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

Interim Report

2012

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. Donald Huang

(Note: Mr. Stephen Peel resigned on 24 April 2012)

Independent non-executive Directors

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Mr. Leung Ming Shu

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. John Zhang

Mr. Chau Kwok Keung

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Mr. Donald Huang

NOMINATION COMMITTEE

Mr. John Zhang *(Chairman)*

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Mr. Donald Huang

Mr. Leung Ming Shu

REMUNERATION COMMITTEE

Mr. Leung Ming Shu *(Chairman)*

Mr. John Zhang

Mr. Kang Sun

Mr. Donald Huang

Mr. Daniel DeWitt Martin

CORPORATE GOVERNANCE COMMITTEE

Mr. John Zhang *(Chairman)*

Mr. Chau Kwok Keung

Mr. Leung Ming Shu

Mr. Donald Huang

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Zhang *(Chairman)*

Mr. Chau Kwok Keung

Mr. Donald Huang

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTER

16 Yuan Di Road

Nanhui Industrial Zone

Shanghai 201314

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 28

35/F Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Corporate Information

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKS

Agriculture Bank of China
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

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			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Turnover	456,242	574,736	429,062	184,253
(Loss) Profit before interest expense and taxation	(95,066)	145,531	84,577	10,612
Interest expense	(23,077)	(7,997)	(3,799)	(4,232)
(Loss) Profit before taxation	(118,143)	137,534	80,778	6,380
Taxation	(2,988)	(35,910)	(12,219)	(1,950)
(Loss) Profit and total comprehensive income for the period, attributable to the owners of the Company	(121,131)	101,624	68,559	4,430

ASSETS AND LIABILITIES

	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
Total assets	2,315,903	2,654,773	1,912,392	1,410,675
Total liabilities	(824,597)	(1,000,996)	(401,049)	(349,050)
Net assets	1,491,306	1,653,777	1,511,343	1,061,625

Chairman Statement

Dear Shareholders,

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 2012. During the Period, the industry-wide overcapacity continued and drove price to decline across the entire solar supply chain. It resulted in a challenging operating environment and adversely affected the operating results of every solar company. Despite the challenges facing the market, we still achieved year-on-year growth in shipments, shifted the focus of production to our premium products "Super Mono Wafers" and maintained reasonable profit margin and healthy financial position.

Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB456.2 million (corresponding period in 2011: RMB574.7 million);
- Gross profit for the Period was approximately RMB56.8 million (corresponding period in 2011: RMB135.4 million);
- Gross profit margin for the Period was approximately 12.5% (corresponding period in 2011: 23.6%);
- Adjusted net profit for the Period was approximately RMB58.2 million after excluding the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million, non-cash effective interest expense on the convertible bonds of approximately RMB13.3 million and the net gain on fair value changes of derivative financial instruments of approximately RMB7.4 million;
- Net loss for the Period was approximately RMB121.1 million which was mainly due to the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million and non-cash effective interest expense on the convertible bonds of approximately RMB13.3 million (corresponding period in 2011: net profit of RMB101.6 million);
- Adjusted earning per share for the Period was approximately RMB5.1 cents after excluding the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million, non-cash effective interest expense on the convertible bonds of approximately RMB13.3 million and the net gain on fair value changes of derivative financial instruments of approximately RMB7.4 million;
- Our loss per Share for the Period was approximately RMB10.7 cents which was mainly due to the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million and non-cash effective interest expense on the convertible bonds of approximately 13.3 million (corresponding period in 2011: earning per Share of RMB9.0 cents);

Chairman Statement

- Overall shipment for the Period was approximately 218.6 MW, increasing substantially by 99.8% from approximately 109.4 MW for the corresponding period in 2011;

- The annualized production capacity was approximately 600 MW as at 30 June 2012 because no material expansion was made during the Period due to the challenging industry environment;

- Achieved cash inflow from operation of approximately RMB71.0 million during the Period. The Group controlled net debt to equity ratio as approximately 8.9% and maintained cash and bank balances of approximately RMB244.0 million as at 30 June 2012;

- Repurchased of 75% of the outstanding convertible bonds originally issued on 17 June 2011;

- The Group obtained approval on the building-integrated photovoltaics (BIPV) project (卡姆丹克光伏系統項目) in our factory. It was the one of only two projects in Shanghai which obtained the approval from the government under the BIPV Demonstration Projects 2012 (2012年太陽能光電建築應用示範項目) in China.

Our unwavering commitment to providing our customers with high performance and fairly priced solar wafers differentiates the Group from other competitors in the market. During the Period, we achieved notable shipment growth of approximately 99.8% over the corresponding period in 2011 to 218.6 MW. During the Period, we shifted the focus to our premium product “Super Mono Wafers”. Based on the feedback from our major customer, the high efficient solar cell with our “Super Mono Wafers” can achieve an average conversion efficiency of approximately 23%. With the continuous decrease in the selling price of polysilicons and modules, our customers increasingly realize the benefits of buying high efficient solar wafers to reduce their overall production costs. It strengthens the demand and provides further business opportunities to high efficient solar wafers in a tough industry environment. We also continue to diversify our customer base of “Super Mono Wafers”. We keep working on the qualification process with potential customers in Japan and expect to gradually replace the traditional P-type monocrystalline wafers with our “Super Mono Wafers”. We believe our ability to manufacture more advanced and efficient products would further differentiate us in the market and strengthen the barrier to entry to our business.

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. Cost competitiveness driven by technical advancement would be crucial to the development of solar industry. Our origin as a manufacturer of semiconductor ingots and wafers since 1999 provided us with a strong technical background. We will continue to focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive industry environment. We would leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for our customers. With industry-wide over-capacity continuing in the Period, we nevertheless achieved a remarkable gross margin of approximately 12.5%. Such performance demonstrated the effectiveness of our strategy to ensure the Group’s long-term sustainability through the current volatile market environment.

Chairman Statement

Given the current operating 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. In June 2011, the Company issued the five-year convertible bonds of approximately RMB650 million, together with the warrants to subscribe for approximately US$50 million of new Shares. The proceeds were originally planned to fund the Group's expansion of capacity. Due to the subsequent changes in the general industry environment with over-capacity and declining average selling prices, we believed it is prudent to reduce our debt level and not to expand by debt financing. In March 2012, we repurchased 75% of the original convertible bonds by paying approximately RMB491 million of cash and by issuing new warrants of approximately HK$117 million with exercise price at HK$1.24 per Share. As part of the repurchase, the investor agreed to consent to the level of borrowings of the Group relative to EBITDA exceeding the level specified under the relevant covenant under the original convertible bonds until 20 February 2013 and the sole and exclusive remedy for any claims made by the investor in relation to a breach of the terms of the original convertible bonds or the investment agreement be limited to the immediate repayment of the outstanding principal amount of the original convertible bonds, to cancel 75% of outstanding original warrants, to cancel the early repurchase premium of 30% on the outstanding convertible bonds and to change the use of proceeds in respect of the remaining outstanding convertible bonds to general corporate purposes. We believed that it is a prudent step to take in view of the challenging industry environment the Group is facing. It allowed the Group to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant during 2012, to avoid over-leveraging on debt-financing in a challenging industry environment and to obtain more flexibility on the use of proceeds.

We recorded cash inflow from operating activities of approximately RMB71.0 million during the Period. Coupled with our disciplined financial and operational initiatives, we maintained a solid financial position and controlled the net debt to equity ratio at approximately 8.9% as at 30 June 2012. We believe we are well positioned to manage and mitigate the risks arising from the volatile and challenging industry environment. In order to maximize benefits of industry consolidation, the Group would continue to evaluate expansion opportunities from decreasing price of production equipment.

While we expect to see continued challenging conditions in the solar industry in the near-term, we firmly believe that lower PV system costs will drive the adoption of solar power and long-term market growth. Lower system costs continue to drive market opportunities which are increasingly independent of traditional feed-in-tariffs. During the Period, the cost of generating power of solar energy per Watt had reduced substantially due to the decrease of polysilicon prices, continuous upgrading of production techniques and enhancement of operational effectiveness in the industry. It has accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The PRC and the United States, being the largest energy consuming countries in the world, together with Japan, Australia, Africa and the Middle East would be promising solar energy markets with substantial growth prospects. We expect that Japan, for example, will be an important market for us as few suppliers can meet Japanese customers' rigorous standards for product quality and reliability. Going forward, we expect that the Group will benefit from this trend of increasing demand for high-efficiency products.

