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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

RESULTS HIGHLIGHTS

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

Note: Compared to the six months ended 30 June 2013.

CHAIRMAN STATEMENT

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

Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB520.4 million (corresponding period in 2013: RMB471.0 million);

- Gross profit for the Period was approximately RMB43.5 million (corresponding period in 2013: RMB40.5 million);

- Gross profit margin for the Period was approximately 8.3% (corresponding period in 2013: 8.6%);

- Net profit for the Period was approximately RMB3.0 million (corresponding period in 2013: net loss of RMB12.1 million);

- Adjusted net profit for the Period was approximately RMB8.9 million by excluding the other gains of approximately RMB9.5 million and the non-cash share-based payment expenses of approximately RMB15.4 million;

- Earnings per Share for the Period was approximately RMB0.2 cent (corresponding period in 2013: loss per Share of RMB1.0 cent);

- Wafer shipment for the Period was approximately 190.1 MW, representing an increase by approximately 5.8% from approximately 179.6 MW for the corresponding period in 2013; and

- The Group controlled net debt to equity ratio to be 3.1% as of 30 June 2014.

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

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

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

During the Period, we continued to execute our cost reduction strategy. We have achieved continuous cost saving from our improvements in technology, manufacturing process and conversion efficiency of our wafers. We expect to see further cost reductions in the coming quarters. The accumulated experiences from massive production of "Super Mono Wafers" as well as our strategic research and development cooperation with existing customers continue to drive down our production costs by technology advancements. After our 300MW facilities in Malaysia are fully ramp up and running, we expect our production cost would be further reduced. We would leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for our customers.

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

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

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

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

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

On behalf of the Board, I would like to express my sincere gratitude to our Shareholders and business partners for their support and trust in us, and also to our management and employees for their hard work. We look forward to creating greater value and return for our Shareholders.

John Zhang
Chairman

Shanghai, the People's Republic of China, 29 August 2014

INTERIM RESULTS

The Board is pleased to announce the unaudited interim results and condensed consolidated interim financial statements of the Group for the Period, together with the comparative figures for the corresponding period in 2013. These results have been reviewed by the Company's auditors and by the Company's audit committee, comprising all of the independent non-executive Directors and a non-executive Director, with one of the independent non-executive Directors chairing the committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**951,511**	828,609
Prepaid lease payments — non-current		**28,267**	28,496
Prepaid assignment fee-non-current		**179,070**	197,953
Deposits paid for acquisition of property, plant and equipment		**96,451**	154,167
Advance to suppliers		**128,901**	168,926
Deferred tax assets		**638**	638
Held-to-maturity investments		**14,105**	14,105
Other financial instruments		**–**	38,673
		1,398,943	1,431,567
Current assets			
Inventories		**391,707**	383,626
Trade and other receivables	*10*	**210,430**	287,309
Bills receivable	*10*	**28,930**	63,412
Advance to suppliers		**97,990**	71,788
Prepaid lease payments — current		**600**	600
Prepaid assignment fee-current		**33,058**	15,438
Pledged bank deposits		**170,968**	1,019
Bank balances and cash		**227,755**	330,773
		1,161,438	1,153,965
Assets classified as held for sale		**21,249**	23,013
		1,182,687	1,176,978
Current liabilities			
Trade and other payables	*11*	**186,109**	322,437
Customers' deposits received — current		**33,498**	19,216
Short-term bank loans		**486,494**	436,067
Tax liabilities		**266**	270
Deferred revenue		**287**	287
		706,654	778,277
Liabilities associated with assets classified as held for sale		**11**	81
		706,665	778,358
Net current assets		**476,022**	398,620
Total assets less current liabilities		**1,874,965**	1,830,187

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2009. Its parent company and ultimate holding company is Fonty Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Zhang ("Mr. Zhang").

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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

4. SEGMENT INFORMATION

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

5. OTHER GAINS AND LOSSES

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

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

6. PROFIT (LOSS) BEFORE TAXATION

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

7. TAXATION

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

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

8. DIVIDENDS

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

9. EARNINGS (LOSS) PER SHARE

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

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

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

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

10. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

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

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

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Sales of 125 mm by 125 mm monocrystalline solar wafers

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

Sales of 156 mm by 156 mm monocrystalline solar wafers

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

Processing services of 125 mm by 125 mm monocrystalline solar wafers

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

Others

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

Revenue by geographical market

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

Cost of sales

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

Gross profit

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

Other income

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

Other gains and losses

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

Distribution and selling expenses

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

Administrative and general expenses

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

Interest expenses

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

Profit (Loss) before taxation

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

Taxation

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

Profit (Loss) for the Period

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

Interim dividend

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

Inventory turnover days

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

Trade receivable turnover days

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

Trade payable turnover days

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

Liquidity and financial resources

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

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

Capital commitments

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

Contingent liabilities

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

Related party transactions

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

Charges on group assets

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

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

Acquisition of subsidiary

No subsidiary of the Company was acquired during the Period.

Disposal of subsidiary

No subsidiary of the Company was disposed during the Period.

Use of proceeds

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

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

Human resources

As at 30 June 2014, the Group had 875 (31 December 2013: 864) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

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

Exposure to fluctuations in exchange rates and any related hedges

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

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of 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 Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this announcement 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 of the Group for the Period.

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

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.comtecsolar.com). The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and available on the same websites in due course.

DEFINITION

"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
"Fonty"	Fonty Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 5 September 2007, the entire issued share capital of which is directly owned by Mr. John Zhang
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on the 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 106 Watt
"Period"	the six months ended 30 June 2014
"PRC" or "China"	The People's Republic of China
"PV"	Photovoltaic

"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
"USD"	United States dollars, the lawful currency of the United States of America
"*"	For identification only
"%"	per cent

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

Shanghai, the People's Republic of China, 29 August 2014

As at the date of this announcement, the executive Directors are Mr. John Zhang, Mr. Chau Kwok Keung and Mr. Shi Cheng Qi, the non-executive Director is Mr. Donald Huang, and the independent non-executive Directors are Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Daniel DeWitt Martin.