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 2010

RESULTS HIGHLIGHTS

- Revenue rose by 132.8% to RMB429.1 million
- Gross profit rose by 426.9% to RMB98.0 million
- Gross profit margin improved to 22.8%
- Net profit rose by approximately 14.5 times to RMB68.6 million
- Net profit margin improved to 16.0%
- Overall shipment volume (including sales and processing services) increased by 218.3% to 85.3MW
- Sales of our 156 mm by 156 mm monocrystalline solar wafers represented 80.7% of total revenues
- The annualized production capacity during the Period and as at the date of this announcement was 200MW.

Note: Compared to the six months ended 30 June 2009

CHAIRMAN'S STATEMENT

On behalf of the Board of Comtec Solar Systems Group Limited (the "**Company**"), I am pleased to report the unaudited interim results of the Group for the six months ended 30 June 2010 (the "**Period**"). During the Period, we achieved strong performance and robust growth in shipment volumes, revenues and profitability.

Here are some financial and business highlights for the Period:

- Revenue for the Period was RMB429.1 million, up 132.8% year-on-year from RMB184.3 million for the corresponding period in 2009;
- Gross profit for the Period was RMB98.0 million, up 426.9% year-on-year from RMB18.6 million for the corresponding period in 2009;
- Gross profit margin for the Period was 22.8%, improved from 10.1% for the corresponding period in 2009;
- Net profit for the Period was RMB68.6 million, up approximately 14.5 times year-on-year from RMB4.4 million for the corresponding period in 2009;
- Net profit margin for the Period was 16.0%, improved from 2.4% for the corresponding period in 2009;
- Overall shipment volume (including sales and processing services) for the Period was 85.3MW, up 218.3% year-on-year from 26.8MW for the corresponding period in 2009;
- Sales of our 156 mm by 156 mm monocrystalline solar wafers for the Period represented 80.7% of total revenues, up from 34.3% for the corresponding period in 2009; and
- The annualized production capacity during the Period and as at the date of this announcement was 200MW.

We are pleased with the strong results in the first half of 2010 and in particular our achievement of the highest shipments in our Group's history during the Period. Our strong performance was attributable to Comtec's industry-leading brand recognition and cost advantages which best position us to capitalize on favorable industry demand. The strong feedback from customers also reflects Comtec's strong market position, technology, quality, and value proposition. Based on current customer indications, we expect the strong market environment to continue through the end of 2010.

We pioneered to launch the 156 mm by 156 mm monocrystalline wafers since early 2007. For the Period, demand from our customers for our quality 156 mm by 156 mm wafers was strong. Sales of our 156 mm by 156 mm monocrystalline solar wafers for the Period represented 80.7% of our total revenues, up from 34.3% for the corresponding period in 2009. We also obtained pilot orders for our 210 mm by 210 mm solar wafers during the Period. In an increasingly competitive market of solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers.

By leveraging our leading wafer manufacturing platform, we have benefited from a cost-competitive strategy to increase profitability during the Period. Our gross profit for the Period was RMB98.0 million, up 426.9% year-on-year from RMB18.6 million for the corresponding period in 2009. Our gross margin for the Period also improved to over 22.8% from 10.1% in the corresponding period last year. Our net profit for the Period was RMB68.6 million, up approximately 14.5 times year-on-year from RMB4.4 million for the corresponding period in 2009. Our net profit margin for the Period expanded to over 16.0% from 2.4% in the same period last year.

Owing to our continual effort to improve technology and manufacturing process as well as supply chain and logistics management initiatives, the Group has been successful in reducing its cost of production. Our origin as a manufacturer of semiconductor wafers and ingots since 1999 provides us with a strong technical background which we have been able to utilize to attain high quality standards in the production of monocrystalline solar wafers. It enables us to keep improving the cost effectiveness of our production. Through the Company's diversified range of short, medium, and long-term supply contracts, our silicon costs during the Period stayed competitive relative to the prevailing market spot price.

In response to strong market demand and customer requests on our premium products, which have high value-added features and are technically advanced, such as our 156 mm by 156 mm solar wafers, we are in the process of expanding our manufacturing capacity to support our customers' growth and their growing demand for our products. Regarding our expansion from 200MW to 600MW, we will commence installation of the relevant equipment in September 2010 and we expect to complete the ramp-up of our annualized production capacity to 600MW before the end of 2010. The expansion has experienced a delay from our original schedule primarily due to additional time required for construction of production facilities and the relevant infrastructure for the supply of electricity. We will further expand to 1,000 MW within 2011. We will update all shareholders when we have finalized all the details in relation to our expansion plan for 2011.

