number of shares | Approximate percentage of shareholding |
|-------------------------------------------------------------|--------------------------------------|------------------------------------------|-----------------------------|-------------------------------------------------------|
| Spring Shine International Limited (Note 1) | Interest in controlled corporations | Long position | 621,497,910 | 39.22% |
| Credit Suisse Trust Limited (Note 1) | Trustee of a trust | Long position | 621,497,910 | 39.22% |
| Seletar Limited (Note 1) | Trustee of a trust | Long position | 621,497,910 | 39.22% |
| Serangoon Limited (Note 1) | Trustee of a trust | Long position | 621,497,910 | 39.22% |
| Lakes Invest Limited (Note 1) | Beneficial owner | Long position | 542,700,000 | 34.25% |
| Central Huijin Investment Ltd. (Note 2) | Interest in a controlled corporation | Long position | 221,674,392 | 13.99% |
| ICBC International Holdings Limited (Note 2) | Interest in a controlled corporation | Long position | 221,674,392 | 13.99% |
| Industrial and Commercial Bank of China Limited (Note 2) | Interest in a controlled corporation | Long position | 221,674,392 | 13.99% |
| ICBC International Fund Management Limited (Note 2) | Beneficial owner, security interest | Long position | 163,722,350 | 10.33% |

Notes:

- (1) Each of Sky Sense Investments Limited and Lakes Invest Limited is wholly-owned by Spring Shine International Limited, which in turn is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Li Family Trust. Therefore, each of Spring Shine Trust Limited, Credit Suisse Trust Limited, Seletar Limited, Serangoon Limited is deemed to be interested in all the shares of the Company held by Sky Sense Investments Limited and Lakes Invest Limited.
- (2) ICBC International Fund Management and ICBC International Strategic Investment Limited are wholly-owned subsidiaries of ICBC International Holdings Limited. ICBC International Holdings Limited is a wholly owned subsidiary of Industrial and Commercial Bank of China Limited. Industrial and Commercial Bank of China Limited is controlled by Central Huijin Investment Ltd. Therefore Central Huijin Investment Ltd., Industrial and Commercial Bank of China Limited and ICBC International Holdings Limited are deemed to be interested in all shares held by ICBC International Fund Management and all shares held by ICBC International Strategic Investment Limited.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2017.

Share Option Scheme

The Company adopted the share option scheme (the “**Share Option Scheme**”) on 13 September 2010. The purpose of the Share Option Scheme is to motivate eligible persons to maximize their future contributions to the Group, to attract and retain such eligible persons who are important to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.

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.

Details of the Share Option Scheme are set out in the prospectus of the Company dated 24 September 2010.

Details of movement of share options during the period under the Share Option Scheme are as follows:–

| Name or category of participants | Number of share options | | | | | Outstanding as at 31 December 2017 | Exercise price (HK\$) | Date of Grant | Exercisable Period (Note) |
|----------------------------------|-------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|------------------------------------|-----------------------|---------------|----------------------------------|
| | Outstanding as at 1 July 2017 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | | | | |
| Director: | | | | | | | | | |
| Liu Bin | 50,000 | – | – | – | – | 50,000 | 4.80 | 9 March 2011 | 9 September 2011 to 9 March 2018 |
| Employees | 5,978,000 | – | – | – | 103,000 | 5,875,000 | 4.80 | 9 March 2011 | 9 September 2011 to 9 March 2018 |
| Sub-total | <u>6,028,000</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>103,000</u> | <u>5,925,000</u> | | | |
| Total | <u>6,028,000</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>103,000</u> | <u>5,925,000</u> | | | |

- Note: – The first one fourth of the Share Options are exercisable from 9 September 2011;
– The second one fourth of the Share Options are exercisable from 9 September 2012;
– The third one fourth of the Share Options are exercisable from 9 September 2013; and
– The remaining one fourth of the Share Options are exercisable from 9 September 2014

All unexercised Share Options shall lapse on 9 March 2018.