Chairman Statement

We are confident that we have the reputation, the top tier suppliers and customers relationships and the capability to adapt to the new economics and competitive landscape of the solar industry. Looking ahead, we will remain focused on our core wafer business where we have demonstrated solid track records and established competitive advantages. We believe such focus will best position our Group in the fast growing and increasingly competitive market of solar products. We are confident to capture enormous opportunities in the upcoming era of clean and economical power of solar energy, to drive continued and healthy growth of the Group in the future.

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

John Zhang
Chairman
Shanghai, the People's Republic of China, 31 August 2012

Business Review

The PV industry remained challenging during the Period. Industry-wide over-capacity continued and drove price to decline across the entire solar supply chain. This pressure was exacerbated by the uncertainties among the European economies and the potential international trade conflicts. Despite the short term challenges, we see further signs of industry consolidation. Customers increasingly rely on tier-one suppliers and prefer to utilize high efficient products to minimize the PV system costs. Under a competitive pricing environment, only cost-sensitive leaders can remain profitable and maintain solid financial position to mitigate the risk during industry consolidation process.

Our unwavering commitment to providing our customers with high performance and fairly priced solar wafers differentiates the Group from other competitors. During the Period, we achieved notable shipment growth of approximately 99.8% over the corresponding period in 2011 to 218.6 MW. During the Period, we shifted the focus to our premium product “Super Mono Wafers”. Based on the feedback from our major customer, the high efficient solar cell with our “Super Mono Wafers” can achieve an average conversion efficiency of approximately 23%. With the continuous decrease in the selling price of polysilicons and modules, our customers increasingly realize the benefits of buying high efficient wafers to reduce their overall production costs. It strengthens the demand and provides further business opportunities to high efficient solar wafers in a tough industry environment. We also continued to diversify our customer base of “Super Mono Wafers”. We kept working on the qualification process with potential customers in Japan and expect to gradually replace the traditional P-type monocrystalline wafers with our “Super Mono Wafers”. We believe our ability to manufacture more advanced and efficient products would further differentiate us in the market and strengthen the barrier to entry to our business.

Our top five customers in the Period represented 87.8% of our total revenues, compared to 76.2% in the corresponding period last year. The sales to the largest customer in Philippines with the high quality “Super Mono Wafers” accounted for approximately 74.4% of our total revenues in the Period, as compared to approximately 31.2% in the corresponding period in 2011 with traditional P-type wafers customer in the PRC. During the industry consolidation process, we would mainly focus on the limited number of prestige customers with sounding financial positions.

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. Cost competitiveness driven by technical advancement would be crucial to the development of solar industry. Our origin as a manufacturer of semiconductor ingots and wafers since 1999 provided us with a strong technical background. We will continue to focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive industry environment. We would leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for our customers. With industry-wide over-capacity continuing in the Period, we nevertheless achieved a remarkable gross margin of approximately 12.5%. Such performance in the Period demonstrated the effectiveness of our strategy to ensure the Group’s long-term sustainability through the current volatile market environment.

Business Review

We also benefited from our tight control over operating expenses while still investing in human resources, product quality, branding and technology. We continued to evaluate costs across our organization. The Group has always strived to maintain a lean organization and to minimize unnecessary costs. We want to ensure that we are deploying our resources effectively and efficiently. These initiatives will strengthen our business performance and the platform for future growth.

Given the current operating 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. In June 2011, the Company issued the five-year convertible bonds of approximately RMB650 million, together with the warrants to subscribe for approximately US$50 million of new Shares. The proceeds were originally planned to fund the expansion of capacity. Due to the subsequent changes in the general industry environment with over-capacity and declining average selling prices, we believed it is prudent to reduce our debt level and not to expand by debt financing. In March 2012, we repurchased 75% of the original convertible bonds by paying approximately RMB491 million of cash and by issuing the new warrants of approximately HK$117 million with exercise price at HK$1.24 per Share. As part of the repurchase, the investor agreed to consent to the level of borrowings of the Group relative to EBITDA exceeding the level specified under the relevant covenant under the original convertible bonds until 20 February 2013 and the sole and exclusive remedy for any claims made by the investor in relation to a breach of the terms of the original convertible bonds or the investment agreement be limited to the immediate repayment of the outstanding principal amount of the original convertible bonds, to cancel 75% of outstanding original warrants, to cancel the early repurchase premium of 30% on the outstanding convertible bonds and to change the use of proceeds in respect of the remaining outstanding convertible bonds to general corporate purposes. We believed that it is a prudent step to take in view of the challenging industry environment the Group is facing. It allowed the Group to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant during 2012, to avoid over-leveraging on debt-financing in a challenging industry environment and to obtain more flexibility on the use of proceeds.

We recorded cash inflow from operating activities of approximately RMB71.0 million during the Period. Coupled with our disciplined financial and operational initiatives, we maintained a solid financial position and controlled the net debt to equity ratio at approximately 8.9% as at 30 June 2012. We believe we are well positioned to manage and mitigate the risks arising from the volatile and challenging industry environment. In order to maximize benefits of industry consolidation, the Group would continue to evaluate expansion opportunities from decreasing price of production equipment.

While we expect to see continued challenging conditions in the solar industry in the near-term, we firmly believe that lower PV system costs will drive the adoption of solar power and long-term market growth. Lower system costs continue to drive market opportunities which are increasingly independent of traditional feed-in-tariffs. During the Period, the cost of generating power of solar energy per watt had reduced substantially due to the decrease of polysilicon prices, continuous upgrading of production techniques and enhancement of operational effectiveness in the industry. It has accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The PRC and the United States, being the largest energy consuming countries in the world, together with Japan, Australia, Africa and the Middle East would be promising solar energy markets with substantial growth prospects. We expect that Japan, for example, will be an important market for us as few suppliers can meet Japanese customers' rigorous standards for product quality and reliability. Going forward, we expect that the Group will benefit from this trend of increasingly demand for our high-efficiency products.

Under the BIPV Demonstration Projects 2012 (2012年太陽能光電建築應用示範項目) in China, our building-integrated photovoltaics (BIPV) project (卡姆丹克光伏系統項目) in our factory has been approved by the government and it was the one of only two projects in Shanghai which obtained the approval from the government.

We believe the Group would continue to hit its stride during the industry consolidation process.

We are confident that the Group's strong financial position, advanced technological capability, and high-quality product offerings would best position us for long-term success. Looking ahead, we will remain focused on our core wafer business where we have demonstrated solid track records and established competitive advantages. We believe it will help us to gain more market shares, to strengthen the barrier to entry our business and to protect our profit margins.

Financial Review

REVENUE

Revenue decreased by RMB118.5 million, or 20.6%, from RMB574.7 million for the corresponding period in 2011 to RMB456.2 million for the Period, primarily as a result of decreasing in average selling price, mainly attributable to over-capacity in the industry, which was partially offset by the growth in our sales volume. Due to the increase in customer demand for our high quality monocrystalline solar products and increase of effective production capacity, our sales volume increased by 99.8% from 109.4 MW for the corresponding period in 2011 to 218.6 MW for the Period. For the Period, sales of our 156 mm by 156 mm monocrystalline solar wafers comprised 8.6% of total revenue and sales of our 125 mm by 125 mm monocrystalline solar wafers comprised 74.6% of total revenue. In aggregate, solar wafer sales comprised 83.2% of our total sales, as compared to 99.9% for the corresponding period in 2011. The remaining portion of our revenue for the Period was mainly from the sales of polysilicon and ingots.

Sales of 125 mm by 125 mm monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers increased by RMB229.6 million, or 207.2%, from RMB110.8 million for the corresponding period in 2011 to RMB340.4 million for the Period, primarily due to our change of focus to the sale of 125 mm by 125 mm “Super Mono Wafers” which resulted in an increase in our sales volume of 125 mm by 125 mm monocrystalline wafers by 397.8% from 23.0 MW for the corresponding period in 2011 to 114.5 MW for the Period.

Sales of 156 mm by 156 mm monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers decreased by RMB424.1 million, or 91.6%, from RMB463.2 million for the corresponding period in 2011 to RMB39.1 million for the Period, primarily as a result of a decrease of sales volume by 76.9% from 86.4 MW for the corresponding period in 2011 to 20.0 MW for the Period, and a decrease in our average unit price for this product by 63.0% from RMB5.4 per Watt for the corresponding period in 2011 to RMB2.0 per Watt for the Period.

