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

2011

INTERIM REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Phen, Chun Shing Vincent
Mr. Stephen Peel
Mr. Donald Huang

Independent non-executive Directors

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. John Zhang
Mr. Chau Kwok Keung

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. John Zhang *(Chairman)*
Mr. Kang Sun
Mr. Leung Ming Shu
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

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

Corporate Information - Continued

PRINCIPAL BANKERS

Agricultural Bank of China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
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		
	2011	2010	2009
	RMB'000	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*	*(Audited)*
Turnover	574,736	429,062	184,253
Profit before interest expense and taxation	145,531	84,577	10,612
Interest expense	(7,997)	(3,799)	(4,232)
Profit before taxation	137,534	80,778	6,380
Taxation	(35,910)	(12,219)	(1,950)
Profit and total comprehensive income for the period, attributable to the owners of the Company	101,624	68,559	4,430

ASSETS AND LIABILITIES

	As at 30 June 2011	As at 31 December 2010	As at 31 December 2009
	RMB'000	RMB'000	RMB'000
	(Unaudited)	*(Audited)*	*(Audited)*
Total assets	2,849,176	1,912,392	1,410,675
Total liabilities	(960,840)	(401,049)	(349,050)
Net assets	1,888,336	1,511,343	1,061,625

Chairman Statement

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to report the unaudited interim results of the Group for the Period. During the Period, we maintained a healthy gross profit margin of 23.6% despite a soft macro market in which average selling prices declined along the whole industry supply chain. By leveraging our leading wafer manufacturing platform, rigorous cost reduction efforts, prudent polysilicon purchasing strategy and healthy financial position, we have been successful in maintaining profitable operation and driving continued healthy growth of our business in a competitive and challenging industry environment.

Below are some of the financial and business highlights of the Group for the Period:

- Revenue for the Period was RMB574.7 million, up 33.9% year-on-year from RMB429.1 million for the corresponding period in 2010;
- Gross profit for the Period was RMB135.4 million, up 38.2% year-on-year from RMB98.0 million for the corresponding period in 2010;
- Gross profit margin for the Period was 23.6%, improved from 22.8% for the corresponding period in 2010;
- Net profit for the Period was RMB101.6 million, up 48.1% year-on-year from RMB68.6 million for the corresponding period in 2010;
- Net profit margin for the Period was 17.7%, improved from 16.0% for the corresponding period in 2010;
- Overall shipment for the Period was approximately 109.4 MW;
- Commenced shipments of our advanced monocrystalline wafers (the "Super Mono Wafers") which, based on feedback from our customers, can achieve approximately over 20% improvement in the conversion efficiency comparing to traditional P-type monocrystalline wafers and we target to increase its shipments to no less than 30% of our total shipments in second half of 2011 and no less than 50% of our total shipments in 2012;
- The electricity infrastructure for our production facility in Hai'An has been completed and the relevant equipment at the facility will be gradually in production;
- In June 2011, the Group successfully issued a five-year convertible bond of approximately RMB650 million, together with a warrant to subscribe for approximately US$50 million of new Shares; and
- We target to expand our production capacity to approximately 1,400 MW within the first half of 2012.

Chairman Statement - Continued

The Company's industry-leading brand recognition and our strong capabilities to bring advanced and premium products to market enabled us to secure strong demand for our products and to further grow the business even under a challenging industry environment. During the Period, our shipment volume was approximately 109.4 MW, increased by approximately 28.3% from 85.3 MW for the corresponding period in 2010. Further, as the electricity infrastructure for our production facility in Hai'An has been completed and the relevant equipment at the facility will gradually commence production, we expect our shipment volume would increase materially in the second half of 2011.

During the Period, we completed qualification process and pilot orders on our Super Mono Wafers, which, based on feedback from our customers, can achieve approximately over 20% improvement in the conversion efficiency comparing to traditional P-type monocrystalline wafers. We have received very positive feedback from our customers on our Super Mono Wafers and we have already commenced massive production of this premium product since July 2011. We target to gradually increase the shipment of Super Mono Wafers to no less than 30% of our total shipment of monocrystalline wafers in the second half of 2011 and no less than 50% of our total shipment of monocrystalline wafers in 2012. We believe more advanced and efficient products would further strengthen our cost advantages and it would also benefit our customers by improving their cost effectiveness.

In an increasingly competitive market of solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. We believe the "Comtec Solar" brand is recognised to stand for quality in the market. We maintain the strength of our brand by executing a stringent manufacturing process, tailoring our products to accommodate the highest industry standards and leveraging on our extensive track record on superior product quality.

We also benefited from our continuous cost reduction efforts and efficient execution to improve our profitability even under a challenging industry environment. Our gross profit for the Period was RMB135.4 million, up by approximately 38.2% from RMB98.0 million for the corresponding period in 2010. Our gross profit margin for the Period also improved to 23.6% from 22.8% for the corresponding period in 2010. Amidst a challenging macro environment, we have maintained profitable performance and healthy profit margins.

In response to strong market demand and customer requests for premium products, which have high value-added features and are technically advanced, we are in the process of expanding our manufacturing capacity. We will expand our production capacity to approximately 1,400 MW (on an annualized basis) during first half of 2012. We will continue to build up our capacities and are confident in our ability to drive down costs and remain an industry leader in low-cost wafers.

In June 2011, the Company successfully issued a five-year convertible bond in the principal amount of approximately RMB650 million, together with a warrant to subscribe for approximately US$50 million of new Shares, to strengthen our financial position for our long term expansion requirements as we build our capacities to match the growth in market demand and increase our market share. We also made an application to the Taiwan Stock Exchange and the Taiwan Central Bank for the offering and listing of Taiwan Depositary Receipts ("TDRs"), representing 100 million new Shares to be issued by the Company, on the Taiwan Stock Exchange. The issue of the TDRs is subject to approval by the Taiwan Securities and Futures Bureau, the Taiwan Stock Exchange and the Taiwan Central Bank. Due to the recent and ongoing volatility in the global financial markets and the absence of any immediate need to raise funds for working capital, we believe it would be in the best interests of the Group and our shareholders to further observe the market performance and to launch the proposed issue of TDRs when the market momentum improves.

Amidst a challenging macro environment during the Period, the sharp decline in average selling prices along the industry supply chain has helped to substantially lower the cost of solar energy on per watt basis. We believe the demand for solar products is highly price-elastic. The continuous decrease in selling prices of solar products would sustain the strong prospects of the cost leaders in the industry and would strengthen the barrier to entry to the industry. Continuous upgrading of production techniques and enhancement of operational effectiveness in the industry has accelerated the progress towards grid-parity and created opportunities for us. Demand in major solar markets is shifting from the ground-mounted segment toward roof-tops. Major solar cell manufacturers continue to adjust their business strategies and align their resources to cells with high efficiencies, which resulted in stronger demand for advanced monocrystalline wafers.