Disclosure of Information of Director in Accordance with Rule 13.51B(1) of the Listing Rules

The following are the changes on the information of Director required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Mr. Pak Wai Keung Martin, Chairman and independent non-executive Director, has been appointed as an independent non-executive director of Convoy Global Holdings Limited (Stock Code:1019), a company listed on the Main Board of the Stock Exchange, with effect from 8 December 2017.

Audit Committee

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed matters relating to auditing, internal control and financial reporting procedures, including reviewing the unaudited interim financial statements for the six months ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

| | Notes | Six months ended | |
|--------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| | | 31 December | |
| | | 2017 | 2016 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenue | 4 | 15,217 | 31,863 |
| Cost of sales and services provided | | (18,665) | (32,364) |
| Gross loss | | (3,448) | (501) |
| Other income | | 841 | 1,584 |
| Selling and distribution expenses | | (1,704) | (2,083) |
| Administrative expenses | | (25,780) | (43,072) |
| Loss before tax | | (30,091) | (44,072) |
| Income tax | 5 | (28) | (71) |
| Loss for the period | 6 | (30,119) | (44,143) |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (531) | 4,017 |
| Total other comprehensive (loss)/income for the period | | (531) | 4,017 |
| Total comprehensive loss for the period attributable to the equity holders of the Company | | (30,650) | (40,126) |
| Loss per share | 7 | | |
| Basic (<i>RMB</i>) | | (0.02) | (0.03) |
| Diluted (<i>RMB</i>) | | (0.02) | (0.03) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

| | Notes | At 31 December 2017 <i>RMB'000</i> <i>(Unaudited)</i> | At 30 June 2017 <i>RMB'000</i> <i>(Audited)</i> |
|-----------------------------------|-------|-------------------------------------------------------------------|-------------------------------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 185,823 | 198,361 |
| Prepaid land lease payments | | 9,485 | 9,614 |
| | | <u>195,308</u> | <u>207,975</u> |
| Current assets | | | |
| Inventories | | 6,672 | 6,594 |
| Trade and bills receivables | 10 | 9,957 | 33,099 |
| Other receivables and prepayments | | 5,912 | 6,018 |
| Prepaid land lease payments | | 260 | 260 |
| Bank and cash balances | | 82,732 | 89,838 |
| | | <u>105,533</u> | <u>135,809</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 298,865 | 311,158 |
| Net current liabilities | | <u>(193,332)</u> | <u>(175,349)</u> |
| NET ASSETS | | <u>1,976</u> | <u>32,626</u> |
| Capital and reserves | | | |
| Share capital | | 1,000 | 1,000 |
| Reserves | | 976 | 31,626 |
| TOTAL EQUITY | | <u>1,976</u> | <u>32,626</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

| | Share capital | Share premium | Statutory surplus reserve | Share-based payment reserve | Foreign currency translation reserve | Accumulated losses | Total |
|------------------------------------------------------|--------------------|--------------------|---------------------------------|-----------------------------------|-----------------------------------------------|-----------------------|--------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| At 1 July 2016 | 1,000 | 1,895,217 | 5,077 | 15,968 | 3,979 | (1,820,813) | 100,428 |
| Total comprehensive income/ (loss) for the period | – | – | – | – | 4,017 | (44,143) | (40,126) |
| At 31 December 2016 | <u>1,000</u> | <u>1,895,217</u> | <u>5,077</u> | <u>15,968</u> | <u>7,996</u> | <u>(1,864,956)</u> | <u>60,302</u> |
| At 1 July 2017 | 1,000 | 1,895,217 | 5,077 | 15,655 | 4,102 | (1,888,425) | 32,626 |
| Total comprehensive loss for the period | – | – | – | – | (531) | (30,119) | (30,650) |
| Forfeiture of share options | – | – | – | (316) | – | (316) | – |
| At 31 December 2017 | <u>1,000</u> | <u>1,895,217</u> | <u>5,077</u> | <u>15,339</u> | <u>3,571</u> | <u>(1,918,228)</u> | <u>1,976</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended | |
|----------------------------------------------------------------------------------|----------------------|-----------------------|
| | 31 December | |
| | 2017 | 2016 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Net cash used in operating activities | <u>(7,314)</u> | <u>(29,995)</u> |
| Net cash used in investing activities | <u>(19)</u> | <u>(537)</u> |
| Cash flows from financing activities | | |
| Government grant received | <u>339</u> | <u>982</u> |
| Net cash generated from financing activities | <u>339</u> | <u>982</u> |
| Net decrease in cash and cash equivalents | <u>(6,994)</u> | <u>(29,550)</u> |
| Effect of foreign exchange rate changes | (112) | 453 |
| Cash and cash equivalents at beginning of period | <u>89,838</u> | <u>132,669</u> |
| Cash and cash equivalents, representing bank and cash balances, at end of period | <u><u>82,732</u></u> | <u><u>103,572</u></u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Trony Solar Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 23 June 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1101, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Suites 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and have been suspended for trading since 21 June 2012.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively the “**Group**”) are development, manufacture and sale of solar products and construction of photovoltaic cells.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (“**Interim Financial Statements**”) have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”), and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 30 June 2017.