Others

The remaining revenue of RMB76.7 million for the Period was mainly generated from sales of polysilicon and ingots. The sale volume was approximately 84.1 MW. Such amount was immaterial in the corresponding period in 2011.

In relation to the analysis of our revenue by geographical market, approximately 74.4% of total revenue for the Period was generated from our sales to Philippines (2011: 6.8%) because we shifted our focus to the sales of “Super Mono Wafers” mainly for oversea customers from our previous focus on sales of traditional P-type wafers to domestic customers. The remaining portion was mainly generated from our sales to PRC customers.

COST OF SALES

Cost of sales decreased by RMB39.9 million, or 9.1%, from RMB439.3 million for the corresponding period in 2011 to RMB399.4 million for the Period, primarily as a result of the decrease in the average prices of polysilicon by 54.1% during the Period to RMB185.7 per kg from RMB404.6 per kg for the corresponding period in 2011 as well as the improvement in production efficiency, partially offset by the increase in shipment volumes during the Period.

GROSS PROFIT

Gross profit decreased by RMB78.6 million, or 58.1%, from RMB135.4 million for the corresponding period in 2011 to RMB56.8 million for the Period, primarily due to the aforementioned factors.

OTHER INCOME

Other income increased by RMB23.2 million, or 149.7%, from RMB15.5 million for the corresponding period in 2011 to RMB38.7 million for the Period, primarily due to the increase in government subsidies.

OTHER GAINS AND LOSSES

Other losses were approximately RMB166.0 million during the Period, compared to other gains of approximately RMB14.1 million for the corresponding period in 2011, primarily due to the non-cash and one-time accounting losses of approximately RMB173.4 million in relation to the repurchase of convertible bonds and the cancellation of warrants, partially offset by the net gain on fair value changes of financial derivatives of approximately RMB7.4 million.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by RMB1.2 million, or 150.0%, from RMB0.8 million for the corresponding period in 2011 to RMB2.0 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 RMB3.8 million, or 20.2%, from RMB18.8 million for the corresponding period in 2011 to RMB22.6 million for the Period, mainly due to the increase in non-cash stock compensation expenses of approximately RMB3.2 million caused by the fair value of vested stock options which were newly granted in June 2012.

INTEREST EXPENSES

Interest expenses increased by RMB15.1 million from RMB8.0 million for the corresponding period in 2011 to RMB23.1 million for the Period, primarily due to the effective interest expense of approximately RMB13.3 million charged on the convertible bonds during the Period. Such effective interest expenses have materially decreased after the repurchase of 75% of outstanding convertible bonds during the Period.

LOSS BEFORE TAXATION

Loss before taxation was approximately RMB118.1 million for the Period, decreasing from the profit before taxation of RMB137.5 million for the corresponding period in 2011, due to the aforementioned factors.

TAXATION

Taxation expenses decreased from RMB35.9 million for the corresponding period in 2011 to RMB3.0 million for the Period, primarily as a result of the decrease in our profit before taxation from the operating entities in China. Our effective tax rate was -2.5%, compared to 26.1% for the corresponding period in 2011. Tax expenses were recognised in the Period since the PRC operating subsidiaries recorded profits in the Period and the loss before taxation was mainly resulted from non-cash accounting loss from the repurchase of convertible bonds and cancellation of warrants, loss on fair value changes of other financial liabilities and share-based payment expenses, etc., which are tax non-deductible items.

LOSS FOR THE PERIOD

The Group recorded a loss of RMB121.1 million during the Period, decreasing from the profit of RMB101.6 million for the corresponding period in 2011, due to the aforementioned factors. Net loss margin of 26.5% for the Period decreased from the net profit margin of 17.7% for the corresponding period in 2011.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2011: nil).

INVENTORY TURNOVER DAYS

There was a increase in inventory balance of 27.8% from RMB218.0 million for the as at 31 December 2011 to RMB278.7 million as at 30 June 2012, which was mainly due to the increase in shipment volume and the increase in operation scale after the ramp up to 600MW by end of 2011. The inventory turnover days as at 30 June 2012 totaled 127 days (31 December 2011: 86 days).

TRADE RECEIVABLE TURNOVER DAYS

The trade receivable turnover days as at 30 June 2012 totaled 53 days (as at 31 December 2011: 26 days). The increase was mainly due to a longer credit period granted to the oversea customers of “Super Mono Wafers” after pilot orders and the challenging industry environment. 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 2012 totaled 65 days (31 December 2011: 40 days). The increase in turnover days was mainly due to the change of payment terms upon the volatile and challenging market environment during the Period.

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 2012, the Group's current ratio (current assets divided by current liabilities) was 1.7 (31 December 2011: 2.6). The net debt to equity ratio as at 30 June 2012 was 8.9%, compared to net cash position as at 31 December 2011. The Group's financial position remained healthy during the Period. As at 30 June 2012, the Group was in a net debt position of RMB132.0 million (31 December 2011: net cash position of RMB51.1 million) which included cash and cash equivalent, other financial assets and pledged bank deposits of RMB406.3 million (31 December 2011: RMB789.8 million), short-term bank loans of RMB411.0 million (31 December 2011: RMB318.2 million) and liability component of convertible bonds issued in the year of RMB106.6 million (31 December 2011: RMB402.4 million) and long-term bank loans of RMB20.7 million (31 December 2011: RMB18.1 million).

In June 2011, the Company issued the five-year convertible bonds of approximately RMB650 million, together with the warrants to subscribe for approximately US$50 million of new Shares. The proceeds were originally planned to fund the expansion of capacity. Due to the subsequent changes in the general industry environment with over-capacity and declining average selling prices, we believed it is prudent to reduce our debt level and not to expand by debt financing. In March 2012, we repurchased 75% of the original convertible bonds by paying approximately RMB491 million of cash and by issuing the new warrants of approximately HK$117 million with exercise price at HK$1.24 per Share. As part of the repurchase, the investor agreed to consent to the level of borrowings of the Group relative to EBITDA exceeding the level specified under the relevant covenant under the original convertible bonds until 20 February 2013 and the sole and exclusive remedy for any claims made by the investor in relation to a breach of the terms of the original convertible bonds or the investment agreement be limited to the immediate repayment of the outstanding principal amount of the original convertible bonds, to cancel 75% of the outstanding original warrants, to cancel the early repurchase premium of 30% on the outstanding original convertible bonds and to change the use of proceeds in respect of the remaining outstanding convertible bonds to general corporate purposes. We believed that it is a prudent step to take in view of the challenging industry environment the Group is facing. It allowed the Group to enjoy the benefits of reducing its debt levels with immediate effect, to pre-emptively avoid any risk of breaching the borrowings covenant during 2012, to avoid over-leveraging on debt-financing in a challenging industry environment and to obtain more flexibility on the use of proceeds.

We will implement a balanced financing plan to support the operation of our solar wafer business.

CONTINGENT LIABILITIES

As at 30 June 2012, there was no material contingent liability (31 December 2011: Nil).

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 a commercial bank in the PRC pursuant to which the Group borrowed loans in USD and European dollars ("Euro") from this bank for contractual periods of three months to one year for settlement of its payables denominated in USD and Euro. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective loans in USD and Euro plus fixed interest at rates ranging from 2.55% to 2.91% per annum thereon) for the same contractual periods to the same bank as security against the loans in USD and Euro, and (b) entered into forward contracts with such bank to purchase USD and Euro (in amounts equivalent to the loans in USD and Euro plus interests thereon) by RMB and Hong Kong Dollars ("HKD") at predetermined forward rates.

As at 30 June 2012, the fixed deposits denominated in Renminbi ("RMB") of approximately RMB135,767,000 and the loans in USD and Euro of approximately USD13,541,000 and Euro6,189,000, respectively (equivalent to an aggregate amount of approximately RMB134,358,000) are included in pledged bank deposits and bank borrowings, respectively.

As at 30 June 2012, other than the restricted cash of approximately RMB135,767,000, the Group pledged its buildings and prepaid lease payments with the net book values of approximately RMB94,284,000 (31 December 2011: RMB89,087,000) and approximately RMB14,725,000 (31 December 2011: RMB14,886,000), respectively, to the banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 30 June 2012, no assets of the Group were under charge to any financial institutions.

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 proceeds from the issue of the convertible bonds and warrants will be used for general corporate purposes of the Group. Please refer to the announcements of the Company dated 19 June 2011, 25 January 2012 and 14 March 2012 for details.