In addition to a generally favourable market environment, the expansion of production capacity, our ongoing efforts to reduce our manufacturing costs and increase our solar wafers' efficiencies and our concurrent expansion in research and development efforts fuel our optimism about our future. Looking ahead, we will continue to focus on improving our product quality and yield rates while reducing costs, securing long-term and strategic partnerships with leading solar cell enterprise customers and strengthening our risk control capabilities to further strengthen our competitive advantages. We 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. With strong performance achieved in the Period and solid strategies in place, we look forward to driving continued healthy growth for 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 of Directors of Comtec Solar Systems Group Limited is pleased to announce 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 2009. These results have been reviewed by the Company's audit committee, comprising solely the independent non-executive Directors, one of whom chairs the committee.

Condensed Consolidated Statement of Comprehensive Income

for the six monthes ended 30 June 2010

		Six months ended 30 June	
	NOTES	**2010**	2009
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Revenue		**429,062**	184,253
Cost of sales		**(331,048)**	(165,653)
Gross profit		**98,014**	18,600
Other income		**7,894**	4,052
Distribution and selling expenses		**(791)**	(1,155)
Administrative and general expenses		**(18,806)**	(9,417)
Other expenses		**(1,734)**	(1,468)
Interest expenses in relation to bank loans wholly repayable within five years		**(3,799)**	(4,232)
Profit before taxation	5	**80,778**	6,380
Taxation	6	**(12,219)**	(1,950)
Profit and total comprehensive income for the period, attributable to the owners of the Company		**68,559**	4,430
		RMB cents	RMB cent
Earnings per share			
– Basic	8	**6.65**	0.62
– Diluted	8	**6.65**	N/A

Condensed Consolidated Statement of Financial Position
at 30 June 2010

	NOTES	**30 June 2010** **RMB'000** **(Unaudited)**	31 December 2009 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment		**435,680**	427,582
Prepaid lease payments -non-current		**15,047**	15,209
Deposits paid for acquisition of property, plant and equipment		**116,272**	39,672
Advance to suppliers		**170,869**	183,810
Deferred tax assets		**1,346**	1,451
		739,214	667,724
Current assets			
Inventories		**107,501**	108,354
Trade and other receivables	9	**121,863**	166,128
Bills receivable	9	**67,379**	32,006
Advance to suppliers		**88,660**	36,903
Prepaid lease payments -current		**322**	322
Bank balances and cash		**262,574**	399,238
Pledged bank deposits		**9,518**	—
		657,817	742,951
Current liabilities			
Trade and other payables	10	**159,177**	198,537
Customers' deposits received		**877**	25
Taxation payable		**9,138**	714
Short-term bank loans		**99,473**	146,000
		268,665	345,276
Net current assets		**389,152**	397,675
Total assets less current liabilities		**1,128,366**	1,065,399
Capital and reserves			
Share capital		**910**	910
Reserves		**1,123,476**	1,060,715
Total equity		**1,124,386**	1,061,625
Non-current liabilities			
Deferred tax liabilities		**3,980**	3,774
		1,128,366	1,065,399

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2010

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 on 30 October 2009. Its parent company and ultimate holding company is Fonty Holdings Limited incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Zhang ("Mr. Zhang").

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as disclosed below

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs").

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
I(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners

The Group applies IFRS 3 (Revised) "*Business Combinations*" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) "*Consolidated and Separate Financial Statements*" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued by not yet effective:

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classificiation of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
I (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
I (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 February 2010.

3 Effective for annual periods beginning on or after 1 July 2010.

4 Effective for annual periods beginning on or after 1 January 2011.

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

IFRS 9 "*Financial Instruments*" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 "*Financial Instruments: Recognition and Measurement*" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Company's financial assets.