The preparation of an Interim Financial Statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended 30 June 2017.

Suspension of trading in shares of the Company

Reference is made to the Company’s announcement dated 11 October 2012. The Company’s predecessor auditor, Deloitte Touche Tohmatsu, who has subsequently resigned as the auditor of the Company with effect from 7 February 2015, had received various anonymous emails in March 2012 and an anonymous letter on 20 April 2012 which contained certain allegations against the Company regarding several suspected financial discrepancies (the “**Potential Financial Discrepancies**”) in respect of the financial records of the Group (collectively the “**Allegations**”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

Suspension of trading in shares of the Company – continued

In response to the Allegations, an Independent Review Committee (the “**IRC**”) comprising the three independent non-executive directors of the Company was established on 21 May 2012 by the board of the directors of the Company (the “**Board**”) to conduct an inquiry into the Allegations concerned and the Company appointed an independent external law firm in the Mainland China, namely Guangdong SZGoldenBull Law Firm as its legal advisor in the People’s Republic of China (the “**PRC**”) to assist the Company in conducting the inquiry of the Allegations. At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 21 June 2012.

On 20 July 2012, the Company also appointed King & Wood Mallesons (“**KWM**”) as the Company’s legal adviser as to Hong Long Law in respect to the matters relating to the Allegations. PricewaterhouseCoopers Consulting Hong Kong Limited (“**PwC**”) was subsequently appointed on 19 September 2012 as an independent professional adviser to assist the IRC to carry out a forensic review (the “**Forensic Review**”) of the Allegations and report the respective findings for KWM to advise the IRC particularly on the Potential Financial Discrepancies from a legal perspective.

For the period from March to October 2012, there were several changes in the directors of the Company and senior management of the Group including (i) resignation of finance director of Shenzhen Trony Science and Technology Development Co., Ltd, a wholly-owned subsidiary and a major operating unit of the Company with effect from 1 March 2012; (ii) retirement of the vice president of production of the Group with effect from 6 March 2012; (iii) resignation of an executive director (also as an executive vice president) of the Company, with effect from 21 August 2012; (iv) resignation of the chief financial officer of the Group with effect from 22 August 2012; (v) the appointment of a new chief financial officer on 21 August 2012; (vi) resignation of a non-executive director of the Company on 4 September 2012, and (vii) the appointment of a new executive director (the “**New Executive Director**”) on 3 October 2012.

On 3 October 2012, the Company received a letter from the Stock Exchange detailing the resumption conditions imposed on the Company as follows:

- (i) Engage a professional firm to conduct a forensic review and investigation over the Potential Financial Discrepancies, the allegations enclosed in the anonymous letters and the issues raised in the legal advisor’s report from Guangdong SZGoldenBull Law Firm;
- (ii) Inform the market of all information that is necessary to appraise the Company’s position, including their implications to the Company’s assets, financial and operational position;
- (iii) Publish all outstanding financial results and reports, and address any concerns raised by the Company’s auditors through qualifications in their audit report or otherwise;

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

Suspension of trading in shares of the Company – continued

- (iv) Demonstrate that there are no significant deficiencies in the Company's corporate governance, and that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and
- (v) Demonstrate that, in light of the recent resignations of the Company's directors and senior management members, the Company has adequate resources (in particular senior level staff with appropriate qualifications and experience) to safeguard the Company's assets and to meet obligations under the Listing Rules.

