卡姆丹克太陽能系統集團有限公司
Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 712)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

RESULTS HIGHLIGHTS

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

- Our loss per Share for the Period was approximately RMB10.7 cents which was mainly due to the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million and non-cash effective interest expense on the convertible bonds of approximately RMB13.3 million (corresponding period in 2011: earning per Share of RMB9.0 cents);
- Overall shipment for the Period was approximately 218.6 MW, increasing substantially by 99.8% from approximately 109.4 MW for the corresponding period in 2011;
- The annualized production capacity was approximately 600 MW as at 30 June 2012 because no material expansion was made during the Period due to the challenging industry environment;
- Achieved cash inflow from operation of approximately RMB71.0 million during the Period. The Group controlled net debt to equity ratio as approximately 8.9% and maintained cash and bank balances of approximately RMB244.0 million as at 30 June 2012;
- Repurchased of 75% of the outstanding convertible bonds originally issued on 17 June 2011;
- The Group obtained approval on the building-integrated photovoltaics (BIPV) project (卡姆丹克光伏系統項目) in our factory. It was the one of only two projects in Shanghai which obtained the approval from the government under the BIPV Demonstration Projects 2012 (2012年太陽能光電建築應用示範項目) in China.

CHAIRMAN STATEMENT

On behalf of Comtec Solar Systems Group Limited, I hereby present the unaudited interim results of the Group for the six months ended 30 June 2012. During the Period, the industry-wide overcapacity continued and drove price to decline across the entire solar supply chain. It resulted in a challenging operating environment and adversely affected the operating results of every solar company. Despite the challenges facing the market, we still achieved year-on-year growth in shipments, shifted the focus of production to our premium products "Super Mono Wafers" and maintained reasonable profit margin and healthy financial position.

Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB456.2 million (corresponding period in 2011: RMB574.7 million);

- Gross profit for the Period was approximately RMB56.8 million (corresponding period in 2011: RMB135.4 million);

- Gross profit margin for the Period was approximately 12.5% (corresponding period in 2011: 23.6%);

- Adjusted net profit for the Period was approximately RMB58.2 million after excluding the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million, non-cash effective interest expense on the convertible bonds of approximately RMB13.3 million and the net gain on fair value changes of derivative financial instruments of approximately RMB7.4 million;

- Net loss for the Period was approximately RMB121.1 million which was mainly due to the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million and non-cash effective interest expense on the convertible bonds of approximately RMB13.3 million (corresponding period in 2011: net profit of RMB101.6 million);

- Adjusted earning per share for the Period was approximately RMB5.1 cents after excluding the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million, non-cash effective interest expense on the convertible bonds of approximately RMB13.3 million and the net gain on fair value changes of derivative financial instruments of approximately RMB7.4 million;

- Our loss per Share for the Period was approximately RMB10.7 cents which was mainly due to the non-cash accounting treatment on repurchase of the convertible bonds and cancellation of warrants of approximately RMB173.4 million and non-cash effective interest expense on the convertible bonds of approximately 13.3 million (corresponding period in 2011: earning per Share of RMB9.0 cents);

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

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

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

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

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

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

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

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

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

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

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

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

INTERIM RESULTS

The Board hereby announces the interim results and the unaudited condensed consolidated interim financial statements of the Group for the Period, together with the comparative figures for the corresponding period in 2011. These results have been reviewed by the Company's auditors and reviewed by the Company's audit committee, comprising all of the independent non-executive Directors and a non-executive Director, with one of the independent non-executive Directors chairing the committee.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2012

		Six months ended 30 June	
	NOTES	**2012**	2011
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue		**456,242**	574,736
Cost of sales		**(399,430)**	(439,311)
Gross profit		**56,812**	135,425
Other income	*4*	**38,735**	15,508
Other gains and losses	*5*	**(166,022)**	14,138
Distribution and selling expenses		**(2,016)**	(769)
Administrative expenses		**(22,575)**	(18,771)
Finance costs		**(23,077)**	(7,997)
(Loss) profit before taxation	*6*	**(118,143)**	137,534
Taxation	*7*	**(2,988)**	(35,910)
(Loss) profit and total comprehensive (expense) income for the period, attributable to the owners of the Company		**(121,131)**	101,624
		RMB cents	*RMB cents*
(Loss) earnings per share			
— Basic	*9*	**(10.68)**	8.96
— Diluted	*9*	**(10.68)**	8.95

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS
At 30 June 2012

	NOTES	**30 June 2012** *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**821,536**	855,626
Prepaid lease payments — non-current		**39,716**	40,143
Deposits paid for acquisition of property, plant and equipment		**9,962**	5,105
Advance to suppliers		**380,477**	396,425
Deferred tax assets		**638**	689
Other financial assets		**26,491**	26,491
		1,278,820	1,324,479
Current assets			
Inventories		**278,740**	217,959
Trade and other receivables	*10*	**264,324**	213,987
Bills receivable	*10*	**22,181**	36,700
Advance to suppliers		**71,418**	82,249
Prepaid lease payments — current		**854**	854
Tax recoverable		**19,703**	15,156
Pledged bank deposits	*11*	**135,767**	17,289
Bank balances and cash		**244,059**	746,100
Derivative financial instruments	*13*	**37**	—
		1,037,083	1,330,294
Current liabilities			
Trade and other payables	*12*	**193,201**	198,692
Customers' deposits received		**211**	229
Short-term bank loans		**410,997**	318,230
		604,409	517,151
Net current assets		**432,674**	813,143
Total assets less current liabilities		**1,711,494**	2,137,622
Capital and reserves			
Share capital		**999**	999
Reserves		**1,490,307**	1,652,778
Total equity		**1,491,306**	1,653,777

