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 2013

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Donald Huang

Independent non-executive Directors

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. John 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

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Financial Summary

RESULTS

	Six months ended 30 June				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Audited)*	*(Audited)*
Turnover	471,000	456,242	574,736	429,062	184,253
(Loss) Profit before interest expense and taxation	(2,621)	(95,066)	145,531	84,577	10,612
Interest expense	(9,476)	(23,077)	(7,997)	(3,799)	(4,232)
(Loss) Profit before taxation	(12,097)	(118,143)	137,534	80,778	6,380
Taxation	(25)	(2,988)	(35,910)	(12,219)	(1,950)
(Loss) Profit and total comprehensive income for the period, attributable to the owners of the Company	(12,122)	(121,131)	101,624	68,559	4,430

ASSETS AND LIABILITIES

	As at 30 June 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*
Total assets	2,438,739	2,440,099	2,654,773	1,912,392	1,410,675
Total liabilities	(812,461)	(975,413)	(1,000,996)	(401,049)	(349,050)
Net assets	1,626,278	1,464,686	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 2013. During the Period, the industry continued to experience pressures from supply-demand imbalance. Average selling prices continued to decline but the rate of decline has slowed. Operating environment remained challenging. Despite the challenges facing the industry, we still achieved year-on-year growth in shipments, maintained reasonable profit margin and further strengthened the financial conditions as a result of solid executions of our business strategies.

Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB471.0 million (corresponding period in 2012: RMB456.2 million);

- Gross profit for the Period was approximately RMB40.5 million (corresponding period in 2012: RMB56.8 million);

- Gross profit margin for the Period was approximately 8.6% (corresponding period in 2012: 12.5%);

- Net loss for the Period was approximately RMB12.1 million which was mainly due to the non-cash accounting losses on fair value changes of the new warrants issued on 14 March 2012 of approximately RMB24.8 million and exchange losses of approximately RMB3.5 million (corresponding period in 2012: net loss of RMB121.1 million which was mainly driven by loss on redemption of original outstanding convertible bonds and cancellation of original outstanding warrants on 14 March 2012);

- Loss per Share for the Period was approximately RMB1.0 cent which was mainly due to the non-cash accounting losses on fair value changes of the new warrants issued on 14 March 2012 of approximately RMB24.8 million and exchange losses of approximately RMB3.5 million (corresponding period in 2012: loss per Share of RMB10.7 cents which was mainly driven by loss on redemption of original outstanding convertible bonds and cancellation of original outstanding warrants on 14 March 2012);

- Overall shipment for the Period was approximately 443.3 MW (including 179.6 MW of wafers and 263.7 MW of polysilicons and ingots), increased substantially by 102.8% from approximately 218.6 MW for the corresponding period in 2012; and

- The Group was in a net cash position of approximately RMB107.1 million and maintained cash and restricted cash balances of approximately RMB371.1 million as at 30 June 2013.

Chairman Statement

Our unwavering commitments to providing 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 102.8% over the corresponding period in 2012 to 443.3 MW for the Period (including approximately 179.6 MW of wafers and approximately 263.7 MW of polysilicons and ingots). We continued to shift our focus to "Super Mono Wafers" which only have limited suppliers qualified by the major international customers in the market. Based on the feedback from our major customer, the high efficient solar cell with our "Super Mono Wafers" can achieve an average conversion efficiency over 23%. The thickness of such wafers is now reduced to approximately 150 micron. We expect the specifications of "Super Mono Wafers" would further improve in the coming few years. 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 continued to diversify our customer base of "Super Mono Wafers". During the Period, we completed the diamond wire wafer qualification procedures with a reputable Japan-based customer. We expect the shipment to this Japan-based customer would keep increasing in 2013 and 2014. 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. We expect the thickness of "Super Mono Wafers" would be reduced to approximately 145 micron by the end of 2013. Our target is to reduce the thickness of "Super Mono Wafers" to below 120 micron in the coming few years. 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. This strategy enabled us to achieve reasonable profit margin during the current volatile market environment and would ensure our long-term sustainability.

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. On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK$1.74 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK$1.74 per Share. The subscription price for the subscription represented a discount of 7.45% to the closing price of HK$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2013. The net placing price, after deduction of placing commission and all other fees and expenses, was HK$1.70 per Share. Approximately HK$203.8 million was raised from the subscription to fund the Group's capital expenditure and general working capital. Further details of these transactions are set out in the Company's announcement dated 22 January 2013. We believe this support from respected institutional investors is a clear vote of confidence in our long term growth potential.

Coupled with our disciplined financial and operational initiatives, we maintained a solid financial position during the Period. We achieved net cash position of approximately RMB107.1 million and maintained cash and restricted cash balances of approximately RMB371.1 million as at 30 June 2013. Our solid financial positions enable us to mitigate the risks arising from the volatile industry environment and also allow us to pursue growth opportunities. We believe we are well positioned to maximize our benefits from the industry consolidation process.

Due to the increasing demand on high efficient solar products, the Group is planning to expand production capacity in Malaysia which would enable us to lower the production costs and to increase the scale of operation. Construction of Malaysia facility is on schedule and we target to complete it by the end of 2013. Once completed, it is expected to accommodate around 300 MW production capacity. We are still in the process of evaluating various opportunities for purchasing low-cost equipments for our expansion in Malaysia. Due to the rapid changing market environment, the Group may adjust the expansion plan according to the market environment. It would enable us to maintain flexibilities throughout the expansion process and to maximize our advantages from the industry consolidation process.

Chairman Statement

While we expect to see the challenging industry environment to continue 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 last few years, the cost of generating power of solar energy per Watt had reduced substantially due to the decrease in polysilicon prices, continuous upgrading of production techniques and enhancement of operational efficiencies in the industry. It has accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. While China, Japan and the United States represent the strongest expanding end markets for solar energy, we believe that Australia, Africa, the Middle East and the Southeast Asia would be promising emerging 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.

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 the 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, 26 August 2013

Business Review

Persistent supply-demand imbalance, coupled with competitive pricing, continues to impact our business and the overall industry. This pressure was exacerbated by the uncertainties on international trade conflicts. Despite these short term challenges, we see further signs of industry consolidation. A large number of solar companies have shut down operations or become financially insolvent which reduced industry over-capacity. The credit environment, particularly in China, has become more disciplined leading to heavily debt-leveraged companies getting more difficult to survive. Only cost-saving leaders can remain operationally profitable and maintain solid financial positions to mitigate the risks during industry consolidation process.

Our unwavering commitments to providing 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 102.8% over the corresponding period in 2012 to 443.3 MW for the Period (including approximately 179.6 MW of wafers and approximately 263.7 MW of polysilicons and ingots). We continued to shift our focus to “Super Mono Wafers” which only have limited suppliers qualified by the major international customers in the market. Based on the feedback from our major customer, the high efficient solar cell with our “Super Mono Wafers” can achieve an average conversion efficiency over 23%. The thickness of such wafers is now reduced to approximately 150 micron. We expect the specifications of “Super Mono Wafers” would further improve in the coming few years. With the continuous decreases 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”. During the Period, we completed the diamond wire wafer qualification procedures with a reputable Japan-based customer. We expect the shipment to this Japan-based customer would keep increasing in 2013 and 2014. 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 approximately 76.4% of our total revenues, compared to approximately 87.8% in the corresponding period last year. The sales to the largest customer in Philippines with the high quality “Super Mono Wafers” accounted for approximately 61.1% of our total revenues in the Period, as compared to approximately 74.4% in the corresponding period in 2012. During the industry consolidation process, we mainly focus on the 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. We expect the thickness of “Super Mono Wafers” would be reduced to approximately 145 micron by the end of 2013. Our target is to reduce the thickness of “Super Mono Wafers” to below 120 micron in the coming few years. 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. This strategy enabled us to achieve reasonable profit margin during the current volatile market environment and would ensure our long-term sustainability.