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

4. SEGMENT INFORMATION

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

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	**331,048**	165,653
Depreciation of property, plant and equipment	**18,982**	10,878
Foreign exchange losses -net	**5,133**	1,987
Release of prepaid lease payments	**162**	161
Research and development expenses	**4,092**	1,683
Operating lease rentals in respect of rented premises	**481**	440

6. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
PRC Enterprise Income Tax		
– Current period	**11,908**	—
Deferred taxation	**311**	1,950
	12,219	1,950

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 15% for the six months ended 30 June 2010 (2009: 15%) as certain of the Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions for both periods and withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities to non-PRC residents.

7. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Dividends recognised as distribution during the period:		
Final, paid RMB0.73 cent per ordinary share for 2009 (2008: nil)	**7,532**	—

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Profits		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**68,559**	4,430
Number of shares		
Weighted average number of ordinary share for the purpose of calculating basic and diluted earnings per share (note)	**1,031,738,000**	711,668,277

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

No diluted earnings per share for the six months ended 30 June 2009 was presented as there were no potential ordinary shares outstanding.

In calculating the weighted average number of ordinary shares for the purpose of calculating basic earnings per share, for the six months ended 3 June 2009:

— the shares that were issued on 30 October 2009 pursuant to capitalisation issue of shares are treated as if they had been in issue throughout the six months ended 30 June 2009; and

— preference shares outstanding at 30 June 2009 which shared similar characteristics of the ordinary shares, except for the liquidation preference and mandatorily convertible feature automatically upon the IPO, were considered as ordinary shares for the purpose of calculation of basic earnings per share.

9. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**93,739**	121,601
Utility deposits	**230**	656
Value-added-tax recoverable	**21,052**	39,162
Other receivables and prepayments	**6,842**	4,709
	121,863	166,128
Bills receivable	**67,379**	32,006

The Group requested prepayment from customers before delivery of goods and allows a credit period of 7 to 180 days on case-by-case basis. The following is an analysis of trade receivables by age, presented based on the invoice date.

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Age		
0 to 30 days	**64,521**	79,525
31 to 60 days	**25,719**	21,595
61 to 90 days	**747**	9,783
91 to 180 days	**1**	8,043
Over 180 days	**2,751**	2,655
	93,739	121,601

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

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Age		
0 to 30 days	**11,783**	—
31 to 60 days	**9,600**	6,893
61 to 90 days	**29,680**	—
91 to 180 days	**14,040**	25,113
Over 180 days	**2,276**	—
	67,379	32,006

10. TRADE AND OTHER PAYABLES

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**61,891**	76,680
Value-added tax payables	**344**	792
Payables for acquisition of property, plant and equipment	**82,611**	104,260
Other payables and accrued charges	**14,331**	16,805
	159,177	198,537

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

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 30 days	**22,113**	50,598
31 to 60 days	**20,129**	18,318
61 to 90 days	**14,567**	2,067
91 to 180 days	**1,613**	3,547
Over 180 days	**3,469**	2,150
	61,891	76,680

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We achieved the highest shipments in our Group's history during the Period. Overall shipment volume (including sales and processing services) for the Period was 85.3MW, up 218.3% year-on-year from 26.8MW for the corresponding period in 2009. The strong performance was attributable to Comtec's industry-leading brand recognition and cost advantages which best positioned us to capitalize on favorable industry demand. Our strong shipment volume during the Period as well as favourable feedback we received from our customers regarding our products were testimony to Comtec's strong market position, technology, quality, and value proposition. Based on current customer indications, we expect the strong market environment to continue through the end of 2010.

For the Period, demand from our customers for our quality 156 mm by 156 mm solar wafers was strong. Sales of our 156 mm by 156 mm monocrystalline solar wafers for the Period represented 80.7% of total revenues, up from 34.3% for the corresponding period in 2009. We also obtained pilot orders for our 210 mm by 210 mm wafers during the period. In an increasingly competitive market or solar products, we strive to differentiate ourselves by staying committed to offering value-added products with premium quality to our customers.

Our top five customers in the Period represented 68.5% of our total revenues, comparing to 62.8% in the corresponding period last year. Our largest customer accounted for approximately 19.8% of our total revenues in the Period while it represented approximately 26.8% in the corresponding period last year. During the Period, our sales to PRC and Taiwan based customers represented approximately 99.0% of our total revenue, comparing to 90.2% in the same period last year. We believe that the leading solar cell enterprises in PRC and Taiwan enjoy superior cost effectiveness compared to other market players, and thus it is our strategy to strengthen our business relationships with such leading solar cell companies with a view to create substantial value for the long-term development of the Group.