	NOTES	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**9,669**	9,560
Convertible bonds	*13*	**106,601**	402,444
Long-term bank loans		**20,708**	18,134
Provision for onerous contracts		**39,107**	39,107
Warrants	*13*	**29,300**	14,600
Other financial liabilities	*11*	**14,803**	—
		220,188	483,845
		1,711,494	2,137,622

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period. The application of these amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gains	**2,498**	5,768
(Loss) gain on disposal of property, plant and equipment	**(2,496)**	8,370
Loss on fair value changes of forward contracts *(note 11)*	**(14,803)**	—
Gain on fair value changes of warrants *(note 13)*	**24,200**	—
Loss on fair value changes of derivative financial instruments *(note 13)*	**(2,040)**	—
Loss on redemption of convertible bonds and cancellation of warrants *(note 13)*	**(173,381)**	—
	(166,022)	14,138

6. (LOSS) PROFIT BEFORE TAXATION

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

7. TAXATION

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

Taxation arising in the PRC is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2012 (six months ended 30 June 2011: 25%). Withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities to non-PRC residents.

8. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2012 and 2011. The directors have determined that no dividend will be paid in respect of the interim period.

9. (LOSS) EARNINGS PER SHARE

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

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

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

The Company's outstanding Existing Warrants (defined in note 13) did not have dilutive effect to the Company's loss per share during the six months ended 30 June 2012 (six months ended 30 June 2011: earnings per share) because the exercise prices of the Existing Warrants were higher than the average market prices of the Company during the reporting period (six months ended 30 June 2011: the period from the issue of the warrants of the Company, i.e. 17 June 2011, to the end of the reporting period).

The Company's outstanding New Warrants (defined in note 13) did not have dilutive effect to the Company's loss per share for the six months ended 30 June 2012 since their exercise price was higher than the average market prices of the Company's shares during the period from the issue of the New Warrants, i.e. 14 March 2012, to the end of the reporting period.

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

10. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

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

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

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

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

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

11. PLEDGED BANK DEPOSITS/OTHER FINANCIAL LIABILITIES

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

For the six months ended 30 June 2012

Short-term contracts

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

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

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

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

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

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

Long-term contract

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

13. CONVERTIBLE BONDS/WARRANTS/DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The principal terms of the warrants are as follows:

(A) Exercise price — Each warrant carries the right to subscribe for one share. The exercise price at which a share will be issued upon exercise of a warrant, as adjusted from time to time, will initially be RMB1.00874 per share (translated at the fixed exchange rate of HK$1.22926 = RMB1 as pre-determined and the exercise price will be settled in HKD) but will be subject to anti-dilutive adjustment in the manner provided in the warrant instrument, including subdivision or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.

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

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

(D) Transferability — The warrants are freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the holder of the warrants.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Sales of 125 mm by 125 mm monocrystalline solar wafers

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

Sales of 156 mm by 156 mm monocrystalline solar wafers

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

Others

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

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

Cost of sales

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

Gross profit

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

Other income

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

Other gains and losses

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

Distribution and selling expenses

Distribution and selling expenses increased by RMB1.2 million, or 150.0%, from RMB0.8 million for the corresponding period in 2011 to RMB2.0 million during the Period, primarily due to the increase in export sales during the Period.

Administrative and general expenses

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

Interest expenses

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

Loss before taxation

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

Taxation

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

Loss for the Period

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

Interim dividend

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

Inventory turnover days

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

Trade receivable turnover days

The trade receivable turnover days as at 30 June 2012 totaled 53 days (as at 31 December 2011: 26 days). The increase was mainly due to a longer credit period granted to the oversea customers of "Super Mono Wafers" after pilot orders and the challenging industry environment. Our receivable turnover days were within the credit periods of the Group grants to its customers. The Group normally grants a credit period of 30 to 90 days to its customers.

Trade payable turnover days

The trade payable turnover days as at 30 June 2012 totaled 65 days (31 December 2011: 40 days). The increase in turnover days was mainly due to the change of payment terms upon the volatile and challenging market environment during the Period.

Liquidity and financial resources

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

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

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

Contingent liabilities

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

Related party transactions

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

Charges on group assets

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

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

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

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

Material acquisitions or disposals of subsidiaries and associated company

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

Use of proceeds

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

Human resources

As at 30 June 2012, the Group had 957 (31 December 2011: 1,169) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

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

Exposure to fluctuations in exchange rates and any related hedges

The Group recognised net exchange gains of approximately RMB2.5 million, which mainly arose from monetary assets and liabilities of the Group entities denominated in foreign currencies. Although the Group entered into foreign currency forward contracts, the Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CORPORATE GOVERNANCE CODE

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

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

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

MODEL CODE

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

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules during the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

DEFINITION

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Directors(s)"	the director(s) of the Company

"Global Offering"	the global offering of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals 1,000,000 Watt
"Period"	the six months ended 30 June 2012
"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
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent

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

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

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