With our high-quality products, successful brand penetration, strong customer loyalties, powerful research and development capabilities and fast expanding capacity, we are confident in solidifying our leading position in the rapidly growing industry and further increasing our market share. Looking ahead, we will remain focused on continuous improvement in the conversion efficiency of our solar wafer products and rigorous reduction in our production costs, where we have demonstrated solid track records and established competitive advantages.

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, 17 August 2011

Business Review

The Company's industry-leading brand recognition and our strong capabilities to bring advanced and premium products to market enabled us to secure strong demand for our products and to further grow the business even under a challenging industry environment. During the Period, our shipment volume was approximately 109.4 MW, increased by approximately 28.3% from 85.3 MW for the corresponding period in 2010. Further, as the electricity infrastructure for our production facility in Hai'An has been completed and the relevant equipment at the facility will gradually commence production in the third quarter of 2011, we expect our shipment volume would increase materially in the second half of 2011.

During the Period, we completed qualification process and pilot orders on our advanced monocrystalline wafers (the "Super Mono Wafers") which, based on feedback from our customers, can achieve approximately over 20% improvement in the conversion efficiency comparing to traditional P-type monocrystalline wafers. We have received positive feedback from our customers on our Super Mono Wafers and we have already commenced massive production of this premium product since July 2011. We target to gradually increase the shipment of Super Mono Wafers to no less than 30% of our total shipment of monocrystalline wafers in the second half of 2011 and no less than 50% of our total shipment of monocrystalline wafers in 2012. We believe more advanced and efficient products would further strengthen our cost advantages and it would also benefit our customers by improving their cost effectiveness.

In an increasingly competitive market of solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers. We believe the "Comtec Solar" brand is recognised to stand for quality in the market. We maintain the strength of our brand by executing a stringent manufacturing process, tailoring our products to accommodate the highest industry standards and leveraging on our extensive track record of superior product quality.

Our five largest customers in the Period represented 76.2% of our total revenues, comparing to 68.5% in the corresponding period in 2010. Our largest customer accounted for approximately 31.2% of our total revenues in the Period while our largest customer for the corresponding period in 2010 represented approximately 19.8% of our total revenues in that period. During the Period, our sales to PRC and Taiwan-based customers represented in aggregate approximately 92.9% of our total revenue, as compared to 99.0% in the corresponding period in 2010.

We also benefited from our continuous cost reduction efforts and efficient execution to improve our profitability even under a challenging industry environment. Our gross profit for the Period was RMB135.4 million, up by approximately 38.2% from RMB98.0 million for the corresponding period in 2010. Our gross profit margin for the Period also improved to 23.6% from 22.8% for the corresponding period in 2010. Our unaudited net profit for the Period was RMB101.6 million, up by approximately 48.1% from RMB68.6 million for the corresponding period in 2010. Our net profit margin in the Period expanded to over 17.7% from 16.0% in the corresponding period in 2010. During the Period, our average unit cost for polysilicon was approximately RMB404.6 per kg, as compared to RMB340.7 per kg for the corresponding period in 2010. Amidst a challenging macro environment, we have maintained profitable performance and healthy profit margins.

In response to strong market demand and customer requests for premium products, which have high value-added features and are technically advanced, we are in the process of expanding our manufacturing capacity. We will expand our production capacity to approximately 1,400 MW (on an annualized basis) within first half of 2012. We will continue to build up our capacities and are confident in our ability to drive down costs and remain an industry leader in low-cost wafers.

In June 2011, the Company successfully issued a five-year convertible bond in the principal amount of approximately RMB650 million, together with a warrant to subscribe for approximately US$50 million of new Shares, to strengthen our financial position for our long term expansion requirements as we build our capacities to match the growth in market demand and increase our market share. We also made an application to the Taiwan Stock Exchange and the Taiwan Central Bank for the offering and listing of TDRs, representing 100 million new Shares to be issued by the Company, on the Taiwan Stock Exchange. The issue of the TDRs is subject to approval by the Taiwan Securities and Futures Bureau, the Taiwan Stock Exchange and the Taiwan Central Bank. Due to the recent and ongoing volatility in the global financial markets and the absence of any immediate need to raise funds for working capital, we believe it would be in the best interests of the Group and our shareholders to further observe the market performance and to launch the proposed issue of TDRs when the market momentum improves.

Amidst a challenging macro environment during the Period, the sharp decline of average selling prices along the industry supply chain has helped to substantially lower the cost of solar energy on per watt basis. We believe the demand for solar product is highly price-elastic. The continuous decrease of selling prices of solar products would sustain the strong prospects of the cost leaders and would strengthen the barrier to entry to the industry. Continuous upgrading of production techniques and enhancement of operational effectiveness in the industry has accelerated the progress towards grid-parity and created opportunities for us. Demand in major solar markets is shifting from the groundmounted segment toward roof-tops. Major solar cell manufacturers continue to tune their business strategies and align their resources to cells with high efficiencies, which resulted in stronger demand for advanced monocrystalline wafers.

Our origin as a manufacturer of semiconductor ingots and wafers since 1999 has provided us with a strong technical background which we have been able to utilize to attain high quality standards in the production of monocrystalline solar wafers. It has enabled us to keep improving the cost effectiveness of our production. Looking ahead, we will remain focused on continuous improvement in the conversion efficiency of our solar wafer products and rigorous reduction on products costs, where we have demonstrated solid track records and established competitive advantages.

Currently, countries including Germany, Italy and Japan are the major end-markets for solar energy products. These countries are promoting solar power generation by implementing proactive policies, such as government grants, leading to the fast development of the PV manufacturing industry. The PRC and the United States, being the largest energy consuming countries in the world, together with Greece, France, Australia and the Middle East are promising solar energy markets with substantial potential in the future. We believe that the continuous cost reduction would speed up the development of the emerging markets, especially the PRC market, and would fuel the robust growth of demand for solar products.

We are confident that we have the reputation, the suppliers and customers relationships and the capability to adapt to the new economics and competitive landscape of the solar industry. With the support of our strategic investors, board of directors and management team, we are also confident that our business will continue to grow and develop steadily and healthily.

Financial Review

REVENUE

Revenue increased by RMB145.6 million, or 33.9%, from RMB429.1 million for the corresponding period in 2010 to RMB574.7 million for the Period, primarily as a result of increase in our sales volume during the period. Due to the increase in customer demand for our high quality monocrystalline solar products, our shipment volume increased by 28.3% from 85.3 MW for the corresponding period in 2010 to 109.4 MW for the Period.

For the Period, sales of our 156 mm by 156 mm monocrystalline solar wafers represented 80.6% of total revenue and sales of our 125 mm by 125 mm monocrystalline solar wafers represented 19.3% of total revenue. In aggregate, solar wafer sales represented 99.9% of our total sales for the Period, as compared to 99.8% for the corresponding period in 2010.