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. On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK$1.74 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK$1.74 per Share. The subscription price for the subscription represented a discount of 7.45% to the closing price of HK$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2013. The net placing price, after deduction of placing commission and all other fees and expenses, was HK$1.70 per Share. Approximately HK$203.8 million was raised from the subscription to fund the Group's capital expenditure and general working capital. Further details of these transactions are set out in the Company's announcement dated 22 January 2013. We believe this support from respected institutional investors is a clear vote of confidence in our long term growth potential.

Coupled with our disciplined financial and operational initiatives, we maintained a solid financial position during the Period. We achieved net cash position of approximately RMB107.1 million and maintained cash and restricted cash balances of approximately RMB371.1 million as at 30 June 2013. Our solid financial positions enable us to mitigate the risks arising from the volatile industry environment and also allow us to pursue growth opportunities. We believe we are well positioned to maximize our benefits from the industry consolidation process.

Due to the increasing demand on high efficient solar products, the Group is planning to expand production capacity in Malaysia which would enable us to lower the production costs and to increase the scale of operation. Construction of Malaysia facility is on schedule and we target to complete it by the end of 2013. Once completed, it is expected to accommodate around 300 MW production capacity. We are still in the process of evaluating various opportunities for purchasing low-cost equipments for our expansion in Malaysia. Due to the rapid changing market environment, the Group may adjust the expansion plan according to the market environment. It would enable us to maintain flexibilities throughout the expansion process and to maximize our advantages from the industry consolidation process.

Business Review

While we expect to see the challenging industry environment to continue 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 last few years, the cost of generating power of solar energy per Watt had reduced substantially due to the decrease in polysilicon prices, continuous upgrading of production techniques and enhancement of operational efficiencies in the industry. It has accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. While China, Japan and the United States represent the strongest expanding end markets for solar energy, we believe that Australia, Africa, the Middle East and the Southeast Asia would be promising emerging 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.

We are confident that the Group's advanced technological capability, high-quality product offerings and strong financial position 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 increased by RMB14.8 million, or 3.2%, from RMB456.2 million for the corresponding period in 2012 to RMB471.0 million for the Period, primarily as a result of the growth in our sales volume, but partially offset by decreasing in average selling price. Due to the increase in customer demand for our high quality monocrystalline solar products, our shipment volume increased by 102.8% from 218.6 MW for the corresponding period in 2012 to 443.3 MW for the Period (including 179.6 MW of wafers and 263.7 MW of polysilicons and ingots).

Sales of 125 mm by 125 mm monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB63.9 million, or 18.8%, from RMB340.4 million for the corresponding period in 2012 to RMB276.5 million for the Period, primarily due to the decrease of average selling price which, however, was partially offset by the increase in our sales volume by 24.5% from 114.5 MW for the corresponding period in 2012 to 142.5 MW for the Period.

Processing services of 125 mm by 125 mm monocrystalline solar wafers

Revenue from processing fees on 125 mm by 125 mm monocrystalline solar wafers was RMB20.7 million and there was no such revenue in the corresponding period in 2012. The shipment volume related to the processing services was approximately 34.2 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 RMB33.8 million, or 86.4%, from RMB39.1 million for the corresponding period in 2012 to RMB5.3 million for the Period, primarily as a result of a decrease of sales volume by 85.5% from 20.0 MW for the corresponding period in 2012 to 2.9 MW for the Period due to our change of focus to “Super Mono Wafers”.

Others

Other revenue was mainly generated from sales of polysilicon and ingots which increased by RMB91.8 million or 119.7%, from RMB76.7 million for the corresponding period in 2012 to RMB168.5 million for the Period. The sale volume was increased by 213.6% from 84.1 MW for the corresponding period in 2012 to 263.7 MW for the Period.

Revenue by geographical market

In relation to the geographical analysis of our revenue, approximately 61.1% of total revenue for the Period was generated from our sales to Philippines (2012: 74.4%). The remaining portion was mainly generated from our sales to PRC-based and Japan-based customers.

COST OF SALES

Cost of sales increased by RMB31.1 million, or 7.8%, from RMB399.4 million for the corresponding period in 2012 to RMB430.5 million for the Period, primarily as a result of the increase in shipment volumes which was partially offset by the decrease in the average prices of polysilicon by 25.1% during the Period to RMB139.0 per kg from RMB185.7 per kg for the corresponding period in 2012 as well as the improvement in production efficiency.

Financial Review

GROSS PROFIT

Gross profit decreased by RMB16.3 million, or 28.7%, from RMB56.8 million for the corresponding period in 2012 to RMB40.5 million for the Period, primarily due to the aforementioned factors.

OTHER INCOME

Other income decreased by RMB35.7 million, or 92.2%, from RMB38.7 million for the corresponding period in 2012 to RMB3.0 million for the Period, which was primarily related to the government subsidies income of RMB32.0 million received in the corresponding period in 2012.

OTHER GAINS AND LOSSES

Other losses were approximately RMB19.2 million during the Period. It was mainly related to the losses from fair value changes on the new warrants issued on 14 March 2012. Other losses decreased by RMB146.8 million, or 88.4% from approximately RMB166.0 million for the corresponding period in 2012, which was primarily due to the non-cash and one-time accounting losses of RMB173.4 million incurred from the repurchase of original outstanding convertible bonds and the cancellation of original outstanding warrants in the corresponding period on 14 March 2012.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by RMB2.7 million, or 135.0%, from RMB2.0 million for the corresponding period in 2012 to RMB4.7 million during the Period, primarily due to the increase in export sales during the Period.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses decreased by RMB0.4 million, or 1.8%, from RMB22.6 million for the corresponding period in 2012 to RMB22.2 million for the Period. Due to the effective controls on operating expenses, the Group successfully reduced the administrative and general expenses even though the shipment volume increased materially during the Period.

INTEREST EXPENSES

Interest expenses decreased by RMB13.6 million from RMB23.1 million for the corresponding period in 2012 to RMB9.5 million for the Period, primarily due to the decrease in effective interest expenses charged on the original outstanding convertible bonds which have been repurchased in the corresponding period in 2012.

LOSS BEFORE TAXATION

Loss before taxation was approximately RMB12.1 million for the Period, decreasing from the loss before taxation of RMB118.1 million for the corresponding period in 2012, due to the aforementioned factors.

Financial Review

TAXATION

Taxation decreased from RMB3.0 million for the corresponding period in 2012 to RMB0.03 million for the Period. The decrease was mainly due to the decrease in our profit before taxation from the operating entities in China.