HUMAN RESOURCES

As at 30 June 2012, the Group had 957 (31 December 2011: 1,169) 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

Due to the change in market environment, the Group temporarily did not have any plan of expansion nor acquisition. No material expansion was made during the Period. In order to maximize benefits of industry consolidation, the Group would continue to evaluate expansion opportunities from decreasing price of production equipment.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group recognised net exchange gains of approximately RMB2.5 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. The management monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code (the "New Code"). The New Code took effect on 1 April 2012.

The Company is committed to maintaining high standards of corporate governance in the interests of the Shareholders. Except for the deviation from code provision A.2.1 of both the Old Code and the New Code as disclosed below, during the period from 1 January 2012 to 31 March 2012, the Company has complied with the Old Code and the New Code for the period from 1 April 2012 to 30 June 2012.

Under provision A.2.1 of both the Old Code and the New Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. John Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

Pursuant to Rule 13.51B (1) of the Listing Rules, the Company would like to inform the Shareholders that on 30 March 2012, Mr. John Zhang ceased to be the chairman of the remuneration committee of the Board and Mr. Leung Ming Shu was appointed as the chairman of the remuneration committee, Mr. Daniel DeWitt Martin was appointed as the additional member of the remuneration committee, Mr. Leung Ming Shu was appointed as the additional member of the nomination committee of the Board, a corporate governance committee was established, the members of which include Mr. John Zhang as the chairman, Mr. Chau Kwok Keung, Mr. Donald Huang and Mr. Leung Ming Shu, and a significant payments committee was established, the members of which include Mr. John Zhang as the chairman, Mr. Chau Kwok Keung and Mr. Donald Hung (please refer to the announcement of the Company dated 14 March 2012 for details). In additional, Mr. Stephen Peel resigned as the non-executive Director of the Company on 24 April 2012.

MODEL CODE

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

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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 Period.

DISCLOSURE OF INTERESTS

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

As at 30 June 2012, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in the Company

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficial owner, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	668,867,550	58.99%
Mr. Chau Kwok Keung[2]	Beneficial owner	7,230,139	0.64%
Mr. Shi Cheng Qi[3]	Beneficial owner	660,000	0.06%
Mr. Kang Sun[4]	Beneficial owner	249,574	0.02%
Mr. Daniel DeWitt Martin[5]	Beneficial owner	199,659	0.02%
Mr. Leung Ming Shu[6]	Beneficial owner	62,787	0.01%

Notes:

(1) Mr. John Zhang legally owns the entire issued share capital of Fonty Holdings Limited, which beneficially owns 646,987,344 Shares. Mr. John Zhang is therefore deemed to be interested in all the Shares held by Fonty Holdings Limited. As a beneficiary of JZ GRAT of 2010, Mr. John Zhang is also deemed to be interested in 5,550,500 Shares owned by J.P. Morgan Trust Company of Delaware as the trustee of JZ GRAT of 2010, an irrevocable grantor retained annuity trust set up by Mr. John Zhang for the benefit of himself and his family members. As the parent of Mr. Alan Zhang, Mr. John Zhang is also deemed to be interested in 11,329,706 Shares in which Mr. Alan Zhang is interested. These 11,329,706 Shares are owned by J.P. Morgan Trust Company of Delaware as the trustee of Zhang Trusts for Descendants, an irrevocable trust set up by Mr. John Zhang for the benefit of his descendants, of which Mr. Alan Zhang is a beneficiary. The 5,000,000 Shares in which Mr. John Zhang is deemed to be interested represent 5,000,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012.

(2) The 6,000,000 Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 6,000,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012.

(3) The 660,000 Shares in which Mr. Shi Cheng Qi is deemed to be interested represent 660,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 24 May 2010 and 28 June 2012.

(4) 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.

(5) 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.

(6) 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 2012, 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 2012, 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, beneficiary of a trust, interest in a controlled corporation, interest of children under 18	668,867,550	58.99%
Fonty Holdings Limited	Beneficial owner	646,987,344	57.06%
Ms. Carrie Wang[2]	Interest of spouse	668,867,550	58.99%
Counterpunch, L.P.[3]	Beneficial owner	168,135,325	14.83%
TPG Asia Advisors V DE, Inc.[3]	Interest in a controlled corporation	168,135,325	14.83%
Coulter James G.[4]	Interest in a controlled corporation	168,135,325	14.83%
Bonderman David[4]	Interest in a controlled corporation	168,135,325	14.83%
Public Mutual Berhad (As Fund Manager For PAGF, PBAEF, PBCAEF, PBCAUEF, PCIF, PCSF, PEF, PFES, PFETIF, PNREF, PRSEC & PSCF)	Investment manager	68,002,000	6.00%

Note:

(1) Mr. John Zhang legally owns the entire issued share capital of Fonty Holdings Limited, which beneficially owns 646,987,344 Shares. Mr. John Zhang is therefore deemed to be interested in all the Shares held by Fonty Holdings Limited. As a beneficiary of JZ GRAT of 2010, Mr. John Zhang is also deemed to be interested in 5,550,500 Shares owned by J.P. Morgan Trust Company of Delaware as the trustee of JZ GRAT of 2010, an irrevocable grantor retained annuity trust set up by Mr. John Zhang for the benefit of himself and his family members. As the parent of Mr. Alan Zhang, Mr. John Zhang is also deemed to be interested in 11,329,706 Shares in which Mr. Alan Zhang is interested. These 11,329,706 Shares are owned by J.P. Morgan Trust Company of Delaware as the trustee of Zhang Trusts for Descendants, an irrevocable trust set up by Mr. John Zhang for the benefit of his descendants, of which Mr. Alan Zhang is a beneficiary. The 5,000,000 Shares in which Mr. John Zhang is deemed to be interested represent 5,000,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012.

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

(3) Counterpunch, L.P. is 100% controlled by TPG Asia Advisors V DE, Inc. Accordingly, TPG Asia Advisors V DE, Inc. is deemed to be interested in all the underlying shares in which Counterpunch, L.P. is interested under the SFO.

(4) TPG Asia Advisors V DE, Inc. is controlled by Coulter James G. as to 50% and by Bonderman David as to 50%. Accordingly, each of Coulter James G. and Bonderman David is deemed to be interested in all the underlying shares in which TPG Asia Advisors V DE, Inc. is interested under the SFO.

Save as disclosed above, as at 30 June 2012, 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 2012 are as follows:

Category of participants	Date of Grant	Exercise price per Share	Balance as at 1 January 2012	Exercised during the Period	Balance as at 30 June 2012
Director					
Kang Sun	3 August 2009	HK$2.51	249,574	—	249,574
Daniel DeWitt Martin	3 August 2009	HK$2.51	199,659	—	199,659
Leung Ming Shu	3 August 2009	HK$2.51	62,787	—	62,787
Total			512,020	—	512,020

Saved as disclosed above, there was no exercise of any Pre-IPO Share Options granted, lapsed or cancelled for the Period.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "**Share Option Scheme**") on 2 October 2009 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

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.

During the Period, 19,940,000 share options (the "**Share Options**") to subscribe for the ordinary Shares each in the share capital of the Company were granted, subject to acceptance of the grantees, under the Share Option Scheme.

Details of the Share Options granted and exercised under the Share Option Scheme as at 30 June 2012 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2012	Share options Granted during the Period	Exercised during the Period	Balance as at 30 June 2012
Director						
Mr. John Zhang	28 June 2012	HK$0.98	—	5,000,000	—	5,000,000
Mr. Chau Kwok Keung	28 June 2012	HK$0.98	—	6,000,000	—	6,000,000
Mr. Shi Cheng Qi	28 June 2012	HK$0.98	—	360,000	—	360,000
Other participants in aggregate	28 June 2012	HK$0.98	—	8,580,000	—	8,580,000
Director						
Mr. Shi Cheng Qi	24 May 2010	HK$1.49	300,000	—	—	300,000
Other participants in aggregate	24 May 2010	HK$1.49	2,090,000	—	—	2,090,000
Total			2,390,000	19,940,000	—	22,330,000

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) Share options granted under the Share Option Scheme on 28 June 2012 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
On or after 28 June 2012	50 % of the total number of options granted
On or after 28 September 2012	12.5 % of the total number of options granted
On or after 28 December 2012	12.5 % of the total number of options granted
On or after 28 March 2013	12.5% of the total number of options granted
On or after 28 June 2013	12.5 % of the total number of options granted