Sales of 156 mm by 156 mm monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB117.1 million, or 33.8%, from RMB346.1 million for the corresponding period in 2010 to RMB463.2 million for the Period, primarily as a result of an increase of sales volume by 40.7% from 61.4 MW for the corresponding period in 2010 to 86.4 MW for the Period, partially offset by a decrease of unit price for this product by 3.6% from RMB5.6 per watt for the corresponding period in 2010 to RMB5.4 per watt 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 RMB29.0 million, or 35.5%, from RMB81.8 million for the corresponding period in 2010 to RMB110.8 million for the Period, primarily due to an increase of sales volume by 49.4% from 15.4 MW for the corresponding period in 2010 to 23.0 MW for the Period, partially offset by a decrease of unit price for this product by 9.4% from RMB5.3 per watt for the corresponding period in 2010 to RMB4.8 per watt for the Period.

In terms of geographical markets of our sales, approximately 92.9% of our total revenue for the Period was generated from our PRC and Taiwan-based customers (2010: 99.0%). The remaining portion of our revenue for the Period was mainly generated from our sales to the Philippines.

COST OF SALES

Cost of sales increased by RMB108.3 million, or 32.7%, from RMB331.0 million for the corresponding period in 2010 to RMB439.3 million for the Period, primarily as a result of the increase in shipment volume and increase in the average price of polysilicon by 18.8% to RMB404.6 per kg during the Period from RMB340.7 per kg for the corresponding period in 2010, which was partially offset by the improvement in our production efficiency.

GROSS PROFIT

Gross profit increased by RMB37.4 million, or 38.2%, from RMB98.0 million for the corresponding period in 2010 to RMB135.4 million for the Period, primarily as a result of the foregoing.

OTHER INCOME

Other income increased by RMB7.6 million, or 96.2%, from RMB7.9 million for the corresponding period in 2010 to RMB15.5 million for the Period, primarily due to the government subsidies received during the Period.

OTHER GAINS AND LOSSES

Other gains increased by RMB19.2 million from the losses of RMB5.1 million for the corresponding period in 2010 to the gains of RMB14.1 million for the Period, primarily due to the net foreign exchange gain arose from appreciation of RMB, which the Group settled transaction with against United States dollars or European dollars which the certain payables and borrowings are denominated and the gain on disposal of property, plant and equipment during the Period.

DISTRIBUTION AND SELLING EXPENSES

There was no material fluctuation in distribution and selling expenses for the Period as compared to the corresponding period in 2010 due to the cost control in marketing expenses.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses increased by RMB3.4 million, or 22.1%, from RMB15.4 million for the corresponding period in 2010 to RMB18.8 million for the Period, mainly due to the growth in the scale of our operations.

FINANCE COSTS

Interest expenses in relation to bank loans increased by RMB4.2 million from RMB3.8 million for the corresponding period in 2010 to RMB8.0 million for the Period, primarily as a result of an increase in the amount of bank loans borrowed.

PROFIT BEFORE TAXATION

Profit before taxation increased by RMB56.7 million, or 70.2%, from RMB80.8 million for the corresponding period in 2010 to RMB137.5 million for the Period, as a result of the foregoing.

TAXATION

Taxation increased from RMB12.2 million for the corresponding period in 2010 to RMB35.9 million for the Period, primarily as a result of the increase in our profit before taxation and the increase in tax rate. Our effective tax rate was 26.1% for the Period, increased from 15.1% for the corresponding period in 2010 due to expiry of tax holidays and concessions of group entities in the Period. We are in the process to renew our high and new technology enterprise qualification and we would be subject to the corporate income tax rate of 25% until we successfully complete the renewal process. The corporate income tax rate for high and new technology enterprises is 15% and the excess amount of tax for the period paid before completing the renewal of the high and new technology qualification would be refunded to us if our renewal of such qualification is successful.

PROFIT FOR THE PERIOD

Net profit increased by RMB33.0 million, or 48.1%, from RMB68.6 million for the corresponding period in 2010 to RMB101.6 million for the Period, as a result of the foregoing. Net profit margin increased from 16.0% for the corresponding period in 2010 to 17.7% for the Period.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2010: nil).

INVENTORY TURNOVER DAYS

The inventories of the Group mainly comprised raw materials (namely polysilicon, crucibles and other auxiliary materials) for production requirements. The increase in inventories was mainly due to the increase of raw materials and work-in-progress as a result of expansion in the production capacity of the Group. The inventory turnover days as at 30 June 2011 were 121 days (31 December 2010: 131 days).

TRADE RECEIVABLE TURNOVER DAYS

The trade receivable turnover days as at 30 June 2011 were 52 days (31 December 2010: 26 days). The increase in turnover days was mainly due to the increase of settlement from customers by bank bills and our receivable turnover days were within the credit periods of the Group grants to its customers. The Group normally grants a credit period of 30 to 90 days to its customers.

TRADE PAYABLE TURNOVER DAYS

The trade payable turnover days as at 30 June 2011 were 35 days (2010: 33 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities and bank borrowings. As at 30 June 2011, the Group's current ratio (current assets divided by current liabilities) was 2.7 (2010: 2.0) and it was in a net cash position. The Group's financial position remains healthy. As at 30 June 2011, the Group was in a net cash position of RMB20.5 million (31 December 2010: net cash of RMB123.7 million) which included cash and cash equivalent and pledged bank deposits of RMB809.0 million (31 December 2010: RMB293.7 million), short-term bank loans of RMB395.5 million (31 December 2010: RMB170.0 million) and long term debt raised from the issue of convertible bonds of RMB373.0 million (31 December 2010: nil) and long-term bank loans of RMB20.0 million (31 December 2010: nil).

On 17 June 2011, the Group issued a five-year convertible bond in the principal amount of approximately RMB650 million, together with a warrant to subscribe for US$50 million of new shares, to an independent third party. Details of the transaction were set out in the Company's announcements dated 19 April 2011, 8 May 2011, 29 May 2011, 30 May 2011 and 17 June 2011. Approximately HK$780.0 million was raised from the issue of convertible bond to fund the Group's capital expenditures. The Group plans to fund its capital expenditures by the proceeds from the convertible bond, its cash flows from operations and/or bank loans.

We would implement balanced financing plan to support the expanding capacity and operation of our solar wafer business.

CONTINGENT LIABILITIES

At 30 June 2011, the Group has no material contingent liability.

RELATED PARTY TRANSACTIONS

The Group did not have any related party transactions for the Period.

CHARGES ON GROUP ASSETS

During the Period, the Group entered into several arrangements with one established commercial bank in the PRC pursuant to which the Group borrowed USD loans from this bank for contractual periods of three months to one year for settlement of its payables denominated in USD. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective USD loans plus a fixed interest at a rate of 1.26% to 4.27% per annum thereon) for the same contractual periods to the same bank as security against the USD loans, and (b) entered into forward contracts with the bank to purchase USD (in amounts equivalent to the USD loan plus interests thereon) by RMB at predetermined forward rates.

As at 30 June 2011, fixed deposits denominated in RMB of approximately RMB97,737,000 and the USD loan of approximately USD15,147,000 (equivalent to RMB98,025,000) are included in pledged bank deposits and bank borrowings, respectively.