LOSS FOR THE PERIOD

The Group recorded a loss of RMB12.1 million during the Period, decreasing from the loss of RMB121.1 million for the corresponding period in 2012, due to the aforementioned factors. Net loss margin of 2.6% for the Period decreased from the net loss margin of 26.5% for the corresponding period in 2012.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2012: nil).

INVENTORY TURNOVER DAYS

There was an increase in inventory balance of 31.6% from RMB295.9 million as at 31 December 2012 to RMB389.5 million as at 30 June 2013, which was mainly due to the increase in inventory of polysilicons to mitigate potential impacts from anti-dumping disputes between China and overseas governments, the increase in our work-in-progress in order to support the increase in our shipment volume and our substantial increase in overseas sales which would require longer transportation lead time and higher inventory level to ensure reliable delivery performance. The inventory turnover days as at 30 June 2013 totaled 164 days (31 December 2012: 115 days).

TRADE RECEIVABLE TURNOVER DAYS

The trade receivable turnover days as at 30 June 2013 totaled 66 days (31 December 2012: 58 days). For the Period, the Group has shifted the focus to "Super Mono Wafers" which were mainly sold to overseas customers. The credit period to overseas customers is approximately 60 days. The Group normally grants a credit period of 30 to 90 days to other customers. The average receivable turnover days were approximately 66 days which was within the credit periods of the Group grants to its customers.

TRADE PAYABLE TURNOVER DAYS

The trade payable turnover days as at 30 June 2013 totaled 102 days (31 December 2012: 97 days). The increase in turnover days was mainly due to the challenging market environment in the Period and the continuous supports from suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from share placing. As at 30 June 2013, the Group's current ratio (current assets divided by current liabilities) was 1.9 (31 December 2012: 1.4) and it was in a net cash position of approximately RMB107.1 million (31 December 2012: net debt of approximately RMB12.7 million). The Group's financial position remained healthy during the Period. As at 30 June 2013, the Group was in a net cash position of RMB107.1 million (31 December 2012: net debt of approximately RMB12.7 million) which included cash and cash equivalent, note receivables endorsed by banks, bonds, other financial assets and pledged bank deposits of RMB532.5 million (31 December 2012: RMB570.5 million), short-term bank loans of RMB405.9 million (31 December 2012: RMB470.1 million) and outstanding principal payments to repurchase of convertible bonds of RMB9.1 million (31 December 2012: RMB100.0 million) and long-term bank loans of RMB10.4 million (31 December 2012: RMB13.1 million).

On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK$1.74 per Share, and Fonty conditionally agreed to subscribed, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK$1.74 per Share. The subscription price for the subscription represented a discount of 7.45% to the closing price of HK$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2013. The net placing price, after deduction of placing commission and all other fees and expenses, was HK$1.70 per Share. Approximately HK$203.8 million was raised from the subscription to fund the Group's capital expenditure and general working capital. Further details of these transactions are set out in the Company's announcement dated 22 January 2013.

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

CAPITAL COMMITMENTS

As at 30 June 2013, the Group had capital commitments of approximately RMB130.3 million (31 December 2012: RMB98.7 million). The increase is mainly due to the proposed expansion plan of the Group in Malaysia.

CONTINGENT LIABILITIES

As at 30 June 2013, there was no material contingent liability (31 December 2012: Nil).

RELATED PARTY TRANSACTIONS

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

CHARGES ON GROUP ASSETS

During the Period, the Group entered into several arrangements with an established commercial bank in the PRC pursuant to which the Group borrowed USD and Euro loans from this bank for contractual periods of three months to one year (31 December 2012: 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% (31 December 2012: 2.16% 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 HKD at predetermined forward rates.

As at 30 June 2013, fixed deposits denominated in RMB of approximately RMB37.1 million (31 December 2012: RMB172.9 million) and the USD and Euro loan of approximately USD3.5 million and Euro2.1 million, respectively (equivalent to an aggregate amount of approximately RMB38.2 million) (31 December 2012: USD17.0 million and Euro8.3 million (equivalent to an aggregate amount of approximately RMB175.7 million)) are included in pledged bank deposits and bank borrowings, respectively.

As at 30 June 2013, other than the restricted cash of approximately RMB37.1 million, the Group also pledged its buildings and prepaid lease payments with the net book values of approximately RMB90.2 million (31 December 2012: RMB92.7 million) and approximately RMB14.4 million (31 December 2012: RMB14.6 million), respectively, to the banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 30 June 2013, no assets of the Group were under charge to any financial institutions.

ACQUISITION OF SUBSIDIARY

No subsidiary of the Company was acquired during the Period.

DISPOSAL OF SUBSIDIARY

No subsidiary of the Company was disposed during the Period.

USE OF PROCEEDS

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

Date of initial announcement	Capital raising activity	Use of net proceeds
18 December 2012	Placing of up to 50,000,000 Shares at the placing price of HK$1.15, representing a discount of approximately 8% to the closing price of HK$1.25 per Share quoted on the Stock Exchange on 17 December 2012, being the last trading day of the Shares immediately prior to the date of the placing and subscription agreement. The net placing price, after deduction of placing commission and all other fees and expenses, is HK$1.13 per Share.	Approximately HK$28 million has been used to meet capital expenditure of the Group and approximately HK$28 million has been used as general working capital of the Group
22 January 2013	Placing of up to 120,000,000 Shares at the placing price of HK$1.74, representing a discount of approximately 7.45% to the closing price of HK$1.88 per Share quoted on the Stock Exchange on 22 January 2013, being the date of the placing and subscription agreement. The net placing price, after deduction of placing commission and all other fees and expenses, was HK$1.70 per Share.	Approximately HK$100 million has been used as general working capital of the Group and a remaining of approximately HK$100 million will be used to meet capital expenditure of the Group

HUMAN RESOURCES

As at 30 June 2013, the Group had 795 (31 December 2012: 807) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

DETAILS OF THE FUTURE INVESTMENT PLANS FOR MATERIAL INVESTMENT

The Group is planning to expand production capacity in Malaysia which would enable the Group to lower production costs and to increase the scale of operation. Construction of Malaysia facility is on schedule and we expect to complete it by the end of 2013. Once completed, it is expected to accommodate around 300 MW production capacity.

We are still in the process of evaluating various opportunities for purchasing low costs equipments for our expansion in Malaysia. Due to the rapid changing market environment, the Group may adjust the expansion plan according to the market environment. It would enable the Group to maintain flexibilities throughout the expansion process. We believe this strategy would enable the Group to maximize its advantages from the industry consolidation process.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group recognised net exchange losses of approximately RMB3.5 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 but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of the Shareholders. Except for the deviation from code provision A.2.1 of the Corporate Governance Code as disclosed below, during the Period, the Company has complied with the Corporate Governance Code.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. John Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, 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 advises that (1) in June 2013, Mr. Chau Kwok Keung, the executive Director, ceased to be a member of supervisory board of RIB Software AG, a software company in Germany which was listed on Frankfurt Stock Exchange; (2) Mr. John Zhang, the executive Director, was appointed as the director of Comtec Solar International (M) Sdn. Bhd., a subsidiary of the Group on 7 February 2013.