(3) Save as disclosed above, during the Period, no Share Options were exercised or cancelled or lapsed.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 21 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 condensed consolidated financial statements of Comtec Solar Systems Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 58, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2012

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012

	NOTES	Six months ended 30 June 2012 *RMB'000* *(Unaudited)*	2011 *RMB'000* *(Unaudited)*
Revenue		456,242	574,736
Cost of sales		(399,430)	(439,311)
Gross profit		56,812	135,425
Other income	5	38,735	15,508
Other gains and losses	6	(166,022)	14,138
Distribution and selling expenses		(2,016)	(769)
Administrative expenses		(22,575)	(18,771)
Finance costs	7	(23,077)	(7,997)
(Loss) profit before taxation	8	(118,143)	137,534
Taxation	9	(2,988)	(35,910)
(Loss) profit and total comprehensive (expense) income for the period, attributable to the owners of the Company		(121,131)	101,624
		RMB cents	*RMB cent*
(Loss) earnings per share			
— Basic	11	(10.68)	8.96
— Diluted	11	(10.68)	8.95

Condensed Consolidated Statement of Financial Position

at 30 June 2012

	NOTES	30 June 2012 *RMB'000* *(Unaudited)*	31 December 2011 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment	12	821,536	855,626
Prepaid lease payments — non-current		39,716	40,143
Deposits paid for acquisition of property, plant and equipment	12	9,962	5,105
Advance to suppliers	13	380,477	396,425
Deferred tax assets		638	689
Other financial assets	14	26,491	26,491
		1,278,820	1,324,479
Current assets			
Inventories		278,740	217,959
Trade and other receivables	15	264,324	213,987
Bills receivable	15	22,181	36,700
Advance to suppliers	13	71,418	82,249
Prepaid lease payments — current		854	854
Tax recoverable		19,703	15,156
Pledged bank deposits	16	135,767	17,289
Bank balances and cash		244,059	746,100
Derivative financial instruments	19	37	—
		1,037,083	1,330,294
Current liabilities			
Trade and other payables	17	193,201	198,692
Customers' deposits received		211	229
Short-term bank loans	18	410,997	318,230
		604,409	517,151
Net current assets		432,674	813,143
Total assets less current liabilities		1,711,494	2,137,622

Condensed Consolidated Statement of Financial Position

at 30 June 2012

	NOTES	30 June 2012 *RMB'000* *(Unaudited)*	31 December 2011 *RMB'000* *(Audited)*
Capital and reserves			
Share capital	20	999	999
Reserves		1,490,307	1,652,778
Total equity		1,491,306	1,653,777
Non-current liabilities			
Deferred tax liabilities		9,669	9,560
Convertible bonds	19	106,601	402,444
Long-term bank loans	18	20,708	18,134
Provision for onerous contracts	13	39,107	39,107
Warrants	19	29,300	14,600
Other financial liabilities	16	14,803	—
		220,188	483,845
		1,711,494	2,137,622

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note c)	Share options 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 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	—	—	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
At 1 January 2012 (Audited)	999	1,005,201	187,631	1,779	11,012	73,659	373,496	1,653,777
Loss and total comprehensive expense for the period	—	—	—	—	—	—	(121,131)	(121,131)
Recognition of equity-settled share-based payments	—	—	—	3,860	—	—	—	3,860
Redemption of convertible bonds	—	—	(141,629)	—	—	—	96,429	(45,200)
Transfer	—	—	—	—	—	10,924	(10,924)	—
At 30 June 2012 (Unaudited)	999	1,005,201	46,002	5,639	11,012	84,583	337,870	1,491,306

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 arose on the issue of convertible bonds and warrants on 17 June 2011 (the "Issue"). Details of transaction are set out in note 19. The reserve represented the equity component of the convertible bonds outstanding at the end of each reporting period and the proportion of transaction costs incurred in the Issue related to the equity component of the convertible bonds.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
(Loss) profit before taxation	(118,143)	137,534
Adjustments for:		
Interest income	(6,500)	(1,378)
Interest expense	23,077	7,997
Depreciation of property, plant and equipment	37,032	22,842
Loss (gain) on disposal of property, plant and equipment	2,496	(8,370)
Share-based payment expenses	3,860	646
Release of prepaid lease payments	427	294
Loss on fair value changes of derivative financial instruments	2,040	—
Gain on fair value changes of warrants	(24,200)	—
Loss on fair value changes of forward contracts	14,803	—
Loss on redemption of convertible bonds and cancellation of warrants	173,381	—
Operating cash flows before movements in working capital	108,273	159,565
Increase in inventories	(60,781)	(46,926)
Increase in trade and other receivables	(50,337)	(38,261)
Decrease (increase) in bills receivable	14,519	(137,081)
Decrease (increase) in advance to suppliers	26,779	(131,867)
Increase in trade and other payables	39,904	20,061
Decrease in customers' deposits received	(18)	(13,757)
Cash from (used in) operations	78,339	(188,266)
Tax paid	(7,375)	(43,820)
Net cash from (used in) operating activities	70,964	(232,086)
Investing activities		
Interest received	6,500	1,378
Proceeds from disposals of property, plant and equipment	329	27,520
Addition of prepaid lease payments	—	(19,210)
Deposits paid for acquisition of property, plant and equipment	(9,962)	(50,341)
Placement of pledged bank deposits	(135,767)	(97,737)
Withdrawal of pledged bank deposits	17,289	—
Addition of property, plant and equipment	(46,057)	(97,177)
Net cash used in investing activities	(167,668)	(235,567)

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Financing activities		
Proceeds from issuance of convertible bonds and warrants	—	646,932
Bank loans raised	270,997	315,525
Proceeds from issue of new shares	—	380
Payment of transaction costs attributable to issuance of convertible bonds and warrants	—	(1,208)
Interest paid	(9,803)	(6,420)
Repayment of bank loans	(175,656)	(70,000)
Payment for redemption of convertible bonds and cancellation of warrants	(490,875)	—
Net cash (used in) from financing activities	(405,337)	885,209
(Decrease) increase in cash and cash equivalents	(502,041)	417,556
Cash and cash equivalents at beginning of the period	746,100	293,677
Cash and cash equivalents at end of the period, represented by bank balances and cash	244,059	711,233

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2012

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 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 of Hong Kong Limited 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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period. The application of these 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.

4. SEGMENT INFORMATION

The Group is currently operating in 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. The Group's segment (loss) profit is the (loss) profit before taxation of the Group.

5. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grant *(note)*	32,007	14,130
Interest income	6,500	1,378
Others	228	—
	38,735	15,508

Note: The government grant represented the amount received from the local government by an operating subsidiary of the Group to encourage activities carried out by the Group in solar business and high-technology advancement. No specific conditions are attached to the grant.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange gains	2,498	5,768
(Loss) gain on disposal of property, plant and equipment	(2,496)	8,370
Loss on fair value changes of forward contracts *(note 16)*	(14,803)	—
Gain on fair value changes of warrants *(note 19)*	24,200	—
Loss on fair value changes of derivative financial instruments *(note 19)*	(2,040)	—
Loss on redemption of convertible bonds and cancellation of warrants *(note 19)*	(173,381)	—
	(166,022)	14,138

7. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest expense in relation to:		
— bank loans wholly repayable within five years	9,803	5,764
— factorised bills receivable	—	656
Effective interest expense on convertible bonds	13,274	1,577
	23,077	7,997

8. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
(Loss) profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	399,430	439,311
Depreciation of property, plant and equipment	37,032	22,842
Release of prepaid lease payments	427	294
Research and development expenses	4,074	3,943
Operating lease rentals in respect of rented premises	453	566

9. TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PRC Enterprise Income Tax		
— Current period	2,828	35,616
Deferred taxation	160	294
	2,988	35,910

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 2012 (six months ended 30 June 2011: 25%). 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 2012 and 2011.

11. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June 2012 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000 (Unaudited)
(Loss) profit		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	(121,131)	101,624
Number of shares		
Number of ordinary shares in issue (2011: Weighted average number of ordinary shares) for the purpose of basic (loss) earnings per share	1,133,890,000	1,133,751,238
Effect of dilutive potential ordinary shares:		
— Share options	—	1,362,936
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,133,890,000	1,135,114,174

The Company's outstanding convertible bonds did not have dilutive effect to the Company's loss per share during the six months ended 30 June 2012 (six months ended 30 June 2011: earnings per share) because their potential conversion to ordinary shares would decrease the loss per share (six months ended 30 June 2011: increase earnings per share).