As at 30 June 2011, other than the restricted cash of approximately RMB97,737,000, the Group pledged its factorised bills receivable, buildings, construction in progress and prepaid lease payments having net book values of approximately RMB45,500,000, RMB145,965,000, RMB140,650,000 and RMB15,047,000 respectively (31 December 2010: nil, RMB97,164,000, RMB15,209,000, nil, respectively) to bank to secure banking facilities granted to the Group.

Save as disclosed above, as at 30 June 2011, no Group asset was under charge to any financial institution.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANY

The Group had no material acquisition or disposal of any subsidiaries and associated companies during the Period.

USE OF PROCEEDS

The use of the net proceeds from share placement in September 2010 as at 30 June 2011 was as follows:

Use	% of net proceeds	Amount of net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining (in HK$ million)
Expansion of production capacity	60%	133.3	19.2	114.1
Working capital	40%	88.9	88.9	—
	100%	222.2	108.1	114.1

HUMAN RESOURCES

As at 30 June 2011, the Group had 1,135 employees (2010: 767). 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions contained in the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Company has complied with such code provisions throughout the Period except for the deviation from code provision A.2.1 as disclosed below.

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

Pursuant to Rule 13.51B (1) of the Listing Rules, the Company would like to inform the Shareholders that Mr. Stephen Peel and Mr. Donald Huang were appointed as non-executive Directors of the Company on 17 June 2011 and Mr. Donald Huang was appointed as a member in each of the audit committee, remuneration committee and the nomination committee of the on 17 June 2011.

MODEL CODE

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

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The external auditor has reviewed the interim financial information for the six months ended 30 June 2011 in accordance with International Standard on Review engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

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 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 six months ended 30 June 2011.

DISCLOSURE OF INTERESTS

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

As at 30 June 2011, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in the Company

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficial owner, interest in a controlled corporation, interest of spouse and interest of children under 18	663,867,550	58.55%
Mr. Chau Kwok Keung	Beneficial owner	1,230,139	0.11%
Mr. Shi Cheng Qi[2]	Beneficial owner	300,000	0.03%
Mr. Kang Sun[3]	Beneficial owner	249,574	0.02%
Mr. Daniel DeWitt Martin[4]	Beneficial owner	199,659	0.02%
Mr. Leung Ming Shu[5]	Beneficial owner	62,787	0.01%

Notes:

(1) Mr. Zhang legally owns the entire issued share capital of Fonty, which beneficially owns 338,537,844 Shares. Mr. Zhang is therefore deemed to be interested in all the Shares held by Fonty. Mr. Zhang is also deemed to be interested in 325,329,706 Shares for the purposes of the SFO, which are beneficially owned by Mr. Zhang, Mr. Zhang's spouse and child under the age of 18, as beneficiaries of JZ GRAT of 2009, JZ GRAT of 2010 and JZ GRAT of 2011, each of which being an irrevocable grantor retained annuity trust set up by Mr. Zhang for the benefit of himself and his family members and of which J.P. Morgan Trust Company of Delaware is the trustee.

(2) The 300,000 Shares in which Mr. Shi Cheng Qi is deemed to be interested represent 300,000 Shares which may be issued to him upon the exercise of the outstanding portion of the Share Options (as defined below) granted to him on 24 May 2010.

(3) The 249,574 Shares in which Mr. Kang Sun is deemed to be interested represent 249,574 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.

(4) The 199,659 Shares in which Mr. Daniel DeWitt Martin is deemed to be interested represent 199,659 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.

(5) The 62,787 Mr. Leung Ming Shu is deemed to be interested represent 62,787 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.

Save as disclosed above, as at 30 June 2011, 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 2011, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficial owner, interest in a controlled corporation, interest of spouse and interest of children under 18	663,867,550	58.55%
Fonty Holdings Limited	Beneficial owner	338,537,844	29.86%
J.P. Morgan Trust Company of Delaware[2]	Trustee of a trust	325,329,706	28.69%
Ms. Carrie Wang[3]	Beneficiary of a trust	325,329,706	28.69%
Mr. Alan Zhang[3]	Beneficiary of a trust	325,329,706	28.69%
TPG Asia Advisors V DE, Inc.	Beneficial owner	295,121,951	26.03%
Counterpunch, L.P.	Interest in a controlled corporation	295,121,951	26.03%
Coulter James G.	Interest in a controlled corporation	295,121,951	26.03%
Bonderman David	Interest in a controlled corporation	295,121,951	26.03%
Public Mutual Berhad	Beneficial owner	81,208,000	7.16%
Public Bank Berhad	Interest in a controlled corporation	81,208,000	7.16%

Notes:

(1) Mr. Zhang legally owns the entire issued share capital of Fonty, which beneficially owns 338,537,844 Shares. Mr. Zhang is therefore deemed to be interested in all the Shares held by Fonty. Mr. Zhang is also deemed to be interested in 325,329,706 Shares for the purposes of the SFO, which are beneficially owned by Mr. Zhang, Mr. Zhang's spouse and child under the age of 18, as beneficiaries of JZ GRAT of 2009, JZ GRAT of 2010 and JZ GRAT of 2011, each of which being an irrevocable grantor retained annuity trust set up by Mr. Zhang for the benefit of himself and his family members and of which J.P. Morgan Trust Company of Delaware is the trustee.

(2) J.P. Morgan Trust Company of Delaware is the legal owners of 325,329,706 Shares as trustee for JZ GRAT of 2009, JZ GRAT of 2010 and JZ GRAT of 2011.

(3) Ms. Carrie Wang is the spouse of Mr. John Zhang and Mr. Alan Zhang is a child of Mr. John Zhang under the age of 18. Each of Ms. Carrie Wang and Mr. Alan Zhang is a beneficiary of JZ GRAT of 2009, JZ GRAT of 2010 and JZ GRAT of 2011 and is deemed to be interested in the 325,329,706 Shares held by J.P. Morgan Trust Company of Delaware as trustee for JZ GRAT of 2009, JZ GRAT of 2010 and JZ GRAT of 2011.

Save as disclosed above, as at 30 June 2011, 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 our 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 2011 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2011	Exercised during the period	Balance as at 30 June 2011
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	124,787	(62,000)	62,787
Total			574,020	(62,000)	512,020

Saved as disclosed above, no Pre-IPO Share Options was granted, lapsed or cancelled for the six months ended 30 June 2011.

SHARE OPTION SCHEME

The Company has adopted 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.

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

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

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

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

No Share Options were granted during the Period.

Details of the share options (the "**Share Options**") exercised under the Share Option Scheme as at 30 June 2011 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2011	Exercised during the period	Balance as at 30 June 2011
Director					
Mr. Shi Chengqi	24 May 2010	HK$1.49	300,000	–	300,000
Other participants in aggregate	24 May 2010	HK$1.49	2,290,000	(200,000)	2,090,000
			2,590,000	(200,000)	2,390,000

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 this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "**Vesting Date**"):

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

(2) During the six months ended 30 June 2011, no Share Option was granted or cancelled or lapsed.