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 during the Period.

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, 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 in children under 18	638,867,550	48.69%
Mr. Chau Kwok Keung[2]	Beneficial owner	750,000	0.057%
Mr. Shi Cheng Qi[3]	Beneficial owner	660,000	0.050%
Mr. Kang Sun[4]	Beneficial owner	549,574	0.042%
Mr. Daniel DeWitt Martin[5]	Beneficial owner	499,659	0.038%
Mr. Leung Ming Shu[6]	Beneficial owner	362,787	0.028%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 586,037,844 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.

(2) The 750,000 Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 750,000 Shares which may be issued to him upon the exercise of the Share Options 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 granted to him on 24 May 2010 and 28 June 2012.

(4) The 549,574 Shares in which Mr. Kang Sun is deemed to be interested represent 549,574 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options granted to him on 3 August 2009, 2 October 2009 and the Share Options granted to him on 27 December 2012.

(5) The 499,659 Shares in which Mr. Daniel DeWitt Martin is deemed to be interested represent 499,659 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options granted to him on 3 August 2009, 2 October 2009 and the Share Options granted to him on 27 December 2012.

(6) The 362,787 Mr. Leung Ming Shu is deemed to be interested represent 362,787 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options granted to him on 3 August 2009, 2 October 2009 and the Share Options granted to him on 27 December 2012.

Save as disclosed above, as at 30 June 2013, 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 2013, 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 in children under 18	638,867,550	48.69%
Fonty Holdings Limited	Beneficial owner	586,037,844	44.66%
Ms. Carrie Wang[2]	Interest in spouse	638,867,550	48.69%
FIL Limited	Beneficial owner	65,684,000	5.01%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 586,037,844 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.

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

Save as disclosed above, as at 30 June 2013, 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 2013 are as follows:

Category of participants	Date of Grant[(3)]	Exercise price per Share	Balance as at 1 January 2013	Exercised during the Period	Balance as at 30 June 2013
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, no 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 exercised under the Share Option Scheme as at 30 June 2013 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2013	Share options Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2013
Director							
Mr. Kang Sun	27 December 2012	HK$1.262	300,000.00	–	–	–	300,000
Mr. Daniel DeWitt Martin	27 December 2012	HK$1.262	300,000.00	–	–	–	300,000
Mr. Leung Ming Shu	27 December 2012	HK$1.262	300,000.00	–	–	–	300,000
Other participants in aggregate	27 December 2012	HK$1.262	23,000,000.00	–	–	–	23,000,000
Director							
Mr. John Zhang	28 June 2012	HK$0.98	5,000,000.00	–	–	–	5,000,000
Mr. Chau Kwok Keung	28 June 2012	HK$0.98	6,000,000.00	–	(5,250,000)	–	750,000
Mr. Shi Cheng Qi	28 June 2012	HK$0.98	360,000.00	–	–	–	360,000
Other participants in aggregate	28 June 2012	HK$0.98	8,160,000.00	–	(2,930,000)	–	5,230,000
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	–	(150,000)	–	1,940,000
			45,810,000	–	(8,330,000)	–	37,480,000

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) Share options granted under the Share Option Scheme on 27 December 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 27 December 2012	50% of the total number of options granted
On or after 27 March 2013	12.5% of the total number of options granted
On or after 27 June 2013	12.5% of the total number of options granted
On or after 27 September 2013	12.5% of the total number of options granted
On or after 27 December 2013	12.5% of the total number of options granted

(4) Save as disclosed above, during the Period, no Share Options were granted, 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 28 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). 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
26 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2013

	NOTES	Six months ended 30 June 2013 *RMB'000* *(Unaudited)*	2012 *RMB'000* *(Unaudited)*
Revenue		471,000	456,242
Cost of sales		(430,504)	(399,430)
Gross profit		40,496	56,812
Other income	5	2,998	38,735
Other gains and losses	6	(19,187)	(166,022)
Distribution and selling expenses		(4,693)	(2,016)
Administrative expenses		(22,235)	(22,575)
Finance costs	7	(9,476)	(23,077)
Loss before taxation	8	(12,097)	(118,143)
Taxation	9	(25)	(2,988)
Loss and total comprehensive expense for the period, attributable to owners of the Company		(12,122)	(121,131)
		RMB cents	*RMB cents*
Loss per share			
— Basic	11	(0.98)	(10.68)
— Diluted	11	(0.98)	(10.68)

Condensed Consolidated Statement of Financial Position

at 30 June 2013

	NOTES	30 June 2013 *RMB'000* *(Unaudited)*	31 December 2012 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment	12	761,595	796,195
Prepaid lease payments — non-current		20,327	20,556
Deposits paid for acquisition of property, plant and equipment	12	9,850	6,927
Advance to suppliers	13	302,474	355,137
Deferred tax assets		638	638
Held-to-maturity investments	14	14,105	–
Other financial assets		26,491	26,491
		1,135,480	1,205,944
Current assets			
Inventories		389,511	295,864
Trade and other receivables	15	294,451	295,567
Bills receivable	15	120,785	28,808
Advance to suppliers	13	99,752	70,186
Prepaid lease payments — current		458	458
Tax recoverable		3,656	3,690
Pledged bank deposits	16	37,117	172,866
Bank balances and cash		333,981	342,381
		1,279,711	1,209,820
Assets classified as held for sale		23,548	24,335
		1,303,259	1,234,155
Current liabilities			
Trade and other payables	17	274,137	384,666
Customers' deposits received		1,589	2,368
Short-term bank loans	18	405,863	470,100
Deferred revenue		287	287
		681,876	857,421
Liabilities associated with assets classified as held for sale		322	336
		682,198	857,757
Net current assets		621,061	376,398
Total assets less current liabilities		1,756,541	1,582,342

Condensed Consolidated Statement of Financial Position

at 30 June 2013

	NOTES	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Capital and reserves			
Share capital	20	**1,143**	1,039
Reserves		**1,625,135**	1,463,647
Total equity		**1,626,278**	1,464,686
Non-current liabilities			
Deferred tax liabilities		**9,555**	9,569
Long-term bank loans	18	**10,442**	13,112
Provision for onerous contracts	13	**39,107**	39,107
Warrants	19	**64,200**	39,400
Other financial liabilities	16	**1,802**	11,024
Deferred revenue		**5,157**	5,444
		130,263	117,656
		1,756,541	1,582,342

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000*	Share options reserve *RMB'000*	Special reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
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
At 1 January 2013 (Audited)	1,039	1,050,798	–	22,080	11,012	84,583	295,174	1,464,686
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(12,122)	(12,122)
Issue of ordinary shares	97	168,905	–	–	–	–	–	169,002
Transaction costs attributable to issue of shares	–	(3,900)	–	–	–	–	–	(3,900)
Exercise of share options	7	9,771	–	(3,218)	–	–	–	6,560
Recognition of equity-settled share-based payments	–	–	–	2,052	–	–	–	2,052
At 30 June 2013 (Unaudited)	1,143	1,225,574	–	20,914	11,012	84,583	283,052	1,626,278