The Company's outstanding Existing Warrants (defined in note 19) did not have dilutive effect to the Company's loss per share during the six months ended 30 June 2012 (six months ended 30 June 2011: earnings per share) because the exercise prices of the Existing Warrants were higher than the average market prices of the Company's Shares during the reporting period (six months ended 30 June 2011: the period from the issue of the warrants of the Company, i.e. 17 June 2011, to the end of the reporting period).

The Company's outstanding New Warrants (defined in note 19) did not have dilutive effect to the Company's loss per share for the six months ended 30 June 2012 since their exercise price was higher than the average market prices of the Company's shares during the period from the issue of the New Warrants, i.e. 14 March 2012, to the end of the reporting period.

The Company's outstanding share options did not have dilutive effect to the Company's loss per share during the six months ended 30 June 2012 as their exercise price was higher than the average market prices of the Company's Shares during the period.

12. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB5,767,000 (2011: RMB138,438,000).

13. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS

From time to time, the Group makes advance payments to raw material suppliers prior to delivery of raw materials by these suppliers. Except for purchase agreements with two major suppliers detailed below, the advance payments are for purchases in the next twelve months from the end of each reporting period and are therefore classified as current assets.

In prior years, the Group entered into several purchase agreements with two major suppliers, who are independent parties not 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 2008 to 31 December 2018 (the "Supply Period") 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 2012 and the year ended 31 December 2011. At 30 June 2012 and 31 December 2011, the Group had outstanding aggregate advance payments, net of allowance, of approximately RMB444,374,000 and RMB460,293,000, 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 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 for the six months ended 30 June 2012 and the year ended 31 December 2011.

For the arrangement with one of the major suppliers, if the minimum purchase requirement is not met in a particular year, the advance made to that supplier in relation to the minimum purchase commitment would be forfeited. In addition, pursuant to terms of this purchase agreement, the Group granted to this supplier a continuing security interest in the raw materials supplied by such supplier and the proceeds of sale or insurance of such raw materials with the entire purchase of such raw materials and if applicable, all late payments, interest and expenses necessary to enforce such security interest. The supplier has the right to take all necessary measures to create, perfect, preserve and enforce the security interest. At 30 June 2012 and 31 December 2011, the Group did not have any outstanding trade payable with this supplier.

For the arrangement with the other major supplier, the Group is obliged to purchase at least the minimum amount as set out in the agreement. If the Group fails to accept deliveries for a certain number of times in any calendar year, the Group's payment obligations for the minimum purchase commitment may be accelerated in that particular year and the Group will be liable to pay to the supplier the difference between the actual purchase and the minimum purchase commitment in that year/period.

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

These purchase agreements do not expressly stipulate that the Group will be subject to any other liabilities should the Group fail to meet the minimum purchase commitment. The Group's minimum annual purchase commitment during the remaining Supply Period is as follows:

Year ending 31 December	Amount equivalent to RMB'000
2012	700,454
2013	930,550
2014	1,331,912
2015	1,001,937
2016	697,189
2017	109,510
2018	108,585
	4,880,137

At the end of each reporting period, the directors of the Company estimate the amount of advances that is expected to be settled by the offset of the purchases of the agreed contract quantity in the next twelve months and classify it as current asset at the end of each reporting period. The remaining balance is classified as non-current asset in the condensed consolidated statement of financial position.

Movement in the allowance for advance to suppliers:

	RMB'000
Balance at 1 January 2011	—
Impairment losses recognised in profit or loss	7,149
Balance at 31 December 2011 and 30 June 2012	7,149

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

Movement in the provision for onerous contracts:

	RMB'000
Balance at 1 January 2010	—
Provision recognised in profit or loss	39,107
Balance at 31 December 2011 and 30 June 2012	39,107

During the year ended 31 December 2011, the market conditions for solar industry deteriorated. As a result, the Group performed evaluation on the Group's contracted quantity of raw materials, the Group's planned annualised production capacity, demand of the Group's products, forecasted selling prices of the products in the industry and other market conditions in the Supply Period, the Group recognised impairment losses in respect of advances to the two major suppliers of approximately RMB7,149,000 and made provision of onerous contracts of approximately RMB39,107,000 for the year ended 31 December 2011. The provision of onerous contract and impairment losses recognised represented the estimated losses to be suffered and future payments that the Group was presently obliged to make under the above-mentioned non-cancellable operating contracts, after taking into account revenue expected to be earned and costs to be incurred in production, in certain calendar year(s) in the Supply Period, when is twelve months beyond the end of the reporting period.

During the six months ended 30 June 2012, the Group performed analysis of sufficiency of impairment losses recognised in respect of advance to suppliers and provision for onerous contracts with reference to the Group's budgeted annualized production capacity, recent market demand of the Group's products, updated forecasted selling prices of the products in the industry that reflected current market assessments. No further impairment losses and provisions were considered necessary.

The Group did not make any impairment losses in respect of advance to suppliers and provision of onerous contracts during the six months ended 30 June 2011 as there were no such indicators.

14. OTHER FINANCIAL ASSETS

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Financial assets with fair value through profit or loss ("FVTPL")	**26,491**	26,491

During the year ended 31 December 2011, the Group had a contract of principal-protected unsecured deposit with a bank for a period of five years. The significant terms and conditions relating to the financial assets as FVTPL were as follows:

Notional amount	Start date	Deposit end date	Interest rate	Fair value as at 31 December 2011 and 30 June 2012 *RMB'000*
USD4,000,000	18 July 2011	17 July 2016	variable	26,491

The deposit was a principal-protected deposit guaranteed by the relevant bank. In accordance with the relevant terms of the agreement, the yield rate is 5.00% per annum for the period from 18 July 2011 to 17 July 2012. The yield rate for the remaining four years ending 17 July 2016 will be the higher of 0.65% or a rate subject to the formulae below:

10% per annum * (Index (as defined below) at the end of each contractual period of the agreement — Index at 18 July 2012)/Index at 18 July 2012

Index refers to portfolio of financial instruments, related to forward and spot exchange rates of United States dollars ("USD") and Hong Kong dollars ("HKD") and interest rates, and can be extracted from Bloomberg.

The deposit was denominated in USD.

The deposit at 30 June 2012 and 31 December 2011 was designated at fair value through profit or loss upon initial recognition as the deposits formed part of contracts containing embedded derivatives. It was stated at fair values derived from discounted cash flow analysis based on the terms of the deposits and relevant market inputs, mainly forward and spot exchange rates of USD and HKD and interest rates on 30 June 2012 and 31 December 2011, which was provided by the counterparty financial institution. In the opinion of the directors of the Company, changes in fair value of the above contract did not have material impact on the performance of the Group as at 30 June 2012 and 31 December 2011.

15. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	133,325	71,606
Utility deposits	13,118	4,219
Value-added-tax recoverable	117,086	133,472
Other receivables and prepayments	795	4,690
	264,324	213,987
Bills receivable	22,181	36,700

The Group requested prepayment from customers before delivery of goods and allows a credit period of 7 to 180 days on the 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:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Age		
0 to 30 days	43,995	52,607
31 to 60 days	61,785	10,909
61 to 90 days	27,438	8,090
91 to 180 days	107	—
	133,325	71,606

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

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

	30 June 2012 *RMB'000* *(Unaudited)*	31 December 2011 *RMB'000* *(Audited)*
Age		
0 to 30 days	6,665	29,165
31 to 60 days	3,814	4,585
61 to 90 days	6,602	—
91 to 180 days	4,397	2,950
Over 180 days	703	—
	22,181	36,700

16. PLEDGED BANK DEPOSITS/OTHER FINANCIAL LIABILITIES

Pledged bank deposits of the Group represent deposits placed in banks for the purposes to (1) arrange general banking facilities of the Group, and (2) arrange forward contracts as mentioned below.

For the six months ended 30 June 2012

Short-term contracts

During the six months ended 30 June 2012, the Group entered into several arrangements with one established commercial bank in the PRC pursuant to which the Group borrowed USD and European dollars ("Euro") loans from this bank for contractual periods of three months to one year for settlement of its payables denominated in USD and Euro. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective USD and Euro loans plus fixed interest at rates ranging from 2.55% to 2.91% per annum thereon) for the same contractual periods to the same bank as security against the USD and Euro loans, and (b) entered into forward contracts with the bank to purchase USD and Euro (in amounts equivalent to the USD and Euro loan plus interests thereon) by RMB and Hong Kong Dollars ("HKD") at predetermined forward rates.