(3) The closing prices per Share immediately before 24 May 2010 (the date on which the options were granted) was HK$1.37.

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 Interim Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF COMTEC SOLAR SYSTEMS GROUP LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 48, which comprises the condensed consolidated statement of financial position of Comtec Solar Systems Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of 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 ("IAS") 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 August 2011

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

	NOTES	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Revenue		574,736	429,062
Cost of sales		(439,311)	(331,048)
Gross profit		135,425	98,014
Other income	5	15,508	7,891
Distribution and selling expenses		(769)	(791)
Administrative expenses		(18,771)	(15,407)
Other gains and losses	6	14,138	(5,130)
Finance costs	7	(7,997)	(3,799)
Profit before taxation	8	137,534	80,778
Taxation	9	(35,910)	(12,219)
Profit and total comprehensive income for the period, attributable to the owners of the Company		101,624	68,559
		RMB cents	RMB cents
Earnings per share			
– Basic	11	8.96	6.65
– Diluted	11	8.95	6.65

Condensed Consolidated Statement of Financial Position

at 30 June 2011

	NOTES	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	830,456	715,847
Prepaid lease payments – non-current		40,005	21,473
Deposits paid for acquisition of property, plant and equipment		52,208	118,299
Advance to suppliers	13	398,755	279,499
Deferred tax assets		611	689
		1,322,035	1,135,807
Current assets			
Inventories		294,729	247,803
Trade and other receivables	14	193,728	155,467
Bills receivable	14	139,081	2,000
Advance to suppliers	13	89,791	77,180
Prepaid lease payments – current		842	458
Pledged bank deposits	15	97,737	—
Bank balances and cash		711,233	293,677
		1,527,141	776,585
Current liabilities			
Trade and other payables	16	156,799	193,746
Customers' deposits received		13	13,770
Taxation payable		10,873	19,077
Short-term bank loans	17	395,525	170,000
		563,210	396,593
Net current assets		963,931	379,992
Total assets less current liabilities		2,285,966	1,515,799

Condensed Consolidated Statement of Financial Position - Continued

at 30 June 2011

	NOTES	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Capital and reserves			
Share capital	19	999	998
Reserves		1,887,337	1,510,345
Total equity		1,888,336	1,511,343
Non-current liabilities			
Deferred tax liabilities		4,672	4,456
Convertible bonds	18	372,958	—
Long-term bank loans	17	20,000	—
		397,630	4,456
		2,285,966	1,515,799

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note c)	Share options reserve RMB'000	Restricted shares reserve RMB'000	Special reserve RMB'000 (note a)	Statutory surplus reserve RMB'000 (note b)	Retained profits RMB'000	Total RMB'000
At 1 January 2010 (Audited)	910	809,519	—	68	(37,958)	11,012	48,725	229,349	1,061,625
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	68,559	68,559
Recognition of equity-settled share-based payments	—	—	—	1,734	—	—	—	—	1,734
Dividend recognised as distribution (note 10)	—	—	—	—	—	—	—	(7,532)	(7,532)
At 30 June 2010 (Unaudited)	910	809,519	—	1,802	(37,958)	11,012	48,725	290,376	1,124,386
At 1 January 2011 (Audited)	998	1,004,667	—	1,184	—	11,012	48,725	444,757	1,511,343
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	101,624	101,624
Shares issued upon exercise of share options	1	534	—	(155)	—	—	—	—	380
Recognition of equity-settled share-based payments	—	—	—	646	—	—	—	—	646
Recognition of equity component of convertible bonds and warrants	—	—	274,343	—	—	—	—	—	274,343
Transfer	—	—	—	—	—	—	27,511	(27,511)	—
At 30 June 2011 (Unaudited)	999	1,005,201	274,343	1,675	—	11,012	76,236	518,870	1,888,336

Notes:

(a) Special reserve

This reserve arises on a group reorganisation which took place in the year ended 31 December 2007. The difference between the nominal value of the shares acquired and the acquisition consideration is treated as special reserve arising on group reorganisation and recorded in special reserve.

(b) Statutory surplus reserve

In accordance with relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under PRC GAAP to the statutory surplus reserve. Allocation shall be approved by the shareholders. The appropriation to the statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the PRC subsidiaries' registered capital.

The PRC subsidiaries may, upon the approval by a resolution, convert their surplus reserves into capital in proportion to their then existing shareholdings. However, when converting the PRC subsidiaries' statutory surplus reserve fund into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

(c) Other reserve

The reserve, which arises on the issue of convertible bonds and warrants on 17 June 2011 (the "Issue"), consists of (1) the difference between the gross proceeds of the Issue and the fair value assigned to the liability component of the bonds, representing the fair values of the conversion option for the holder to convert the convertible bonds into equity and the warrants for the holders to purchase the Company's shares, and (2) the proportion of transaction costs incurred in the Issue related to the equity component of the convertible bonds and the warrants. Details of transaction are set out in note 18.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
Profit before taxation	137,534	80,778
Adjustments for:		
Interest income	(1,378)	(264)
Interest expense	7,997	3,799
Depreciation of property, plant and equipment	22,842	18,982
Gain on disposal of property, plant and equipment	(8,370)	(3)
Share-based payment expenses	646	1,734
Release of prepaid lease payments	294	162
Operating cash flows before movements in working capital	159,565	105,188
(Increase) decrease in inventories	(46,926)	853
(Increase) decrease in trade and other receivables	(38,261)	44,265
Increase in bills receivable	(137,081)	(35,373)
Increase in advance to suppliers	(131,867)	(38,816)
Increase (decrease) in trade and other payables	20,061	(17,711)
(Decrease) increase in customers' deposits receivables	(13,757)	852
Cash (used in) from operations	(188,266)	59,258
Tax paid	(43,820)	(3,484)
Net cash (used in) from operating activities	(232,086)	55,774
Investing activities		
Interest received	1,378	264
Proceeds from disposals of property, plant and equipment	27,520	21
Addition of prepaid lease payments	(19,210)	—
Deposits paid for acquisition of property, plant and equipment	(50,341)	(86,612)
Placement of pledged bank deposits	(97,737)	(9,518)
Addition of property, plant and equipment	(97,177)	(38,735)
Net cash used in investing activities	(235,567)	(134,580)

Condensed Consolidated Statement of Cash Flows - Continued

for the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Financing activities		
Proceeds from issuance of convertible bonds and warrants	646,932	—
Bank loans raised	315,525	89,473
Proceeds from issue of new shares	380	—
Payment of transaction costs attributable to issuance of convertible bonds and warrants	(1,208)	—
Interest paid	(6,420)	(3,799)
Repayment of bank loans	(70,000)	(136,000)
Dividends paid	—	(7,532)
Net cash from (used in) financing activities	885,209	(57,858)
Increase (decrease) in cash and cash equivalents	417,556	(136,664)
Cash and cash equivalents at beginning of the period	293,677	399,238
Cash and cash equivalents at end of the period, represented by bank balances and cash	711,233	262,574

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

1. GENERAL

The Company is a public limited company incorporated in the Cayman Island, and its shares are 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 manufacturing and sales of solar wafers, semiconductors and related 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 and with International Accounting Standard 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised IFRSs"). The application of the new and revised 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 new or revised standards that have been issued but not yet effective:

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 January 2012.