The Company should also comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before the resumption of its share trading. The Stock Exchange may modify any of the above and/or impose further conditions at its discretion.

On 7 February 2013, the Company's three independent non-executive directors resigned from the position and the IRC became vacant. With this regard, the New Executive Director was appointed as the only member of the IRC with effect from 15 March 2013. On 15 May 2013, another three independent non-executive directors have been appointed to fill in the vacancies of members of the audit committee, remuneration committee, nomination committee and the IRC of the Company. Subsequently, on 1 September 2015, the New Executive Director has resigned from the position.

With reference to the Company's announcement dated 12 December 2014, PwC completed the fieldwork of the Forensic Review in respect of the Allegations, particularly the Potential Financial Discrepancies, on 31 July 2013 and a summary of the findings of the Forensic Review was finalised and issued by PwC to KWM on 6 November 2014 (the "**Forensic Review Summary**"). Based on the results of the Forensic Review, PwC was unable to conclude the Allegations due to various limitations in obtaining relevant and sufficient supporting documents and evidences, and most of the relevant key management were not available for PwC's interviews. PwC had not been able to identify any linkage from the supporting documents to the Company's previous audited financial statements. Due to the lack of supporting documents/information or other factors set out in the Forensic Review Summary, the IRC was not in a position to draw any conclusion as to the completeness or accuracy of the financial data and concludes that those limitations are incapable of being resolved in their totality and thus it is unlikely that further investigation would arrive at any satisfactory findings.

The Forensic Review Summary has been considered and accepted by the IRC and the Board respectively. For further details of scope of the Forensic Review, a summary of findings, limitations and preliminary views of the IRC and the Board, please refer to the Company's announcement dated 12 December 2014. The Board accepted and concurred with the views of the IRC that auditing of the Group's outstanding financial statements should be commenced as soon as possible and an independent internal control expert should be engaged to conduct an overall review of the internal control and financial reporting system of the Group. Upon finalisation of the Forensic Review, the Company also appointed PKF Consulting Inc. to undertake a review of the internal control system of the Group to strengthen its internal control and financial reporting systems of the Group. The Company is also in the process of preparing to fulfill all the required resumption conditions in relation to the application for the resumption of trading in the shares of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

Suspension of trading in shares of the Company – continued

On 8 April 2016, the Company received a letter from the Stock Exchange (the “**Show Cause Letter**”). The Listing Department of the Stock Exchange (the “**Listing Department**”) intends to commence procedures to cancel the listing of the Company under Listing Rule 6.01 by issuing an announcement under Listing Rule 6.10 to provide the Company with further time to rectify the matters that have rendered it unsuitable for listing, failing which the Listing Department will recommend to the Listing Committee to proceed with the cancellation of the Company’s listing.

On 9 and 20 May 2016, the Company made written submissions to the Stock Exchange detailing, amongst other things, the current progress of work done by the Company and its ongoing plan towards fulfilling the conditions of resumption of trading imposed on the Company by the Stock Exchange, and pleaded with the Stock Exchange to reconsider its intention to commence procedures to cancel the listing of the Company under Listing Rule 6.01 and grant the Company additional time to fulfil the remaining of the conditions for resumption.

On 3 June 2016, the Company received a further letter (“**Decision Letter**”) from the Stock Exchange notifying the Company that the Listing Department has decided to commence the procedures to cancel the Company’s listing under Rule 6.01(4) and 6.04 and the grounds set out in the Show Cause Letter (“**Decision**”). The Company was notified in the Decision Letter that it has the right to have the Decision reviewed by the Listing Committee. In this connection, the Company has on 8 and 15 June 2016 submitted its request for review of the Decision. By a letter from the Stock Exchange dated 20 June 2016, the Company has been notified that a review hearing (“**Review Hearing**”) has been scheduled on 30 August 2016. The Company attended the Review Hearing on 30 August 2016.