As at 30 June 2012, fixed deposits denominated in Renminbi ("RMB") of approximately RMB135,767,000 and the USD and Euro loan of approximately USD13,541,000 and Euro6,189,000, respectively, (equivalent to an aggregate amount of approximately RMB134,358,000) are included in pledged bank deposits and bank borrowings, respectively.

16. PLEDGED BANK DEPOSITS/OTHER FINANCIAL LIABILITIES *(continued)*

For the six months ended 30 June 2012 (continued)

Short-term contracts *(continued)*

The related interest income on the fixed deposits of approximately RMB1,057,000 and unrealised exchange gain on USD and Euro loans of approximately RMB2,416,000 are included in the other income and other gains and losses, respectively, while the interest expenses on USD and Euro loans of approximately RMB556,000 are included in finance cost.

Major terms of the foreign currency forward contracts as at 30 June 2012 are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
Euro2,056,680	In March 2013	Buy Euro/Sell HKD at 10.3867
USD3,384,000	In March 2013	Buy USD/Sell HKD at 7.7604
Euro2,065,902	In April 2013	Buy Euro/Sell HKD at 10.4130
USD2,979,900	In April 2013	Buy USD/Sell HKD at 7.8970
Euro2,065,920	In May 2013	Buy Euro/Sell HKD at 9.9476
USD7,177,480	In May 2013	Buy USD/Sell HKD at 7.9128

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.

Long-term contract

In addition, during the six months ended 30 June 2012, the Group entered into an arrangement with an established commercial bank in Hong Kong pursuant to which the Group would buy USD with RMB at exchange rate of 6.3205 from this bank for a contractual period of three years at principal amount of approximately USD63,444,000 (equivalent to approximately RMB401,000,000).

The contract will be settled in net upon maturity date on 16 March 2015. As at 30 June 2012, loss on fair value changes of this forward contract was estimated to be approximately RMB14,803,000. It was recognised in other gains and losses in the condensed consolidated statement of comprehensive income and other financial liabilities in the condensed statement of financial position.

16. PLEDGED BANK DEPOSITS/OTHER FINANCIAL LIABILITIES *(continued)*

For the year ended 31 December 2011

During the year ended 31 December 2011, the Group entered into an arrangement with a commercial bank in the PRC pursuant to which the Group borrowed USD loans from this bank for contractual period of 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 3.25% per annum thereon) for the same contractual period to the same bank as security against the USD loans, and (b) entered into a forward contract with the bank to purchase USD (in amounts equivalent to the USD loan plus interests thereon) by RMB at predetermined forward rate.

As at 31 December 2011, fixed deposits denominated in RMB of approximately RMB16,235,000 and the USD loan of approximately RMB16,285,000 are included in pledged bank deposits and bank loans, respectively.

The related interest income on the fixed deposits of approximately RMB352,000 and unrealised exchange loss on USD loans of approximately RMB512,000 are included in the other income and other gains and losses, respectively, while the interest expenses on USD loans of approximately RMB191,000 are included in finance costs.

Major terms of the foreign currency forward contract, that will be settled in gross principal amount at maturity, as at 31 December 2011 are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
USD2,585,000	In May 2012	Buy USD/Sell RMB at 6.3750

In the opinion of the directors of the Company, the fair values of the Group's foreign currency forward contract did not have material impacts on the results and financial position of the Group. The forward contract was matured during the six months ended 30 June 2012.

17. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade payables	142,600	100,679
Payables for acquisition of property, plant and equipment	36,362	81,757
Other payables and accrued charges	14,239	16,256
	193,201	198,692

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Age		
0 to 30 days	43,149	28,248
31 to 60 days	64,208	21,930
61 to 90 days	10,655	30,651
91 to 180 days	19,586	17,768
Over 180 days	5,002	2,082
	142,600	100,679

18. BANK LOANS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Secured	264,358	146,285
Unsecured	167,347	190,079
	431,705	336,364
Carrying amounts repayable:		
Within one year	410,997	318,230
One to two years	10,019	4,990
More than two years, but not exceeding five years	10,689	13,144
	431,705	336,364
Less: Amounts due within one year shown under current liabilities	(410,997)	(318,230)
Amounts shown under non-current liabilities	20,708	18,134

During the current period, the Group obtained new bank loans amounting to approximately RMB270,997,000 (six months ended 30 June 2011: RMB315,525,000). The loans carry interest at variable market rates ranging from 2.28% to 6.56% (six months ended 30 June 2011: 1.26% to 8.35%) per annum. The proceeds were used to finance the acquisition of property, plant and equipment, to fund working capital for operation and arrange forward contracts to settle foreign currency-denominated payables.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

The Company issued RMB-denominated convertible bonds at a par value of RMB100,000 each with an aggregate principal amount of approximately RMB650 million on 17 June 2011 to an independent third party who is neither connected nor related to the Group (the "Bondholder"). The convertible bonds will be matured in five years since issuance. The conversion price is fixed at HK$3.90 (at the fixed exchange rate of HK$1.1917494 = RMB1 as pre-determined).

Concurrent with the issuance of the bonds, 95,121,951 fully detachable and transferrable warrants ("Existing Warrants") each to purchase one ordinary share of the Company were issued. The exercise price of the Existing Warrants is HK$4.10 and the Existing Warrants will be expired in five years since issuance.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

Details of the issue of the convertible bonds and Existing Warrants are set out in the annual report of the Company for the year ended 31 December 2011 and announcements dated 19 April 2011 and 19 June 2011.

On 20 January 2012, the Company and the Bondholder entered into an agreement ("Repurchase Deed"), pursuant to which the Company agreed to repurchase, and the Bondholder (which also held the outstanding warrants of the Company) agreed to sell, 75% of the convertible bonds and Existing Warrants issued by the Company in consideration for a cash payment of approximately RMB491 million in aggregate (equal to the aggregate principal amount of the bonds and Existing Warrants) ("Repurchase Transaction").

Under the Repurchase Deed, the Bondholder grants to the Company an option ("Call Option") to require the Company to (i) agree to the cancellation of all remaining Existing Warrants outstanding at no cost; and (ii) sell all (but not some only) of the outstanding original bonds to the Company for an amount in cash equal to the aggregate principal amount of all such outstanding original bonds, at any time from the date of the Repurchase Deed to 31 January 2013. The Repurchase Transaction was completed on 14 March 2012.

The fair values of the Call Option on 14 March 2012 and 30 June 2012 were approximately RMB2,077,000 and RMB37,000, respectively. The Call Option was measured at fair value with changes in fair value recognised in profit or loss. The fair value of the Call Option of the Company on 14 March 2012 and 30 June 2012 were calculated using the Binomial pricing model. The inputs into the model were as follows:

	14 March 2012	30 June 2012
Expected volatility	62.73%	**61.82%**
Expected life	4.3 years	**4.0 years**
Risk-free interest rate	0.511%	**0.235%**
Expected dividend yield	1.00%	**1.00%**

The risk-free interest rates were based on yield of Hong Kong government bonds at the dates of valuation. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the Call Option.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

The movement of the fair value of the Call Option for the six months ended 30 June 2012 is set out below:

	RMB'000
Carrying amount on 14 March 2012	2,077
Loss on fair value change recognised in profit or loss	(2,040)
Carrying amount on 30 June 2012	37

The fair values of the entire Existing Warrants on 14 March 2012 and remaining 25% Existing Warrants on 30 June 2012 were approximately RMB27,200,000 and RMB2,300,000, respectively. The Existing Warrants are measured at fair value with changes in fair value recognised in profit or loss. The fair values of the entire Existing Warrants of the Company on 14 March 2012 and remaining 25% Existing Warrants on 30 June 2012 were calculated using the Binomial pricing model. The inputs into the model were as follows:

	14 March 2012	30 June 2012
Share price	HK$1.53	HK$0.96
Exercise price	HK$4.1	HK$4.1
Expected volatility	62.73%	61.82%
Expected life	4.3 years	4.0 years
Risk-free interest rate	0.511%	0.235%
Expected dividend yield	1.00%	1.00%

The risk-free interest rates were based on yield of Hong Kong government bonds at the date of valuation. Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioural considerations. Changes in variables and assumptions may result in changes in the fair values of the Existing Warrants.