4 Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group is currently operating in the manufacturing and sales of solar wafers and related products. Mr. Zhang, the chief operating decision maker of the Group, regularly reviews revenue analysis by major products and the profit of the Group as a whole for the purposes of performance assessment and making decisions about resources allocation. Accordingly, the Group has only one operating segment for financial reporting purpose.

5. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grant (note 1)	14,130	5,007
Interest income	1,378	264
Processing service fees (note 2)	—	2,494
Others	—	126
	15,508	7,891

Notes:

1. The government grant for the six months ended 30 June 2011 and 30 June 2010 represented the amount of approximately RMB14,130,000 and RMB5,007,000, respectively, received from the local government by an operating subsidiary of the Group to encourage activities carried out by the Group in solar business and to compensate interest expenses incurred in prior periods. No specific conditions are attached to the grant.

2. Revenue from processing service represented amounts received and receivable for wafer processing services provided to outside customers.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange gains (losses)	5,768	(5,133)
Gain on disposal of property, plant and equipment	8,370	3
	14,138	(5,130)

7. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest expense in relation to:		
– bank loans wholly repayable within five years	5,764	3,799
– factorised bills receivable	656	—
Effective interest expense on convertible bonds	1,577	—
	7,997	3,799

8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	439,311	331,048
Depreciation of property, plant and equipment	22,842	18,982
Release of prepaid lease payments	294	162
Research and development expenses	3,943	4,092
Operating lease rentals in respect of rented premises	566	481

9. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PRC Enterprise Income Tax		
– Current period	35,616	11,908
Deferred taxation	294	311
	35,910	12,219

Taxation arising in the PRC is recognised based on management's best estimate of the weighted 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 2011 (six months ended 30 June 2010: 15%) as certain of the Group's subsidiaries operating in the PRC which were eligible for certain tax holidays and concessions in prior years have applied standard tax rate of 25% in current interim period due to expiry of the relevant tax holidays and concession. Withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities to non-PRC residents.

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2011. During the six months ended 30 June 2010, a final dividend of RMB0.73 cent per ordinary share in respect of the year ended 31 December 2009 was declared and paid to the owners of the Company. The aggregate amount of final dividend declared and paid in the six months ended 30 June 2010 amounted to approximately RMB7,532,000.

The directors of the Company do not recommend the payment of an interim dividend.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profits		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	101,624	68,559
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,133,751,238	1,031,738,000
Effect of dilutive potential ordinary shares:		
– Share options	1,362,936	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,135,114,174	1,031,738,000

The outstanding convertible bonds and warrants of the Company (note 18) did not have dilutive effect to the Company's earnings per share during the six months ended 30 June 2011 because the exercise prices of the Company's Conversion Shares (as defined in note 18) and the warrants were higher than the average market prices of the Company's shares during the period from the issue of the convertible bonds and warrants of the Company, i.e. 17 June 2011, to the end of the reporting period.

The outstanding share options of the Company did not have a dilutive effect to the Company's earnings per share during the six months ended 30 June 2010 because the exercise prices of the Company's share options were higher than the average market prices of the Company's shares during that period.

12. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB50,341,000 (2010: RMB86,612,000) and RMB97,177,000 (2010: RMB38,735,000) on deposits paid for acquisition and purchases of property, plant and equipment, respectively.

13. ADVANCE TO SUPPLIERS

In March 2011, the Group entered into several new purchase agreements with two major suppliers, who are independent parties not connected or related to the Group, whereby the Group is committed to purchase a minimum quantity of raw materials, mainly polysilicon virgins (to be used in the manufacture of its products), each year during the period from 1 January 2011 to 31 December 2018 at pre-determined prices. According to the terms of the agreements, the Group made advances to these suppliers during the six months ended 30 June 2011 and the year ended 31 December 2010. At 30 June 2011 and 31 December 2010, the Group had outstanding aggregate advance payments of approximately RMB480,831,000 and RMB347,648,000, respectively, with these suppliers. The advances are unsecured, interest-free and will be used to offset with part of the invoiced amounts in the manner as discussed below, on an annual basis before expiry of the agreements in 2018.

Pursuant to the terms of the agreements with these two suppliers, during each year of the contractual period from 1 January 2008 to 31 December 2018 (the "Supply Period"), the amount of advances made in respect of the agreed contract quantity in that particular year would be utilised to reduce the invoice amount of purchases up to those annual agreed quantities. The total minimum amount of raw materials to be purchased by the Group from the two major suppliers during the Supply Period is approximately RMB5,807,625,000 (31 December 2010: RMB4,422,047,000).

The Group's minimum annual purchase commitment during the remaining Supply Period is as follows:

Year ending 31 December	Amount equivalent to RMB'000
2011	320,772
2012	669,789
2013	932,401
2014	1,360,633
2015	1,062,898
2016	655,987
2017	107,824
2018	105,317
	(Note) 5,215,621

Note: The Group entered into these long-term purchase agreements with major suppliers for expected quantity of raw materials to be consumed in the future. The estimated quantity of raw materials contracted for is based on the Group's planned annualised production capacity and assumed significant growth in demand of the Group's products in the Supply Period. The Group performs ongoing evaluation of anticipated consumption of the raw materials to be used after taking into consideration changes of market conditions and planned annualised production capacity of the Group. The Group may suffer losses in those future period when the raw materials contracted for may not be consumed as planned and the respective minimum purchase requirement may not be met as the advance made to supplier(s) will be forfeited or the Group may need to make payment to supplier(s) for the shortfall of any minimum purchase commitment in the relevant period.

14. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Trade receivables	71,619	73,326
Utility deposits	5,791	1,873
Value-added-tax recoverable	113,390	71,040
Other receivables and prepayments	2,928	9,228
	193,728	155,467
Bills receivable	139,081	2,000

The Group requested 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 analysis of trade receivables by age, presented based on invoice date.

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Age		
0 to 30 days	50,659	49,317
31 to 60 days	6,958	22,431
61 to 90 days	12,489	1,575
91 to 180 days	1,513	3
	71,619	73,326

The following is an analysis of bills receivable by age, presented based on invoice date.

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Age		
0 to 30 days	78,541	—
31 to 60 days	60,540	2,000
	139,081	2,000

15. PLEDGED BANK DEPOSITS

During the period ended 30 June 2011, the Group entered into several arrangements with one established commercial bank in the PRC pursuant to which the Group borrowed United States dollars ("USD") loans from this bank for contractual periods of three months to one year for settlement of its payables denominated in USD. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective USD loans plus a fixed interest at a rate of 1.26% to 4.27% per annum thereon) for the same contractual periods to the same bank as security against the USD loans, and (b) entered into forward contracts with the bank to purchase USD (in amounts equivalent to the USD loan plus interests thereon) by RMB at predetermined forward rates.