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
Loss before taxation	(12,097)	(118,143)
Adjustments for:		
Interest income	(2,639)	(6,500)
Interest expense	9,476	23,077
Depreciation of property, plant and equipment	40,472	37,032
Loss on disposal of property, plant and equipment	68	2,496
Release of deferred revenue	(287)	–
Share-based payment expenses	2,052	3,860
Release of prepaid lease payments	427	427
Loss (gain) on fair value changes of warrants	24,800	(24,200)
(Gain) loss on fair value changes of forward contracts	(9,222)	14,803
Loss on fair value changes of derivative financial instruments	–	2,040
Loss on redemption of convertible bonds and cancellation of warrants	–	173,381
Operating cash flows before movements in working capital	53,050	108,273
Increase in inventories	(93,647)	(60,781)
Decrease (increase) in trade and other receivables	1,494	(50,337)
(Increase) decrease in bills receivable	(91,977)	14,519
Decrease in advance to suppliers	23,097	26,779
Decrease (increase) in trade and other payables	(10,713)	39,904
Decrease in customers' deposits received	(779)	(18)
Cash (used in) from operations	(119,475)	78,339
Tax paid	(5)	(7,375)
Net cash (used in) from operating activities	(119,480)	70,964
Investing activities		
Withdrawal of pledged bank deposits	135,749	17,289
Interest received	2,639	6,500
Proceeds from disposal of property, plant and equipment	323	329
Addition to property, plant and equipment	(8,539)	(46,057)
Deposits paid for acquisition of property, plant and equipment	(9,850)	(9,962)
Purchase of held-to-maturity investments	(14,105)	–
Placement of pledged bank deposits	–	(135,767)
Net cash from (used in) investing activities	106,217	(167,668)

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Financing activities		
Bank loans raised	306,690	270,997
Proceeds from issue of new shares	175,562	–
Expenses on issue of shares	(3,900)	–
Interest paid	(9,476)	(9,803)
Repayment of bank loans	(373,597)	(175,656)
Payment for redemption of convertible bonds and cancellation of warrants	(90,910)	(490,875)
Net cash from (used in) financing activities	4,369	(405,337)
Decrease in cash and cash equivalents	(8,894)	(502,041)
Cash and cash equivalents at beginning of the period	345,909	746,100
Cash and cash equivalents at end of the period, represented by bank balances and cash	377,015	244,059

1. GENERAL

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

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

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. The Group designated the listed guaranteed bonds as held-to-maturity investments since the management of the Group intended to hold the investments for the sake of interest yield and does not intend to redeem it before its maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Revenue recognition

Revenue from subcontracting services provided is recognized upon delivery of services.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period:

— IFRS 10 *Consolidated Financial Statements;*
— IFRS 11 *Joint Arrangements;*
— IFRS 12 *Disclosure of Interests in Other Entities;*
— Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance;*
— IFRS 13 *Fair Value Measurement;*
— IAS 19 (as revised in 2011) *Employee Benefits;*
— IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures;*
— Amendments to IFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities;*
— Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income;*
— *Amendments to IFRSs Annual Improvements to IFRSs 2009–2011 Cycle;* and
— IFRIC-Int 20 *Stripping Costs in the Production Phase of a Surface Mine.*

Except as described above, the application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Amendments to IAS 34 Interim Financial Reporting (as part of the Annual Improvements to IFRSs 2009–2011 Cycle)

The Group has applied the amendments to IAS 34 *Interim Financial Reporting as part of the Annual Improvements to IFRSs 2009–2011 Cycle* for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Disclosures of fair value information as at 30 June 2013 and 31 December 2012 and are set out in note 22.

4. SEGMENT INFORMATION

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

5. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grant *(note)*	359	32,007
Interest income	2,639	6,500
Others	–	228
	2,998	38,735

Note: The government grant for the six months ended 30 June 2013 and 30 June 2012 represented the amount received from the local government by an operating subsidiary of the Group in recognition of the activities carried out by the Group in the solar business and high-technology advancement made in prior periods. No specific conditions are attached to the grant.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange (losses) gains	(3,541)	2,498
Loss on disposal of property, plant and equipment	(68)	(2,496)
Gain (loss) on fair value changes of forward contracts *(note 16)*	9,222	(14,803)
(Loss) gain on fair value changes of warrants *(note 19)*	(24,800)	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)
	(19,187)	(166,022)

7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest expense in relation to bank loans wholly repayable within five years	9,476	9,803
Effective interest expense on convertible bonds *(note 19)*	–	13,274
	9,476	23,077

8. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	430,504	399,430
Depreciation of property, plant and equipment	40,472	37,032
Release of prepaid lease payments	427	427
Research and development expenses (included in administrative expenses)	4,175	4,074
Operating lease rentals in respect of rented premises	424	453

9. TAXATION

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
People's Republic of China (the "PRC") Enterprise Income Tax		
— Current period	39	2,828
Deferred taxation	(14)	160
	25	2,988

Taxation arising in the PRC is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2013 and 30 June 2012. There is no provision for Hong Kong Profits Tax since the group entities incorporated in Hong Kong incurred tax losses for both periods. Withholding tax has been provided for based on the anticipated dividends to be distributed by PRC entities to non-PRC residents, if any.

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2013 and 2012.

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	**(12,122)**	(121,131)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,237,149,704**	1,133,890,000

The Company's outstanding convertible bonds did not have a dilutive effect on the Company's loss per share for the six months ended 30 June 2012 because their potential conversion to ordinary shares would decrease the loss per share.

The Company's outstanding 2011 Warrants (defined in note 19) did not have a dilutive effect on the Company's loss per share for the six months ended 30 June 2012 because the exercise price of the 2011 Warrants was higher than the average market prices of the Company's shares during the period.

The Company's outstanding 2012 Warrants (defined in note 19) did not have a dilutive effect on the Company's loss per share for the six months ended 30 June 2013 since their potential conversion to ordinary shares would decrease loss per share. The Company's outstanding 2012 Warrants did not have a dilutive effect on the Company's loss per share for the six months ended 30 June 2012 since the exercise price was higher than the average market prices of the Company's shares during the period from the issue of the 2012 Warrants, i.e. 14 March 2012 to 30 June 2012.

11. LOSS PER SHARE *(continued)*

Outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's loss per share for the six months ended 30 June 2013 and 30 June 2012 as their exercise prices were higher than the average market prices of the Company or they will decrease the loss per share of the Company.

12. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB9,850,000 (six months ended 30 June 2012: RMB9,962,000) and RMB8,539,000 (six months ended 30 June 2012: RMB46,057,000) on deposits paid for acquisition of property, plant and equipment and purchases of property, plant and equipment, respectively.

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 the 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 purchasing 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 2013 and the year ended 31 December 2012. At 30 June 2013 and 31 December 2012, the Group had outstanding aggregate advance payments, net of allowance, of approximately RMB394,484,000 and RMB422,572,000, respectively, with these suppliers. The advances are unsecured, interest-free and will be used to offset 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 invoiced 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.

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

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 the 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 from the sale or insurance 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 2013 and 31 December 2012, 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 for paying to the supplier the difference between the actual purchase and the minimum purchase commitment in that particular year.