On 5 September 2016, the Company received a letter from the Stock Exchange. The Listing Committee considered the submissions and decided to uphold the Listing Department’s decision to commence the procedures to cancel the Company’s listing.

The Company made written request on 9 September 2016 to the Stock Exchange to plead with the Stock Exchange to reconsider its intention to commence procedures to cancel the listing of the Company. The Company received a letter from Stock Exchange dated 12 September 2016, stating that further review hearing was scheduled on 22 November 2016. The further review hearing has been postponed to 13 December 2016. On 22 December 2016, the Company received a fax letter from the Stock Exchange that the Review Committee has decided to uphold the Listing Committee’s decision to commence the procedures to cancel the Company’s listing. Additionally, on 23 December 2016, the Company received a fax letter from the Stock Exchange that the Stock Exchange will publish an announcement on 5 January 2017 under Rule 6.10 of the Listing Rules, on commencement of procedures to cancel the Company’s listing (the “**Listing Cancellation Announcement**”). The Company will have a period of 6 months from the date of the Listing Cancellation Announcement expiring on 4 July 2017 to remedy the matters that have rendered it unsuitable for listing. The Company has been asked to provide a submission to remedy those matters to the Stock Exchange no later than 19 June 2017, failing which the Stock Exchange may proceed with cancelling the Company’s listing.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

Suspension of trading in shares of the Company – *continued*

The Company has made a submission to the Stock Exchange on 19 June 2017 and the Company received a letter from the Stock Exchange that the Listing Committee has decided to (i) reject the request of the Company to extend the remedial period to 30 September 2017 and (ii) cancel the listing of the Company. On 24 July 2017, the Company has made a request that the decision of the Listing Committee be referred to the Listing (Review) Committee (the “**Listing (Review) Committee**”) pursuant to Rule 2B.06 of the Listing Rules. On 26 October 2017, the Company has also submitted a resumption proposal (“**Resumption Proposal**”) as written submission to the Listing (Review) Committee in support of the Company’s request for the review of the decision of the Listing Committee. The Resumption Proposal contained, among others, information relating to the Acquisition and proposal to restructure the business, capital and indebtedness of the Company. On 20 November 2017, the Stock Exchange issued a letter informing the Company that, among others, the Listing (Review) Committee considered the Resumption Proposal fell short of the expectation of the Stock Exchange of an acceptable viable resumption proposal and decided to uphold the abovementioned decision of the Listing Committee and to cancel the listing of the Company under Rule 6.01(4) of the Listing Rules. On 28 November 2017, the Company has submitted a request for a review of the abovementioned decision of the Listing (Review) Committee by the Listing Appeals Committee under Rule 2B.07(5) of the Listing Rules.

Going concern

The Group incurred a loss of approximately RMB30,119,000 for the six months ended 31 December 2017 and net current liabilities of approximately RMB193,332,000 in the condensed consolidated statement of financial position of the Group as at 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors believe that the Group would have sufficient working capital for the Group to meet its liabilities as they fall due and for its operation, and in the opinion that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated interim financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated interim financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current period, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting period beginning on 1 July 2017. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated interim financial statements and amounts reported for the current period and prior periods.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Information about reportable segment profit or loss, assets and liabilities:

| | Construction of Photovoltaic cells | The manufacture and sale of solar products | Total |
|--------------------------------------------|-----------------------------------------------|-----------------------------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Period ended 31 December 2017 (Unaudited): | | | |
| Revenue from external customers | 112 | 15,105 | 15,217 |
| Segment loss | (2,496) | (18,625) | (21,121) |
| At 31 December 2017 (Unaudited): | | | |
| Segment assets | 3,248 | 197,388 | 200,636 |
| Segment liabilities | 603 | 279,155 | 279,758 |
| Period ended 31 December 2016 (Unaudited): | | | |
| Revenue from external customers | 16,188 | 15,675 | 31,863 |
| Segment loss | (689) | (23,657) | (24,346) |
| At 30 June 2017 (Audited): | | | |
| Segment assets | 25,472 | 213,347 | 238,819 |
| Segment liabilities | 14,326 | 280,228 | 294,554 |