As at 30 June 2011, fixed deposits denominated in Renminbi ("RMB") of approximately RMB97,737,000 and the USD loan of approximately USD15,147,000 (equivalent to approximately RMB98,025,000) are included in pledged bank deposits and bank borrowings, respectively.

The related interest income on the fixed deposits of approximately RMB409,000 and unrealised exchange gain on USD loans of approximately RMB415,000 are included in the other income and other gains and losses, respectively, while the interest expenses on USD loans of approximately RMB451,000 are included in finance cost.

Major terms of the foreign currency forward contracts as at 30 June 2011 are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
USD2,585,000	In May 2012	Buy USD/Sell RMB at 6.3750
USD2,700,000	In November 2011	Buy USD/Sell RMB at 6.4750
USD1,000,000	In August 2011	Buy USD/Sell RMB at 6.5000
USD5,550,000	In August 2011	Buy USD/Sell RMB at 6.4640
USD3,312,000	In August 2011	Buy USD/Sell RMB at 6.4613

In the opinion of the directors of the Company, the fair values of the Group's foreign currency forward contracts do not have material impacts on the results and financial position of the Group.

The Group did not have such arrangements with any bank at 31 December 2010.

16. TRADE AND OTHER PAYABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Trade payables	79,188	63,174
Value-added tax payables	102	403
Payables for acquisition of property, plant and equipment	60,766	117,774
Other payables and accrued charges	16,743	12,395
	156,799	193,746

The following is an analysis of trade payables by age, presented based on invoice date.

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Age		
0 to 30 days	36,774	44,940
31 to 60 days	30,566	15,866
61 to 90 days	9,635	441
91 to 180 days	1,558	547
Over 180 days	655	1,380
	79,188	63,174

17. SHORT-TERM BANK LOANS

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Secured	263,525	100,000
Unsecured	152,000	70,000
	415,525	170,000
Carrying amounts repayable:		
Within one year	395,525	170,000
More than two years, but not exceeding five years	20,000	—
	415,525	170,000
Less: Amounts due within one year shown under current liabilities	(395,525)	(170,000)
Amounts shown under non-current liabilities	20,000	—

At 30 June 2011, the Group factored bills receivable of approximately RMB45,500,000 (31 December 2010: nil) to certain banks with full recourse. The related bank loans will be matured one year from the end of the reporting period and are classified as current liabilities at 30 June 2011.

During the current period, the Group obtained new bank loans amounting to RMB315,525,000 (six months ended 30 June 2010: RMB89,473,000). The loans carry interest at variable market rates ranging from 1.26% to 8.35% (six months ended 30 June 2010: 1.07% to 4.94%) per annum. The proceeds were used to finance the acquisition of property, plant and equipment and working capital for operation and arrange forward contracts to settle foreign currency denominated payables.

18. CONVERTIBLE BONDS

The Company issued convertible bonds at a par value of RMB 100,000 each with an aggregate principal amount of approximately RMB 650 million on 17 June 2011 to an independent third party who is neither connected nor related to the Group (the "Bondholder").

The principal terms of the bonds are as follows:

(1) Demonination of the bonds - The convertible bonds are denominated in RMB.

(2) Maturity date - Five years from the date of issuance, which is 16 June 2016 ("Maturity Date")

(3) Interest - The bonds do not bear any interest.

(4) Conversion -

(A) Conversion price - The price is Hong Kong dollars ("HK$")3.90 per each new share to be issued upon conversion of the bonds ("Conversion Share"), subject to adjustment in accordance with the terms of the bonds, including subdivision or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.

(B) Conversion period - The Bondholder has the right to convert the bonds into shares at any time on or after the issue date of the bonds up to the close of business on the Maturity Date or if such bonds shall have been called or put for redemption at any time on or after the issue date, then up to the close of business on a date no later than five business days prior to the date fixed for redemption, which the events are discussed below.

(C) Number of Conversion Shares issuable - 200,000,000 Conversion Shares will be issued upon full conversion of the bonds based on the initial conversion price of HK$3.90 (translated at the fixed exchange rate of HK$1.1917494 = RMB1 as pre-determined).

(D) Rights - The Conversion Shares will rank pari passu in all respects with the shares of the Company then in issue on the relevant conversion date.

18. CONVERTIBLE BONDS *(continued)*

(5) Redepmtion -

(A) At the option of the Company:

(I) Redemption at maturity - The Company will redeem the bonds outstanding at an amount equivalent to the HK$ equivalent of the RMB principal amount on the Maturity Date.

(II) Redemption for tax reasons - The Company will redeem the bonds outstanding at an amount of HK$ equivalent of the RMB principal amount of the bonds if the Company will become obliged to pay additional amounts in accordance with charges or amendments of relevant taxation or statutory rules and regulations in the Cayman Islands or Hong Kong, which charges or amendments become effective on or after the date on which the bonds are first issued.

(B) At the option of the Bondholder:

(I) Redemption on change of control - Upon the occurrence of a change of control (as defined in announcement of the Company dated 19 April 2011), the Bondholder will have the right, at such Bondholder's option, to require the Company to redeem the bonds outstanding at the amount equal to 130% of HK$ equivalent of the RMB principal amount of the bonds.

(II) Redemption on delisting of the Company - Upon the occurrence of delisting of the Company's shares on the Stock Exchange, the Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem the bonds outstanding at the amount equal to 130% of HK$ equivalent of the RMB principal amount of the bonds.

(6) Transferrability - The bonds and any Conversion Shares are freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the Bondholder on 17 June 2011, the bonds, and compliance with applicable law.

(7) Voting right - The Bondholder will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder of a bond. The Bondholder will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder of the bonds.

(8) Listing of the bonds - No application will be made for the listing of the bonds on the Stock Exchange or any other exchange.

(9) Collateral – The Bondholder does not hold any collateral over the bonds.

18. CONVERTIBLE BONDS *(continued)*

Concurrent with the issuance of the bonds, 95,121,951 fully detachable and transferrable warrants each to purchase one ordinary share of the Company were issued. The principal terms of the warrants are as follows:

(A) Exercise price - Each warrant carries the right to subscribe for one share. The price at which a share will be issued upon exercise of a warrant, as adjusted from time to time, will initially be HK$4.10 per share (translated at the fixed exchange rate of HKD1.1917494 = RMB1 as pre-determined) but will be subject to adjustment in the manner provided in the warrant instrument, including subdivision or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.

(B) Exercisable period - At the option of the holder thereof, at any time on or after the date of the issue of each warrant up to the close of business (at the place where the warrant certificate evidencing such warrant is deposited for exercise) on the fifth anniversary of the date of issue of such warrant, that is 16 June 2016 (the "Expiration Date"), (but in no event thereafter) (the "Exercise Period"). After the close of business on the Expiration Date, the exercise right shall lapse and each warrant shall cease to be valid for any purpose.

(C) Rights - The warrant will rank pari passu in all respects with one another.