On 20 January 2012, the Company and the Bondholder also entered into a warrant subscription agreement, pursuant to which the Company agreed to issue new warrants to the Bondholder, in consideration for (i) repurchase by the Company of the bonds at par value and (ii) significant value-added services provided by the Bondholder to the Company in respect of new customers, production yields, financial planning and business development ("Warrants Issue Transaction"). The Company agreed to issue detachable and transferrable warrants ("New Warrants"), exercisable for a period of four years from the date of issue, to the Bondholder who is entitled to subscribe for up to 94,354,839 shares at a price of HK$1.24 per share. The Warrants Issue Transaction were completed on 14 March 2012.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

The principal terms of the warrants are as follows:

(A) Exercise price — Each warrant carries the right to subscribe for one share. The exercise price at which a share will be issued upon exercise of a warrant, as adjusted from time to time, will initially be RMB1.00874 per share (translated at the fixed exchange rate of HK$1.22926 = RMB1 as pre-determined and the exercise price will be settled in HKD) but will be subject to anti-dilutive 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 forth anniversary of the date of issue of such warrant, that is 16 June 2016 (the "Expiration Date"), (but in no event thereafter). 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) Transferability — 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.

(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.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

The fair values of the New Warrants on 14 March 2012 and 30 June 2012 were approximately RMB59,300,000 and RMB27,000,000, respectively. The New Warrants are measured at fair value with changes in fair value recognised in profit or loss. The fair values of the New Warrants of the Company at 14 March 2012 and 30 June 2012 were calculated using the Binomial pricing model. The inputs into the model were as follows:

	14 March 2012	30 June 2012
Share price	HK$1.53	HK$0.96
Exercise price	HK$1.24	HK$1.24
Expected volatility	62.73%	61.82%
Expected life	4.3 years	3.7 years
Risk-free interest rate	0.485%	0.261%
Expected dividend yield	1.00%	1.00%

The risk-free interest rates were based on yield of Hong Kong government bonds at the date of valuation. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the New Warrants.

The movement of the fair value of the New Warrants for the six months ended 30 June 2012 is set out below:

	RMB'000
Carrying amount on 14 March 2012	59,300
Gain on fair value change recognised in profit or loss	(32,300)
Carrying amount on 30 June 2012	27,000

The directors of the Company considered that the Repurchase Transaction and Warrants Issue Transaction are part of the same arrangement and Repurchase Transaction would not have occurred without Warrants Issue Transaction and vice versa, and therefore should be considered as linked transactions. The consideration of the Repurchase Transaction and Warrants Issue Transaction was in aggregate of the below:

	RMB'000
Cash	490,875
Fair values of New Warrants	59,300
Fair values of Call Option	(2,077)
	548,098

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

The movements of the liability component and equity component of the convertible bonds and Existing Warrants during the six months ended 30 June 2012 are set out below:

	Debt	Equity	Existing Warrants	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	402,444	188,839	14,600	605,883
Interest charged	9,712	—	—	9,712
Change in fair values	—	—	12,600	12,600
At 14 March 2012	412,156	188,839	27,200	628,195
Redemption and cancellation *(note)*	(309,117)	(141,629)	(20,400)	(471,146)
Interest charged	3,562	—	—	3,562
Change in fair values	—	—	(4,500)	(4,500)
At 30 June 2012	106,601	47,210	2,300	156,111

Note: Included in the equity component of the convertible bonds was approximately RMB96,429,000 transferred to retained profits upon the Repurchase Transaction.

Consideration to repurchase the liability component and equity component of the outstanding convertible bonds and Existing Warrants at 14 March 2012 were approximately RMB482,498,000, RMB45,200,000 and RMB20,400,000, respectively.

Loss on redemption, loss on fair value changes of Existing Warrants for the period from 1 January 2012 to 14 March 2012, gain on fair value changes of Existing Warrants from 14 March 2012 to 30 June 2012, gain on fair value changes of New Warrants from 14 March 2012 to 30 June 2012 and loss on fair value changes derivative financial instruments of approximately RMB173,381,000, RMB12,600,000, RMB4,500,000, RMB32,300,000 and RMB2,040,000, respectively, were recognized in other gains and losses in the condensed consolidated statement of comprehensive income.

20. SHARE CAPITAL

The share capital of the Group 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 2011, 30 June 2011, 31 December 2011 and 30 June 2012	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 31 December 2011 and 30 June 2012	1,133,890,000	1,136
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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Presented as RMB:		
Ordinary shares	999	999

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.

21. 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 each of the six months ended 30 June 2012 and 30 June 2011:

	Number of options				
	Outstanding as at 1 January 2012	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2012
Directors:					
Mr. Leung Ming Shu	63,000	—	—	—	63,000
Mr. Daniel Dewitt Martin	200,000	—	—	—	200,000
Mr. Kang Sun	249,000	—	—	—	249,020
	512,020	—	—	—	512,020
Exercisable at the end of the period	341,347				476,585

	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

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.

At 30 June 2012, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (31 December 2011: 512,020), representing 0.05% (31 December 2011: 0.05%) of the shares of the Company in issue at that date.

The Group recognised the expense of approximately RMB71,000 for the six months ended 30 June 2012 (2011: RMB76,000) in relation to share options granted by the Company on 3 August 2009.

21. 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 each of the six months ended 30 June 2012 and 30 June 2011:

Granted on 24 May 2010

For the six months ended 30 June 2012:

	Number of options				
	Outstanding as at 1 January 2012	Issue during the period	Exercised during the period	Forfeited in the period	Outstanding as at 30 June 2012
Director:					
Mr. Shi	300,000	—	—	—	300,000
Employees	2,090,000	—	—	—	2,090,000
	2,390,000	—	—	—	2,390,000
Exercisable at the end of the period	2,390,000				2,390,000

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

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.

21. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme (continued)

Granted on 24 May 2010 *(continued)*

At 30 June 2012, 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 2011: 0.21%) of the shares of the Company in issue at that date.

The Group recognised the expense of approximately RMB22,000 (2011: RMB570,000) for the six months ended 30 June 2012 in relation to share options granted by the Company on 24 May 2011.

Granted on 28 June 2012

Pursuant to a board resolution dated 28 June 2012, the Company granted 19,940,000, representing 1.76% of the shares of the Company in issue at that date, share options to certain directors and employees of the Company under the Share Option Scheme. Set out below are details of the outstanding options granted under the Share Option Scheme on 28 June 2012:

(1) All options granted on 28 June 2012 were at an exercise price of HK$0.98 per share.

(2) All holders of options granted on 28 June 2012 might only exercise their options in the following manner:

(i) half of the share options vested and exercisable on 28 June 2012 and

(ii) the remaining 50% will be vested in 4 tranches, i.e. the first 12.5% from 28 September 2012, the second 12.5% from 28 December 2012, the third 12.5% from 28 March 2013 and the balance 12.5% from 28 June 2013.

(3) The options will be lapsed or forfeited automatically and not be exercisable (to the extent not already exercised) to the earlier of the end of their exercisable periods or when the grantees ceased to be employees of the Group.

The estimated fair values of share options granted on 28 June 2012 was RMB7,685,000. These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Share price on grant date	HK$0.98
Exercise price	HK$0.98
Expected volatility	62.0%
Suboptimal exercise multiple	2.4
Risk-free rate	0.966%
Expected dividend yield	1%

21. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme (continued)

Granted on 28 June 2012 *(continued)*

The risk-free rate was based on market yield rate of Hong Kong Government Bond with maturity on 20 June 2022 as of the date of valuation on 28 June 2012. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the six months ended 30 June 2012:

	Number of options				
	Outstanding as at 1 January 2012	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2012
Director:					
Mr. Zhang	—	5,000,000	—	—	5,000,000
Mr. Chau Kwok Keung	—	6,000,000	—	—	6,000,000
Mr. Shi Chen Qi	—	360,000	—	—	360,000
Employees	—	8,580,000	—	—	8,580,000
	—	19,940,000	—	—	19,940,000
Exercisable at the end of the year	—				9,970,000

The Group recognised the total expense of approximately RMB3,767,000 for the six months ended 30 June 2012 in relation to share options granted by the Company on 28 June 2012 under the Share Option Scheme.

22. CAPITAL COMMITMENTS

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	3,404	4,724

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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Basic salaries and allowances	2,175	2,314
Retirement benefits scheme contributions	64	58
Share-based payments	2,488	365
	4,727	2,737

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.

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
"Directors(s)"	the director(s) of the Company
"Global Offering"	the global offering 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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	the date on which dealing in the Shares first commences on the main board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	Model code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals 10^6 Watt
"Period"	the six months ended 30 June 2012
"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

"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