Reconciliations of reportable segment profit and loss:

| | Six months ended | |
|------------------------------------------|-------------------------|--------------------|
| | 31 December | |
| | 2017 | 2016 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | <i>(Unaudited)</i> |
| Total loss of reportable segments | (21,121) | (24,346) |
| Corporate and unallocated profit or loss | (8,970) | (19,726) |
| Consolidated loss before tax | (30,091) | (44,072) |

5. INCOME TAX

| | Six months ended 31 December | |
|----------------------------------------|---------------------------------|--------------------|
| | 2017 | 2016 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Current tax – Provision for the period | | |
| PRC enterprise income tax | <u>28</u> | <u>71</u> |

No provision for Hong Kong Profits Tax has been made for six months ended 31 December 2017 as the Group did not generate any assessable profits arising in Hong Kong during the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

| | Six months ended 31 December | |
|-------------------------|---------------------------------|--------------------|
| | 2017 | 2016 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Directors' remuneration | <u>1,346</u> | <u>810</u> |

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for period of approximately RMB30,119,000 (2016: approximately RMB44,143,000) attributable to owners of the Company and the weighted average number of 1,584,683,486 (2016: 1,584,683,486) ordinary shares in issue during the period.

(b) Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 31 December 2017 and 2016.

8. INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group acquired property, plant and equipment amounted to approximately RMB40,000.

10. TRADE AND BILLS RECEIVABLES

| | At 31 December 2017 <i>RMB'000</i> <i>(Unaudited)</i> | At 30 June 2017 <i>RMB'000</i> <i>(Audited)</i> |
|-------------------|-------------------------------------------------------------------|-------------------------------------------------------------|
| Trade receivables | 7,777 | 22,550 |
| Bills receivables | 2,180 | 10,549 |
| | <u>9,957</u> | <u>33,099</u> |

10. TRADE AND BILLS RECEIVABLES – *continued*

Other than cash and credit card sales, invoices are normally payable within 60 to 120 days of issuance. An aging analysis of the trade receivables at the end of the reporting period, based on invoice dates, is as follows:

| | At 31 December 2017 <i>RMB'000</i> <i>(Unaudited)</i> | At 30 June 2017 <i>RMB'000</i> <i>(Audited)</i> |
|-----------------|-------------------------------------------------------------------|-------------------------------------------------------------|
| 0 – 60 days | 5,173 | 22,517 |
| 61 to 120 days | 2,349 | 10,075 |
| 121 to 180 days | 505 | 507 |
| Over 180 days | 1,930 | – |
| | <u>9,957</u> | <u>33,099</u> |

11. TRADE AND OTHER PAYABLES

| | At 31 December 2017 <i>RMB'000</i> <i>(Unaudited)</i> | At 30 June 2017 <i>RMB'000</i> <i>(Audited)</i> |
|-------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------|
| Trade and bills payables | 197,169 | 208,953 |
| Accrued expenses | 4,045 | 3,879 |
| Salaries and staff welfare payables | 2,095 | 2,181 |
| Receipts in advance | 89,842 | 90,467 |
| Others | 5,714 | 5,678 |
| | <u>298,865</u> | <u>311,158</u> |

11. TRADE AND OTHER PAYABLES – *continued*

The credit period granted by suppliers to the Group ranged from 90 to 180 days. The aging analysis of trade and bills payables, based on the date of receipts of goods, is as follows:

| | At | At |
|----------------|----------------------------|---------------------|
| | 31 December | 30 June |
| | 2017 | 2017 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | <i>(Audited)</i> |
| 0 – 90 days | 4,278 | 3,904 |
| 91 to 180 days | 1,166 | 1,351 |
| 181 – 365 days | 191,725 | 203,698 |
| | <hr/> 197,169 <hr/> | <hr/> 208,953 <hr/> |

12. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 26 February 2018.