(D) Transferrability - The warrants are freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the holder of the warrants on 17 June 2011, the warrants, and compliance with applicable law.

(E) Voting right - The holder of the warrants will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder of the warrants. The holder of the warrants will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder of the warrant.

(F) Listing of the warrants - No application will be made for the listing of the warrants on the Stock Exchange or any other exchange.

18. CONVERTIBLE BONDS *(continued)*

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity as convertible bonds equity reserve. The effective interest rate of the liability component is 12.00% per annum. The movement of the liability component of the convertible bonds for the six months ended 30 June 2011 is set out below:

	RMB'000
At initial recognition	371,381
Interest charge (note 7)	1,577
Carrying amount at 30 June 2011	(note) 372,958

Note: The fair values of the convertible bonds and warrants at 17 June 2011 represented fair values of the liability component and equity component, which consisted of conversion option of the convertible bonds and warrants, of approximately RMB371,381,000 and RMB275,551,000, respectively. Transaction costs related to the issuance of the bonds and warrants were approximately RMB1,208,000 which have been recognised in the condensed consolidated financial statements.

19. SHARE CAPITAL

The share capital of the Group at 30 June 2011 and 31 December 2010 represented the issued and fully paid capital of ordinary shares of the Company.

Authorised:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 1 January 2010, 30 June 2010, 1 January 2011 and 30 June 2011	7,600,000,000	7,600

19. SHARE CAPITAL *(continued)*

Issued and fully paid:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 1 January 2011	1,133,628,000	1,134
Exercise of share options (note)	262,000	2
Ordinary shares of HK$0.001 each at 30 June 2011	1,133,890,000	1,136
Ordinary shares of HK$0.001 each at 1 January 2010 and 30 June 2010	1,133,628,000	1,134

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Presented as RMB:		
Ordinary shares	999	998

Note: During the six months ended 30 June 2011, the Company issued 200,000 and 62,000 new shares upon exercise of share options at the exercise price of HK$ 1.49 per share and HK$2.51 per share, respectively.

All the shares issued by the Company during the six months ended 30 June 2011 rank pari passu with the existing shares in all respects.

20. SHARE-BASED COMPENSATION

(A) Pre-IPO Share Option Scheme

Set out below are details of movements of the outstanding options granted under the Pre-IPO share Option Scheme during the six months ended 30 June 2011 and 30 June 2010:

	Number of options				
	Outstanding as at 1 January 2011	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2011
Directors:					
Mr. Leung Ming Shu	125,000	(62,000)	—	—	63,000
Mr. Daniel DeWitt Martin	200,000	—	—	—	200,000
Mr. Kang Sun	249,020	—	—	—	249,020
	574,020	(62,000)	—	—	512,020
Exercisable at the end of the period	239,175				334,845

	Number of options				
	Outstanding as at 1 January 2010	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2010
Directors:					
Mr. Leung Ming Shu	125,000	—	—	—	125,000
Mr. Daniel DeWitt Martin	200,000	—	—	—	200,000
Mr. Kang Sun	249,020	—	—	—	249,020
	574,020	—	—	—	574,020
Exercisable at the end of the period	47,835				143,505

In respect of the share options exercised during the six months ended 30 June 2011, the weighted average share price at the date of exercise is HK$4.64 per share (six months ended 30 June 2010: N/A).

At 30 June 2011, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (31 December 2010: 574,020), representing 0.05% (31 December 2010: 0.06%) of the shares of the Company in issue at that date.

The Group recognised the expense of approximately RMB76,000 for the six months ended 30 June 2011 (2010: RMB191,000) in relation to share options granted by the Company on 3 August 2009.

20. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the six months ended 30 June 2011 and 30 June 2010:

For the six months ended 30 June 2011:

	Number of options				
	Outstanding as at 1 January 2011	Issue during the period	Exercised during the period	Forfeited in the period	Outstanding as at 30 June 2011
Director:					
Mr. Shi	300,000	—	—	—	300,000
Employees	2,290,000	—	(200,000)	—	2,090,000
	2,590,000	—	(200,000)	—	2,390,000
Exercisable at the end of the period	500,000				2,190,000

For the six months ended 30 June 2010:

	Number of options				
	Outstanding as at 1 January 2010	Issue during the period	Exercised during the period	Forfeited in the period	Outstanding as at 30 June 2010
Director:					
Mr. Shi	—	600,000	—	—	600,000
Employees	—	4,580,000	—	—	4,580,000
	—	5,180,000	—	—	5,180,000
Exercisable at the end of the period	—				500,000

In respect of the share options exercised during the six months ended 30 June 2011, the weighted average share price at the date of exercise is HK$3.94 per share (six months ended 30 June 2010: N/A).

At 30 June 2011, the number of shares in respect of which options under the Share Option Scheme remained outstanding was 2,390,000, representing 0.21% (31 December 2010: 0.23%) of the shares of the Company in issue at that date.

The Group recognised the expense of approximately RMB570,000 (2010: RMB 1,543,000) for the six months ended 30 June 2011 in relation to share options granted by the Company on 24 May 2010.

21. PLEDGE OF ASSETS

	30 June 2011 *RMB'000* *(Unaudited)*	31 December 2010 *RMB'000* *(Audited)*
Pledged bank deposits	97,737	—
Factorised bills receivable	45,500	—
Property, plant and equipment		
– Buildings	145,965	97,164
– Construction in progress	140,650	15,209
Prepaid lease payments	15,047	—
	444,899	112,373

22. CAPITAL COMMITMENTS

	30 June 2011 *RMB'000* *(Unaudited)*	31 December 2010 *RMB'000* *(Audited)*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	57,047	68,469
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	452,963	505,423
	510,010	573,892

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	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Basic salaries and allowances	2,314	3,456
Retirement benefits scheme contributions	58	39
Share-based payments	365	1,022
	2,737	4,517

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

24. COMPARATIVE INFOMRATION

The Group's annual financial statements for the year ended 31 December 2010 presented net exchange difference and gain or loss arising on the disposal of an item of property, plant and equipment as part of the Group's other gains and losses and presented share-based payments as part of the Group's administrative expenses. In prior years, such items were included in administrative, other income and other expenses, respectively. Accordingly, the comparative figures in the condensed consolidated statement of comprehensive income have been restated for consistency of presentation with the current period which is in line with those of the annual financial statements for the year ended 31 December 2010 and better reflected the relevance of financial information of the Group's activities. The reclassification has had no net effect on the results of the Group for the six months ended 30 June 2010.

The effect of changes in presentation for the six months ended 30 June 2010 by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June 2010
	RMB'000
Decrease in other income	(3)
Increase in administrative expenses	3,399
Decrease in other gains and losses	(5,130)
Decrease in other expenses	1,734
Change in profit for the period	—

Reclassification disclosed above had no effects on the financial position of the Group presented in the condensed consolidated statement of financial position in respect of the end of the relevant financial period.

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
"Global Offering"	the global offreing of the Company
"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
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 2011
"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

Definitions - Continued

"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
"%"	per cent