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
2013	466,171
2014	1,345,525
2015	1,059,349
2016	455,837
2017	106,296
2018	103,825
	3,537,003

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

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

Allowance for advance to suppliers:

	RMB'000
Balance at 1 January 2012, 31 December 2012 and 30 June 2013	7,149

Allowance for the provision for onerous contracts:

	RMB'000
Balance at 1 January 2012, 31 December 2012 and 30 June 2013	39,107

In view of the fact that the market conditions for the solar industry are volatile, the Group performed an evaluation of the Group's contracted quantity of the raw materials to be purchased, the Group's planned annualised production capacity, demand for the Group's products, forecasted selling prices of the products and other market conditions in the remaining Supply Period. Provision for onerous contracts and impairment losses will be made or recognised by the Group when there are expected losses to be suffered or future payments that the Group is presently obliged to make under the above-mentioned non-cancellable operating contracts, after taking into account the revenue expected to be earned and costs to be incurred in production, in certain calendar year(s) in the Supply Period.

During the six months ended 30 June 2013 and 30 June 2012, the Group performed an analysis of the 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 for the Group's products, updated forecasted selling prices of the products that reflected current market assessments. No additional impairment losses and provisions were considered necessary.

14. HELD-TO-MATURITY INVESTMENTS

During the six months ended 30 June 2013, the Group purchased principal-guaranteed bonds listed in Hong Kong which carry interest at 10% per annum and mature in 2015.

The management of the Group represented that the Group intended to hold the bonds for the sake of interest yield and does not intend to redeem it before its maturity. Therefore, it is classified as held-to-maturity investments.

15. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	171,448	163,703
Utility deposits	3,132	5,903
Value-added-tax recoverable	108,989	116,939
Other receivables and prepayments	10,882	9,022
	294,451	295,567
Bills receivable	120,785	28,808

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Age		
0 to 30 days	58,751	43,054
31 to 60 days	59,923	78,031
61 to 90 days	44,344	17,464
91 to 180 days	786	21,554
Over 180 days	7,644	3,600
	171,448	163,703

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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Age		
0 to 30 days	6,977	16,344
31 to 60 days	31,997	3,075
61 to 90 days	21,826	7,000
91 to 180 days	59,985	2,389
	120,785	28,808

16. PLEDGED BANK DEPOSITS/OTHER FINANCIAL LIABILITIES

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

Short-term contracts

During the six months ended 30 June 2013, the Group entered into several arrangements with an established commercial bank in the PRC pursuant to which the Group borrowed in United States dollars ("USD") and Euros ("EUR") from this bank for contractual periods of three months to one year (year ended 31 December 2012: one year) for the purpose of settling its payables denominated in USD and EUR. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective USD and EUR loans and carrying fixed interest at rates ranging from 2.55% to 2.91% (year ended 31 December 2012: 2.16% to 2.91%) per annum) for the same contractual periods with the same bank as security against the USD and EUR loans; and (b) entered into forward contracts with the bank to purchase USD and EUR (in amounts equivalent to the USD and EUR loans plus interest thereon) against RMB and Hong Kong Dollars ("HKD") at predetermined forward rates.

As at 30 June 2013, RMB fixed deposits of approximately RMB37,117,000 (31 December 2012: RMB172,866,000) and USD and EUR loans of approximately USD3,485,000 and EUR2,066,000, respectively (equivalent to an aggregate amount of approximately RMB38,172,000) (31 December 2012: USD17,027,000 and EUR8,254,000 (equivalent to an aggregate amount of approximately RMB175,678,000)), are included in pledged bank deposits and bank loans, respectively.

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

Short-term contracts *(continued)*

The related interest income on the fixed deposits of approximately RMB609,000 (year ended 31 December 2012: RMB4,926,000) and unrealised exchange gain on USD and EUR loans of approximately RMB132,000 (year ended 31 December 2012: unrealized exchange loss of RMB600,000) are included in other income and other gains and losses, respectively, while the interest expenses on USD and EUR loans of approximately RMB426,000 (year ended 31 December 2012: RMB2,832,000) are included in finance costs.

Major terms of the foreign currency forward contracts as at 30 June 2013 and 31 December 2012 are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
Six months ended 30 June 2013:		
EUR2,065,920	July 2013	Buy EUR/Sell HKD at 9.4808
USD3,485,250	July 2013	Buy USD/Sell HKD at 7.8156
Year ended 31 December 2012:		
EUR2,056,680	March 2013	Buy EUR/Sell HKD at 10.3867
USD3,384,000	March 2013	Buy USD/Sell HKD at 7.7604
EUR2,065,920	April 2013	Buy EUR/Sell HKD at 10.4130
USD2,979,900	April 2013	Buy USD/Sell HKD at 7.8970
EUR2,065,920	May 2013	Buy EUR/Sell HKD at 9.9476
USD7,177,480	May 2013	Buy USD/Sell HKD at 7.9128
EUR2,065,920	July 2013	Buy EUR/Sell HKD at 9.4808
USD3,485,250	July 2013	Buy USD/Sell HKD at 7.8156

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

Long-term contract

In addition, during the year ended 31 December 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 an exchange rate of 6.3205 from this bank for a contractual period of three years at a principal amount of approximately USD63,444,000 (equivalent to approximately RMB401,000,000).

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

Long-term contract *(continued)*

The contract will be settled net upon maturity on 16 March 2015. As at 30 June 2013 the carrying amount of the forward contract was approximately RMB1,802,000 (31 December 2012: RMB11,024,000), resulting in a gain on fair value changes of this forward contract during the period of approximately RMB9,222,000 (year ended 31 December 2012: loss on fair value change: RMB11,024,000). The gain was recognised in other gains and losses in the condensed consolidated statement of profit or loss and other comprehensive income and the carrying amount of the forward contract was included in other financial liabilities in the condensed statement of financial position.

17. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables	242,161	249,221
Payables for acquisition of property, plant and equipment	11,495	20,415
Other payables and accrued charges	11,383	15,022
Outstanding Principal Payments *(defined in note 19)*	9,098	100,008
	274,137	384,666

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Age		
0 to 30 days	96,676	59,454
31 to 60 days	66,354	40,436
61 to 90 days	56,747	46,787
91 to 180 days	9,587	77,720
Over 180 days	12,797	24,824
	242,161	249,221

17. TRADE AND OTHER PAYABLES *(continued)*

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

18. BANK LOANS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Bank loans		
— secured	**132,333**	130,000
— unsecured	**283,972**	353,212
	416,305	483,212

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Carrying amounts repayable:		
Within one year	**405,863**	470,100
One to two years	**4,894**	4,978
More than two years, but not exceeding five years	**5,548**	8,134
	416,305	483,212
Less: Amounts due within one year shown under current liabilities	**(405,863)**	(470,100)
Amounts shown under non-current liabilities	**10,442**	13,112

During the six months ended 30 June 2013, the Group obtained new bank loans amounting to approximately RMB306,690,000 (six months ended 30 June 2012: RMB270,997,000). The loans carry interest at variable market rates ranging from 0.79% to 6.56% (six months ended 30 June 2012: 2.28% to 6.56%) per annum. The proceeds were used to finance the acquisition of property, plant and equipment, fund working capital for operation and arrange forward contracts to settle foreign currency denominated payables.