By leveraging our leading wafer manufacturing platform and a cost-competitive strategy, we have improved our profitability during the Period. Our gross profit for the Period was RMB98.0 million, up 426.9% year-on-year from RMB18.6 million for the corresponding period in 2009. The gross margin for the Period also improved to over 22.8% from 10.1% in the corresponding period last year. Our net profit for the Period was RMB68.6 million, up approximately 14.5 times year-on-year from RMB4.4 million for the corresponding period in 2009. The net margin for the Period expanded to over 16.0% from 2.4% in the corresponding period last year.

Our origin as a manufacturer of semiconductor wafers and ingots since 1999 has provided us with a strong technical background, which we have been able to utilize to attain high quality standards in the production of monocrystalline solar wafers. It has enabled us to keep improving the cost effectiveness of our production. Besides, we are committed to keep reducing the cost of production with our persistent dedication to technology and manufacturing process improvements and through supply chain and logistics management initiatives. Through the Company's diversified range of short, medium, and long-term supply contracts, our silicon costs remained competitive during the Period relative to the prevailing market spot price. Our average unit cost for polysilicon decreased by 47.5% from RMB649.4 per kilogram for the corresponding period in 2009 to RMB340.7 per kilogram for the Period.

In response to strong market demand and customer requests for our premium products, which have high value-added features and are technically advanced, such as our 156 mm by 156 mm solar wafers, we are in the process of expanding our manufacturing capacity to support our customers' growth and their growing demand for our products. Regarding our expansion from 200MW to 600MW, we will commence installation of the relevant equipment in September 2010 and we expect to complete the ramp-up of our annualized production capacity to 600MW before the end of this year. The expansion has experienced a delay from our original schedule primarily due to additional time required for construction of production facilities and the relevant infrastructure for the supply of electricity. We will further expand to 1,000 MW within 2011. We will update all shareholders when we have finalized all the details in relation to our expansion plan for 2011.

In addition to a generally favourable market environment, the expansion of production capacity, our ongoing efforts to reduce our manufacturing costs and increase our solar wafers' efficiencies and our concurrent expansion in research and development efforts have given us confidence about our future outlook. Looking ahead, we will continue to focus on improving our product quality and yield rates while reducing costs, securing long-term and strategic partnerships with leading solar cell enterprises and strengthening our risk control capabilities to further strengthen our competitive advantages. We 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. With strong performance achieved for the Period and solid strategies in place, we look forward to driving continued healthy growth for the Group in the future.

FINANCIAL REVIEW

REVENUE

Revenue increased by RMB244.8 million, or 132.8%, from RMB184.3 million for the corresponding period in 2009 to RMB429.1 million for the Period, primarily as a result of an increase in our sales volume, partially offset by a decrease in the average selling price of our solar products. The increase in our sales volume was generally due to the expansion of our annualized production capacity from 55 MW in the corresponding period in 2009 to 200 MW in the Period and the increase in customer demand for our monocrystalline solar products. The shipment volume (including both sales and processing services) of our solar products increased by 218.3% from 26.8 MW for the corresponding period in 2009 to 85.3 MW for the Period.

For the Period, sales of our 156 mm by 156 mm monocrystalline solar wafers comprised 80.7% of total revenues and sales of our 125 mm by 125 mm monocrystalline solar wafers comprised 19.1% of total revenues. In aggregate, solar wafer sales comprised 99.8% of our total sales, as compared to 82.0% for the corresponding period in 2009.

Sales of 156 mm by 156 mm monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB282.7 million, or 445.9%, from RMB63.4 million for the corresponding period in 2009 to RMB346.1 million for the Period, primarily as a result of an increase of sales volume by 526.5% from 9.8MW for the corresponding period in 2009 to 61.4MW for the Period, partially offset by a decrease in our average unit price for this product by 13.8% from RMB6.5 per watt for the corresponding period in 2009 to RMB5.6 per watt for the Period.

Sales of 125 mm by 125 mm monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB6.0 million, or 6.8%, from RMB87.8 million for the corresponding period in 2009 to RMB81.8 million for the Period, primarily as a result of a decrease in our average unit price for this product by 22.1% from RMB6.8 per watt for the corresponding period in 2009 to RMB5.3 per watt for the Period, partially offset by an increase in our sales volume by 18.5% from 13.0 MW for the corresponding period in 2009 to 15.4 MW for the Period.

Sales of solar ingots and semiconductor products and other revenues

There was no revenue from sales of Ingots or sales of semiconductor products for the Period. Our other revenues was RMB1.2 million for the Period decreased from RMB5.7 million for the corresponding period in 2009. It is our strategy to focus on sales of solar wafers and thus we internally consumed the solar ingots for production of wafers and temporarily suspend the production of semiconductor products during the Period.

In terms of the geographic markets from which our revenue was generated, approximately 99.0% of total revenue for the Period was generated from sales to our PRC and Taiwan-based customers (2009: 90.2%). Remaining portion was generated from sales to our oversea customers, who are mainly based in Germany.

Cost of sales

Cost of sales increased by RMB165.3 million, or 99.8%, from RMB165.7 million for the corresponding period in 2009 to RMB331.0 million for the Period, primarily as a result of an increase in sales volume, partially offset by a decrease in the prices of polysilicon and the improvement in our production efficiency during the Period. The average prices of polysilicon we purchased during the Period was RMB340.7 per kilogram, decreased 47.5% from the average prices of RMB649.4 per kilogram for the corresponding period in 2009.

Gross profit

Gross profit increased by RMB79.4 million, or 426.9%, from RMB18.6 million for the corresponding period in 2009 to RMB98.0 million for the Period, primarily as a result of the foregoing.

Other income

Other income increased by RMB3.8 million, or 92.7%, from RMB4.1 million for the corresponding period in 2009 to RMB7.9 million for the Period, primarily due to government subsidies received during the Period.

Other expenses

Other expenses increased by RMB0.2 million, or 13.3%, from RMB1.5 million for the corresponding period in 2009 to RMB1.7 million for the Period, which was primarily due to the increase in the share-based payments expense but partially offset by the decrease in legal and professional fees which was incurred in relation to the Global Offering for the corresponding period in 2009.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB0.4 million, or 33.3% from RMB1.2 million for the corresponding period in 2009 to RMB0.8 million for the Period, primarily due to a strong demand for our products and favorable market environment during the period which enable us to reduce the sales and marketing expenses.

Administrative and general expenses

Administrative and general expenses increased by RMB9.4 million, or 100%, from RMB9.4 million for the corresponding period in 2009 to RMB18.8 million for the Period, primarily as a result of the significant growth in the scale of our operations during the Period.

Interest expenses

Interest expenses in relation to bank loans decreased by RMB0.4 million, or 9.5%, from RMB4.2 million for the corresponding period in 2009 to RMB3.8 million for the Period, primarily as a result of a decrease in the principal amount of our outstanding bank loans.

Profit before taxation

Profit before taxation increased by RMB74.4 million, or 11.6 times, from RMB6.4 million for the corresponding period in 2009 to RMB80.8 million for the Period, as a result of the foregoing.

Taxation

Taxation increased from RMB2.0 million for the corresponding period in 2009 to RMB12.2 million for the Period, primarily as a result of the increase in our profit before taxation. Our effective tax rate was 15.1% for the Period, decreased from 30.6% for the corresponding period in 2009. Higher effective tax rate for the corresponding period in 2009 was primarily due to the lower profit before taxation of Comtec Solar (Shanghai), which accounted for most of our profit before taxation and the increase in general and administrative expenses and the expenses incurred in relation to the Global Offering by the Company, which were not deductible against the profit before taxation of Comtec Solar (Shanghai). The Global Offering took place in 2009 and hence no expense in relation to the Global Offering had been incurred in 2010. As a result, our effective tax rate for the Period was lower as compared to that of the corresponding period in 2009.

Profit for the period

Net profit increased by RMB64.2 million, or 14.5 times, from RMB4.4 million for the corresponding period in 2009 to RMB68.6 million for the Period, as a result of the foregoing. Net profit margin increased from 2.4% for the corresponding period in 2009 to 16.0% for the Period.

Inventory turnover days

The inventories of the Group mainly comprised raw materials (namely polysilicon, crucibles and other auxiliary materials), work-in-progress and finished goods. The inventory turnover days as at 30 June 2010 was 59 days (31 December 2009: 88 days). Unless attractive offers from our suppliers are available and we take advantage of such offers by stocking up our inventories, we target to maintain an inventory level that is approximately one to two months of our sales volume to meet the Group's production requirements.