18. BANK LOANS *(continued)*

As at 30 June 2013, the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB90.2 million (year ended 31 December 2012: RMB92.7 million) and RMB14.4 million (year ended 31 December 2012: RMB14.6 million), respectively, to banks to secure banking facilities granted to the Group.

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 RMB655 million in 2011 to an independent third party who is not related to the Group (the "Bondholder"). The convertible bonds would be matured in five years since issuance. The conversion price was fixed at HKD3.90 (at the fixed exchange rate of HKD1.1917494 = RMB1 as pre-determined).

Concurrently with the issuance of the bonds, 95,121,951 fully detachable and transferrable warrants ("2011 Warrants") each to purchase one ordinary share of the Company were issued. The exercise price of the 2011 Warrants was HKD4.10 and would expire in five years from the date of issuance.

Details of the convertible bonds and 2011 Warrants are set out in the Company's annual report for the year ended 31 December 2012.

On 20 January 2012 and 9 November 2012, the Company and the Bondholder entered into agreements ("Repurchase Deeds"), pursuant to which the Company agreed to repurchase, and the Bondholder (which also held the outstanding 2011 Warrants) agreed to sell 75% ("Repurchase Transaction I") and 25% ("Repurchase Transaction II"), respectively, of the convertible bonds and 2011 Warrants issued by the Company, in consideration for a cash payment of approximately RMB491 million and RMB164 million, respectively, which were equal to the aggregate principal amount of the bonds and 2011 Warrants.

Under the Repurchase Deed dated 20 January 2012, the Bondholder granted an option ("Call Option") to the Company to request the Bondholder to (i) to cancel all remaining 2011 Warrants at no cost; and (ii) sell all (but not some only) of the outstanding bonds to the Company for an amount in cash equal to the aggregate principal amount of all such original bonds, at any time from the date of such Repurchase Deed to 31 January 2013. The Repurchase Transaction I was completed on 14 March 2012.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Under the Repurchase Deed dated 9 November 2012, the Company exercised the Call Option in full and the parties agreed that the Company shall pay the amount for the repurchase of all the outstanding bonds by instalments (the "Outstanding Principal Payment"). The Company shall pay the Outstanding Principal Payment on the following payment dates:

Payment Date	Outstanding Principal Payments
Repurchase completion date, being 9 November 2012	RMB21,205,800
24 November 2012	RMB21,205,800
24 December 2012	RMB21,205,800
24 January 2013	RMB21,205,800
24 February 2013	RMB21,205,800
24 March 2013	RMB21,205,800
24 April 2013	RMB9,097,550
24 May 2013	RMB9,097,550
24 June 2013	RMB9,097,550
24 July 2013	RMB9,097,550

The Outstanding Principal Payments are unsecured and interest-free. As at 30 June 2013 and 31 December 2012, the aggregate unsettled Outstanding Principal Payments were approximately RMB9,098,000 and RMB100,008,000, respectively.

The Repurchase Transaction II was completed on 9 November 2012.

The Call Option was measured at fair value with changes in fair value recognised in profit or loss. The fair values of the Call Option on 14 March 2012 and 9 November 2012 were approximately RMB2,077,000 and RMB112,000, respectively. The fair values of the Call Option on 14 March 2012 and 9 November 2012 were calculated using the Binomial Pricing model.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The movement of the fair values of the Call Option for the period from 14 March 2012 to 9 November 2012 was set out below:

	RMB'000
Carrying amount at 14 March 2012	2,077
Loss on fair value change recognised in profit or loss	(2,040)
Carrying amount at 30 June 2012	37
Gain on fair value change recognised in profit or loss	75
Carrying amount at 9 November 2012	112

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) the 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 ("2012 Warrants"), exercisable for a period of four years from the date of issue, to the Bondholder who was entitled to subscribe for up to 94,354,839 shares at a price of HKD1.24 per share. The Warrants Issue Transaction was completed on 14 March 2012.

Details of the 2012 Warrants are set out in the Company's annual report for the year ended 31 December 2012.

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

	RMB'000
Carrying amount at 14 March 2012	59,300
Gain on fair value change recognised in profit or loss	(32,300)
Carrying amount at 30 June 2012	27,000
Loss on fair value change recognised in profit or loss	12,400
Carrying amount at 31 December 2012	39,400
Loss on fair value change recognised in profit or loss	24,800
Carrying amount at 30 June 2013	64,200

The directors of the Company considered that the Repurchase Transaction I and Warrants Issue Transaction were part of the same arrangement and Repurchase Transaction I would not have occurred without Warrants Issue Transaction and vice versa, and therefore should be considered as linked transactions (the "Linked Transaction"). The aggregate consideration for each of the Linked Transaction and the Repurchase Transaction II was analysed as follows:

	Linked Transaction *RMB'000*	Repurchase Transaction II *RMB'000*
Cash	490,875	–
Fair values of 2012 Warrants	59,300	–
Fair values of Call Option	(2,077)	112
Outstanding Principal Payments	–	163,625
	548,098	163,737

19. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

The movements of the liability component and equity component of the convertible bonds and 2011 Warrants during the year ended 31 December 2012 are set out below:

	Debt	Equity	2011 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
Repurchase Transaction I	(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
Interest charged	4,032	–	–	4,032
Change in fair values	–	–	1,700	1,700
At 9 November 2012	110,633	47,210	4,000	161,843
Repurchase Transaction II	(110,633)	(47,210)	(4,000)	(161,843)
At 31 December 2012	–	–	–	–

The loss on redemption of convertible bonds and cancellation of warrants for the six months ended 30 June 2012 amounted to approximately RMB173,381,000 and was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

20. SHARE CAPITAL

The share capital of the Group represented the issued and fully paid share capital of the Company.

Authorised:	Number of shares	Amount
		HKD'000
Ordinary shares		
Ordinary shares of HKD0.001 each at 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount
		HKD'000
Ordinary shares		
Ordinary shares of HKD0.001 each at 1 January 2012	1,133,890,000	1,134
Exercise of share options *(note 1)*	50,000,000	50
Ordinary shares of HKD0.001 each at 31 December 2012 and 1 January 2013	1,183,890,000	1,184
Issue of shares *(note 1)*	120,000,000	120
Exercise of share options *(note 2)*	8,330,000	8
Ordinary shares of HKD0.001 each at 30 June 2013	1,312,220,000	1,312

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Presented as RMB:		
Ordinary shares	**1,143**	1,039

20. SHARE CAPITAL *(continued)*

Notes:

(1) In December 2012 and January 2013, the Company issued 50,000,000 and 120,000,000 ordinary shares of HKD0.001 each for a consideration of HKD1.15 per share and HKD1.74 per share, respectively. The allotment was in the form of a private placement with shares subscribed by independent third parties not related to the Group.

(2) During the six months ended 30 June 2013, the Company issued 150,000 and 8,180,000 new shares upon exercise of share options at the exercise price of HKD1.49 per share and HKD0.98 per share, respectively.

All the shares issued by the Company during the six months ended 30 June 2013 and year ended 31 December 2012 ranked pari passu with the existing shares in all respects.