Trade receivable turnover days

The trade receivable turnover days as at 30 June 2010 was 68 days (31 December 2009: 88 days). The decrease in turnover days was mainly due to the improvement of payment terms under the strong market environment and our receivable turnover days was within the credit periods of the Group grants to its customers. The Group normally grants a credit period of 7 to 180 days to its customers.

Trade payable turnover days

The trade payable turnover days as at 30 June 2010 was 34 days (31 December 2009: 62 days). The decrease in turnover days was mainly due to the change of payment terms under the strong market environment.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings and the proceeds from the Global Offering. As at 30 June 2010, the Group's current ratio (current assets divided by current liabilities) was 2.4 (31 December 2009: 2.2) and it was in a net cash position. The Group's financial position remains healthy. As at 30 June 2010, the Group was in a net cash position of RMB172.6 (31 December 2009: net cash of RMB253.2) which included cash and cash equivalent of RMB272.1 million (31 December 2009: RMB399.2 million) and short-term bank loans of RMB99.5 million (31 December 2009: RMB146.0 million). The Group's net debt to equity ratio (net debt divided by shareholders' equity) changed from -23.9% as at 31 December 2009 to -15.3% as at 30 June 2010, the minus signs represented the net cash position as at 30 June 2010.

Contingent liabilities

As at 30 June 2010, there was no material contingent liability.

Charges on group assets

During the period ended 30 June 2010, the Group entered into an arrangement with one established commercial bank in the PRC that the Group borrowed six months United States dollars ("USD") loans from this bank for settlement of its payables denominated in USD. At the same time, the Group (a) placed six months fixed deposits (amounted to the RMB equivalent of the respective amounts of USD loans plus a fixed interest at a rate of 1.07% to 1.25% per annum thereon) to the same bank as security against the USD loans, and (b) entered into forward contract with the bank to purchase USD (amounted to the USD loan plus interests thereon) by RMB at predetermined forward rates.

As at 30 June 2010, fixed deposits denominated in Renminbi ("RMB") of approximately RMB9,518,000 and the USD loan of approximately RMB9,473,000 are included in pledged bank deposits and bank borrowings, respectively.

As at 30 June 2010, except for the restricted cash of approximately RMB9,518,000, the Group pledged its buildings having net book values of approximately RMB30,000,000 (31 December 2009: buildings having net book values of approximately RMB79,691,000 and construction in progress having net book values of approximately RMB10,804,000) to a bank to secure banking facilities granted to the Group.

Save as disclosed above as at 30 June 2010, no Group asset was under charge to any financial institution.

Material acquisitions or disposals of subsidiaries and associated company

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

Human Resources

As at 30 June 2010, the Group had 767 employees (30 June 2009: 496). The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

CORPORATE GOVERNANCE CODE

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

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. John Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director 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 Mr. John Zhang, the chairman and an executive Director of the Company, has been appointed as a director of 卡姆丹克太陽能(江蘇)有限公司 (Comtec Solar (Jiangsu) Company Limited*) and 卡姆丹克新能源科技(上海)有限公司 (Comtec New Energy (Shanghai) Limited*), two indirect subsidiaries of our Company. Further, Mr. Leung Ming Shu, our independent non-executive Director, has advanced from an associate member to a fellow member of HKICPA. Mr. Kang Sun, our independent non-executive director, has been appointed as a director at DayStar technologies Inc. (ticker symbol: DSTI), a company listed on the NASDAQ. Mr. Sun has also been appointed as the CEO of Amprius, Inc.

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 for the Period.

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 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 for the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong 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 of the Company and available on the same websites in due course.

DEFINITIONS

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

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Global Offering"	the global 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
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Period"	six months ended 30 June 2010

"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
"*"	For identification only

By order of the board of
Comtec Solar Systems Group Limited
John Zhang
Chairman

Shanghai, the People's Republic of China, 16 August 2010

As at the date of this announcement, the Directors of the Company are Mr. John ZHANG, Mr. CHAU Kwok Keung and Mr. SHI Cheng Qi as executive Directors, Mr. Mr. Chun Shing Vincent PHEN as non-executive Director, and Mr. Daniel DeWitt MARTIN, Mr. Kang SUN and Mr. LEUNG Ming Shu as independent non-executive Directors.