21. SHARE-BASED COMPENSATION

(A) Pre-IPO Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2013 and 30 June 2012:

	Number of options				
	Outstanding as at 1 January 2012, 30 June 2012 and 1 January 2013	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2013
Directors:					
Mr. Leung Ming Shu ("Mr. Leung")	63,000	–	–	–	63,000
Mr. Daniel Dewitt Martin ("Mr. Daniel")	200,000	–	–	–	200,000
Mr. Kang Sun ("Mr. Kang")	249,000	–	–	–	249,000
	512,020	–	–	–	512,020

The share options under the Pre-IPO Share Option Scheme exercisable at HKD2.51 per share as at 1 January 2012, 30 June 2012, 1 January 2013 and 30 June 2013 were 341,347, 476,585, 512,020 and 512,020, respectively.

No share options under the Pre-IPO Share Option Scheme were exercised during the period ended 30 June 2013 and 30 June 2012.

21. SHARE-BASED COMPENSATION *(continued)*

(A) Pre-IPO Share Option Scheme *(continued)*

At 30 June 2013, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (30 June 2012: 512,020), representing 0.04% (30 June 2012: 0.05%) of the shares of the Company in issue at that date.

The Group recognised an expense of approximately RMB71,000 for the six months ended 30 June 2012 in relation to the share options under the Pre-IPO Share Option Scheme. The Company did not recognise any expense in relation to the share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2013 since the share options were fully vested in the prior period.

(B) Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the six months ended 30 June 2013 and 30 June 2012:

Granted on 24 May 2010

For the six months ended 30 June 2013:

	Number of options				
	Outstanding as at 1 January 2013	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2013
Director:					
Mr. Shi Chen Qi ("Mr. Shi")	300,000	–	–	–	300,000
Employees	2,090,000	(150,000)	–	–	1,940,000
	2,390,000	(150,000)	–	–	2,240,000
Exercisable at the end of the period	2,390,000				2,240,000

21. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 24 May 2010 (continued)

For the six months ended 30 June 2012:

	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
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

In respect of the share options exercised during the six months ended 30 June 2013, the weighted average share price at the dates of exercise is HKD1.49 per share.

At 30 June 2013, the number of shares in respect of which options granted on 24 May 2010 under the Share Option Scheme remained outstanding was 2,240,000 (30 June 2012: 2,390,000), representing 0.17% (30 June 2012: 0.21%) of the shares of the Company in issue at that date.

21. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 28 June 2012

For the six months ended 30 June 2013:

	Number of options				
	Outstanding as at 1 January 2013	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2013
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau Kwok Keung ("Mr. Chau")	6,000,000	–	(5,250,000)	–	750,000
Mr. Shi	360,000	–	–	–	360,000
Employees	8,480,000	–	(2,930,000)	–	5,550,000
	19,840,000	–	(8,180,000)	–	11,660,000
Exercisable at the end of the period	9,920,000				11,660,000

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 during the period	Outstanding as at 30 June 2012
Director:					
Mr. Zhang	–	5,000,000	–	–	5,000,000
Mr. Chau	–	6,000,000	–	–	6,000,000
Mr. Shi	–	360,000	–	–	360,000
Employees	–	8,580,000	–	–	8,580,000
	–	19,940,000	–	–	19,940,000
Exercisable at the end of the year	–				19,940,000

In respect of the share options exercised during the six months ended 30 June 2013, the weighted average share price at the dates of exercise is HKD1.77 per share.

At 30 June 2013, the number of shares in respect of which options granted on 28 June 2012 under the Share Option Scheme remained outstanding was 11,660,000 (30 June 2012: 19,940,000), representing 0.87% (30 June 2012: 1.68%) of the shares of the Company in issue at that date.

21. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 27 December 2012

For the six months ended 30 June 2013:

		Number of options			
	Outstanding as at 1 January 2013	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2013
Director:					
Mr. Leung	300,000	–	–	–	300,000
Mr. DeWitt	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	600,000	–	–	–	600,000
Consultants	22,400,000	–	–	–	22,400,000
	23,900,000	–	–	–	23,900,000
Exercisable at the end of the year	11,950,000				17,925,000

At 30 June 2013, the number of shares in respect of which options granted on 27 December 2012 under the Share Option Scheme remained outstanding was 23,900,000, representing 1.82% of the shares of the Company in issue at that date.

The Group recognised an expense of approximately RMB2,052,000 (30 June 2012: RMB3,789,000) for the six months ended 30 June 2013 in relation to the share options granted by the Company under the Share Option Scheme.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Financial assets/ financial liabilities	Fair value as at 30/06/2013	Fair value as at 31/12/2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
(1)	Foreign currency forward contracts classified as other financial liabilities in the condensed consolidated statement of financial position	**Liabilities — RMB1,802,000**	Liabilities — RMB11,024,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at rates that reflected the credit risk of various counterparties	N/A	N/A
(2)	Principal-protected unsecured deposits classified as other financial assets in the condensed consolidated statement of financial position	**Assets — RMB26,491,000**	Assets — RMB26,491,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflected the credit risk of the counterparty	N/A	N/A
(3)	Warrants classified as derivative financial instruments in the condensed consolidated statement of financial position	**Liabilities — RMB64,200,000**	Liabilities — RMB39,400,000	Level 3	Binomial Model with parameters of the Company's shares, including share prices, expected volatility, dividend yield, etc, at the end of the reporting period and expected life of the warrants, discounted at a rate that reflected credit risk of the Company	Expected volatility of the warrants, which is made reference to the historical volatility to the share prices of the Company	The higher of the expected volatility, the higher fair value of the warrants

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Reconciliation of Level 3 fair value measurements of warrants

	RMB'000
At 1 January 2012	14,600
Issue during the year	59,300
Gain on fair value change	(10,100)
Cancellation during the year	(24,400)
At 31 December 2012	39,400
Loss on fair value change	24,800
At 30 June 2013	64,200

Fair value loss on warrants of approximately RMB24,800,000 (year ended 31 December 2012: fair value gain on warrants RMB10,100,000) are included in other gains and losses for the six months ended 30 June 2013.

There were no transfers between Level 1 and Level 2 in the six months ended 30 June 2013 and year ended 31 December 2012.

Fair value measurements and valuation processes

The board of directors of the Company has set up a team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial assets and liabilities of the Group, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the related financial assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of the financial assets and liabilities are disclosed above.

23. CAPITAL COMMITMENTS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment		
— Contracted for but not provided in the condensed consolidated financial statements	130,293	1,147
— Authorised but not contracted for	–	97,600
	130,293	98,747

24. 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	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Basic salaries and allowances	2,189	2,175
Retirement benefit scheme contributions	78	69
Share-based payments	1,314	2,488
	3,581	4,732

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

Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Euro"	the lawful currency of the eurozone
"Fonty"	Fonty Holdings Limited
"Global Offering"	the global offering of the Company
"Group"	the Company and its subsidiaries
"HKD" or "HK$" and "HK cent(s)"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Listing Date"	the date on which dealing in the Shares first commences on the main board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	Model code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals 10^6 Watt
"Period"	the six months ended 30 June 2013

Definitions

"Photovoltaic" or "PV"	the field of technology and research related to the application of solar cells for energy by converting solar energy (sunlight, including ultra violet radiation) directly into electricity (solar electricity)
"PRC" or "China"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	Ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	Shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent