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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Revenue for the year was approximately RMB937.5 million, representing a year-on-year decrease of 8.6% from approximately RMB1,025.6 million for the year ended 31 December 2012;
- Gross profit for the year was approximately RMB75.0 million, representing a year-on-year decrease of 10.2% from RMB83.5 million for the year ended 31 December 2012;
- Gross profit margin for the year was approximately 8.0%, being no material difference from 8.1% for the year ended 31 December 2012;
- Net loss for the year was approximately RMB133.1 million, decreased from the net loss of RMB165.1 million for the year ended 31 December 2012, which was mainly due to other losses, expenses and provision of approximately RMB136.5 million for the year ended 31 December 2013, mainly attributable to the impairment losses on advance to suppliers;
- Net loss margin for the year was approximately 14.2%, decreased from 16.1% for the year ended 31 December 2012;
- Our loss per share for the year was RMB10.18 cents, decreased from the loss per share of RMB14.55 cents for the year ended 31 December 2012, which was mainly due to other losses, expenses and provision of approximately RMB136.5 million for the year ended 31 December 2013, mainly attributable to the impairment losses on advance to suppliers;
- Total wafer shipments for the year was approximately 396.9MW, increased by 17.3% from 338.4MW in 2012;

- Achieved cash inflow from operating activities of approximately RMB58.8 million during the year;
- Maintained cash and restricted cash balances of approximately RMB334.5 million and in net cash position as at 31 December 2013; and
- Raised funding of approximately HK$203.8 million on 22 January 2013 by issuing new Shares by way of placing.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the audited annual results of the Group for the year ended 31 December 2013. During the year, capacity rationalization continued in the industry. Lower PV system costs drove continuous market growth. We achieved year-on-year growth in the shipments, continued to diversify the customer base of our premium products "Super Mono Wafers", expanded production capacity, achieved reasonable gross profit margins, generated cash inflow from operating activities and maintained healthy financial position.

Here are some financial and business highlights for the year:

- Revenue for the year was approximately RMB937.5 million, representing a year-on-year decrease of 8.6% from approximately RMB1,025.6 million for the year ended 31 December 2012;
- Gross profit for the year was approximately RMB75.0 million, representing a year-on-year decrease of 10.2% from RMB83.5 million for the year ended 31 December 2012;
- Gross profit margin for the year was approximately 8.0%, being no material difference from 8.1% for the year ended 31 December 2012;
- Net loss for the year was approximately RMB133.1 million, decreased from the net loss of RMB165.1 million for the year ended 31 December 2012, which was mainly due to other losses, expenses and provision of approximately RMB136.5 million for the year ended 31 December 2013, mainly attributable to the impairment losses on advance to suppliers;
- Net loss margin for the year was approximately 14.2%, decreased from 16.1% for the year ended 31 December 2012;
- Our loss per share for the year was RMB10.18 cents, decreased from the loss per share of RMB14.55 cents for the year ended 31 December 2012, which was mainly due to other losses, expenses and provision of approximately RMB136.5 million for the year ended 31 December 2013, mainly attributable to the impairment losses on advance to suppliers;

- Total wafer shipments for the year was approximately 396.9MW, increased by 17.3% from 338.4MW in 2012;

- Achieved cash inflow from operating activities of approximately RMB58.8 million during the year;

- Maintained cash and restricted cash balances of approximately RMB334.5 million and in net cash position as at 31 December 2013; and

- Raised funding of approximately HK$203.8 million on 22 January 2013 by issuing new Shares by way of placing.

During the year, our wafer shipments increased by approximately 17.3% from 338.4MW in 2012 to 396.9MW in 2013. With the continuous cost reduction and improvement of conversion efficiency, our customers increasingly realized the benefits of buying high efficient "Super Mono Wafers" to assist them to reduce the overall system costs and to strengthen their competitive advantages. It continuously strengthens the demand on our high efficient solar products. Based on the feedback from our major customer, the conversion efficiency of solar cell with our "Super Mono Wafers" exceeded 24%. The thickness of such wafers is now reduced to below 150 micron. We expect specifications and cost competitiveness of Super Mono Wafers would further improve in the coming few years.

We keep working on the qualification process with other potential customers and completed the diamond wire wafer qualification procedures with a reputable Japan customer during first half of 2013. We also signed a long term sales agreement with Mission Solar Energy LLC ("Mission Solar") in December 2013 in relation to our sales of "Super Mono Wafers" in 2014–2017 of approximately 500MW in terms of volume. We expect the shipments to new customers would keep increasing from 2014 onwards. Our ability to manufacture more advanced and efficient products made us one of the few companies being qualified by worldwide leading solar cell companies to provide "Super Mono Wafers" in the industry. It differentiates us in the market and strengthens the barrier to entry to our business.

Further, we continued to execute our cost reduction strategy. Our continual efforts to improve technology, manufacturing process and conversion efficiency of our wafers enabled us to reduce our costs of production. We expect to see further costs reduction in the coming few 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 focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive landscape of solar industry. We would also leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for customers. This strategy enabled us to achieve reasonable profit margin and would ensure our long term sustainability.

It is clear that strict financial discipline is essential to success and we believe diligence in financial matters will separate the winners from the rest. On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK$1.74 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK$1.74 per Share. The subscription price for the subscription represents a discount of 7.5% to the closing price of HK$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2012. The net placing price, after deduction of placing commission and all other fees and expenses, was HK$1.7 per Share. Approximately HK$203.8 million was raised from the placing to fund the Group's capital expenditure and general working capital. Further details of the transactions are set out in the Company's announcement dated 22 January 2013. We believe this support from respectable institutional investors is a clear sign of confidence in our long term growth potential.

During the year, we also recorded cash inflow from operating activities of approximately RMB58.8 million. Coupled with the sounding cash flow from our operating activities and our disciplined financial and operational initiatives, we were one of the few solar companies which maintained net cash position by the end of 2013. Our healthy financial status positions us well to manage the risks arising from the industry consolidation and lays foundation for our sustainable and long term growth. It helps to fund our business developments and enables us to take advantages of the numerous opportunities emerging in the industry.

We expect the global demand for solar energy would continue to increase in 2014. We believe we are particularly well positioned with our strong financial position, competitive cost structure and our strong technical capabilities to benefit from the emerging opportunities. We are continuously evaluating the market environment and the equipment pricing to maximize our benefits from the consolidation of production capacity in the industry. We are in the process to set up production facilities of approximately 300MW in Malaysia which would enable the Group to lower production costs and to expand our scale of operation. We would ramp up the capacity during first half of 2014. The strategy to expand production capacity in Malaysia not only helps us to lower our production cost and to increase production capacity, it also enables us to help our customers to mitigate their risks and costs in relation to international trade conflicts between China and overseas countries. We expect the uncertainties from potential trade conflicts would continue to exist. We are one of the few PRC based companies with production facilities in overseas countries and we would benefit from the pioneer advantages.

During the year, there were further decreases in module and total system costs. It had accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The cost of solar power is now below user-paid rates for increasing number of markets and user categories. We believe that lower PV system costs will drive the adoption of solar power and long-term market growth. While China, Japan and the United States represent the strongest expanding end markets for solar energy, we see a ramping up in PV adoption and planning in emerging markets in Australia, Africa, the Southeast Asia and the Middle East. We are also excited to see the increasing commitments on solar power from various emerging markets. We expect that Japan, for example, will be an important market to us as few suppliers can meet the rigorous standards of Japanese customers for product quality and reliabilities. Going forward, we expect 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 further strengthen the competitive advantages of our core wafer business where we have demonstrated solid track records. We are also confident to capture enormous opportunities during the industry consolidation process and to drive continued and 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.

John Zhang
Chairman

Shanghai, 25 March 2014

ANNUAL RESULTS

The Board of Comtec Solar Systems Group Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2013, together with the comparative figures for the corresponding year in 2012. These results have been reviewed by the Company's audit committee, comprising all the independent non-executive Directors, one of whom chairs the audit committee and a non-executive Director.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**937,479**	1,025,615
Cost of sales		**(862,511)**	(942,163)
Gross profit		**74,968**	83,452
Other income		**7,452**	48,015
Other gains and losses, expenses and provision	*4*	**(136,536)**	(190,931)
Distribution and selling expenses		**(11,478)**	(4,751)
Administrative expenses		**(48,161)**	(60,578)
Finance costs		**(18,585)**	(39,036)
Loss before taxation	*5*	**(132,340)**	(163,829)
Taxation	*6*	**(737)**	(1,220)
Loss and total comprehensive expense for the year, attributable to the owners of the Company		**(133,077)**	(165,049)
		RMB cents	*RMB cents*
Loss per share			
— Basic	*7*	**(10.18)**	(14.55)
— Diluted	*7*	**(10.18)**	(14.55)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**828,609**	796,195
Prepaid lease payments-non-current		**28,496**	20,556
Prepaid assignment fee-non-current	11	**197,953**	–
Deposits paid for acquisition of property, plant and equipment		**154,167**	6,927
Advance to suppliers		**168,926**	355,137
Deferred tax assets		**638**	638
Held-to-maturity investments		**14,105**	–
Other financial instruments		**38,673**	26,491
		1,431,567	1,205,944
Current assets			
Inventories	8	**383,626**	295,864
Trade and other receivables	9	**287,309**	295,567
Bills receivable	9	**63,412**	28,808
Advance to suppliers		**71,788**	70,186
Prepaid lease payments – current		**600**	458
Prepaid assignment fee – current		**15,438**	–
Tax recoverable		**–**	3,690
Pledged bank deposits		**1,019**	172,866
Bank balances and cash		**330,773**	342,381
		1,153,965	1,209,820
Assets classified as held for sale		**23,013**	24,335
		1,176,978	1,234,155
Current liabilities			
Trade and other payables	10	**322,437**	384,666
Customers' deposits received		**19,216**	2,368
Short-term bank loans		**436,067**	470,100
Tax liabilities		**270**	–
Deferred revenue		**287**	287
		778,277	857,421
Liabilities associated with assets classified as held for sale		**81**	336
		778,358	857,757
Net current assets		**398,620**	376,398
Total assets less current liabilities		**1,830,187**	1,582,342

	NOTE	**2013** *RMB'000*	2012 *RMB'000*
Capital and reserves			
Share capital		**1,157**	1,039
Reserves		**1,523,656**	1,463,647
Total equity		**1,524,813**	1,464,686
Non-current liabilities			
Deferred tax liabilities		**9,568**	9,569
Customers' deposits received-non-current	*11*	**197,953**	–
Long-term bank loans		**7,889**	13,112
Provision for onerous contracts		**39,107**	39,107
Warrants		**45,700**	39,400
Other financial instruments		**–**	11,024
Deferred revenue		**5,157**	5,444
		305,374	117,656
		1,830,187	1,582,342

NOTES TO THE 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 ("Fonty") incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Zhang ("Mr. Zhang") who is the Chief Executive and director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

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 and provision of processing services for the solar products.

The consolidated financial statements are presented in Renminbi ("RMB"), the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs, standards and interpretations issued by the International Accounting Standards Board ("IASB").

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of other amendments to IFRSs, standards and interpretations in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC-21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2010–2012 Cycle

The *Annual Improvements to IFRSs 2010–2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2010–2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011–2013 Cycle

The *Annual Improvements to IFRSs 2011–2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

— the property meets the definition of investment property in terms of IAS 40; and

— the transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2011–2013 Cycle* will have a material effect on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of IFRS 9 will have a material effect on the Group's consolidated financial statements.

Other than discussed above, the directors of the Company do not anticipate that the application of the amendments to IFRSs, standards and interpretations will have any significant impact on the Group's financial results and financial position.

3. SEGMENT INFORMATION

The Group is mainly operating in manufacturing and sales of solar wafers and related products and provision of processing services for the solar products. Mr. Zhang, the chief operating decision maker of the Group, regularly reviews revenue analysis and the results 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 and reportable segment for financial reporting purpose. The Group's segment loss is the loss before taxation of the Group.

Entity-wide disclosures

Revenue analysis

The following table sets forth a breakdown of the Group's revenue from manufacturing and sales of solar wafers and related products and provision of processing services for the year:

	2013	2012
	RMB'000	*RMB'000*
Manufacturing and sales of solar products:		
Monocrystalline solar wafers	**637,270**	851,397
Monocrystalline solar ingots	**2,420**	5,128
	639,690	856,525
Others *(note)*	**295,351**	169,090
	935,041	1,025,615
Provision of processing services:		
Processing service for solar products	**2,438**	–
Total revenue	**937,479**	1,025,615

Note: Included revenue mainly from sale of materials, such as monocrystalline silicon and recyclable silicon.

Revenue reported above represents revenue generated from external customers.

Revenue and assets analysed by place of domicile of group entities

	2013	2012
	RMB'000	*RMB'000*
Place of domicile of group entities:		
The PRC	**285,405**	225,495
Other countries/places:		
Philippines and Malaysia	**587,311**	796,873
Japan	**39,673**	1,133
Singapore	**22,665**	5
Other countries *(note)*	**2,425**	2,109
Total revenue	**937,479**	1,025,615

Note: The customers located in other countries/places are mainly from other Asian countries, Germany and the United States of America.

Information about major customers

Details of the customers accounting for 10% or more of total revenue of the Group are as follows:

	2013	2012
	RMB'000	*RMB'000*
Customer A	**587,252**	796,873

All of the Group's non-current assets, including property, plant and equipment, prepaid lease payments, deposits paid for acquisition of property, plant and equipment and advance to suppliers, prepaid assignment fee, held-to-maturity investments and other financial investments are located in the group entities' countries of domicile, the PRC and Malaysia, at the end of each reporting period.

4. OTHER GAINS AND LOSSES, EXPENSES AND PROVISION

	2013	2012
	RMB'000	*RMB'000*
Net foreign exchange losses	**(3,269)**	(5,459)
Loss on disposal of property, plant and equipment	**(48)**	(4,878)
(Loss) gain on fair value changes of 2012 Warrants	**(6,300)**	19,900
Gain (loss) on fair value changes of other financial instruments	**23,206**	(11,024)
Impairment losses recognised in respect of advance to suppliers	**(126,781)**	–
Impairment losses recognised in respect of other receivables	**(5,615)**	
Other provision	**(4,084)**	–
Impairment losses recognised in respect of value-added taxes recoverable	**(13,645)**	–
Loss on fair value changes of Call Option	**–**	(1,965)
Loss on fair value changes of 2011 Warrants	**–**	(9,800)
Loss on redemption of convertible bonds and cancellation of warrants	**–**	(177,705)
	(136,536)	(190,931)

5. LOSS BEFORE TAXATION

	2013	2012
	RMB'000	*RMB'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration *(note (i))*	**4,857**	7,171
Other staff costs	**46,845**	46,104
Other staff's retirement benefits scheme contributions	**6,883**	6,702
Share-based payments expense for other staff and consultants *(note (i))*	**2,543**	16,659
Total staff costs	**61,128**	76,636
Auditor's remuneration	**953**	1,094
Non-audit service fees	**800**	746
	1,753	1,840
Cost of inventories recognised as expense *(note (ii))*	**862,511**	942,163
Depreciation of property, plant and equipment	**82,231**	76,990
Release of prepaid lease payments	**854**	854
Research and development expenses	**8,082**	7,841
Operating lease rentals in respect of rented premises	**1,440**	1,522

Notes

i. During the year ended 31 December 2013, share-based payments expenses included in directors' remuneration, other staff costs and expenses to consultants which were recognised in administrative expenses in respect of share options of the Company granted were approximately RMB3,875,000 (2012: RMB20,301,000).

ii. Included in cost of inventories recognised as expense represented write-down of inventories of approximately RMB948,000 (2012: RMB5,084,000) to their net realisable values.

6. TAXATION

	2013	2012
	RMB'000	*RMB'000*
Current tax:		
Hong Kong Profits Tax	**–**	291
PRC Enterprise Income Tax		
— Current year	**738**	3,695
— Overprovision in prior years	**–**	(2,826)
	738	1,160
Deferred tax charge:		
— Current year	**(1)**	60
	737	1,220

No Hong Kong Profits Tax was provided for the year ended 31 December 2013 as the group entities either had no relevant assessable profits or incurred tax losses Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2012.

PRC income tax is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

7. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(133,077)**	(165,049)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,307,582,742**	1,134,574,932

Outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's loss per share for the year ended 31 December 2013 and 31 December 2012 as their exercise prices were higher than the average market prices of the Company or they will decrease the loss per share of the Company.

The Company's outstanding 2012 Warrants did not have a dilutive effect on the Company's loss per share for the year ended 31 December 2013 because their potential conversion to ordinary shares would decrease the loss per share. The Company's outstanding 2012 Warrants did not have a dilutive effect on the Company's loss per share for the year ended 31 December 2012 since their exercise price was higher than the average market prices of the Company's shares during the year and the period from the issue of the 2012 Warrants, i.e. 14 March 2012 to 31 December 2012.

The Company's outstanding 2011 Warrants did not have a dilutive effect on the Company's loss per share during the year ended 31 December 2012 because the exercise prices of the 2011 Warrants were higher than the average market prices of the Company during the reporting period, the period from, i.e. 1 January 2012 to 9 November 2012.

The Company's outstanding convertible bonds did not have a dilutive effect on the Company's loss per share during the year ended 31 December 2012 because their potential conversion to ordinary shares would decrease the loss per share.

8. INVENTORIES

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**219,080**	177,870
Work-in-progress	**77,532**	45,038
Finished goods	**87,014**	72,956
	383,626	295,864

9. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**174,411**	163,703
Utility deposits	**3,489**	5,903
Value-added-tax recoverable	**82,612**	116,939
Other receivables and prepayments	**26,797**	9,022
	287,309	295,567
Bills receivable	**63,412**	28,808

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 aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013	2012
	RMB'000	*RMB'000*
Age		
0 to 30 days	**62,024**	43,054
31 to 60 days	**74,290**	78,031
61 to 90 days	**34,810**	17,464
91 to 180 days	**84**	21,554
Over 180 days	**3,203**	3,600
	174,411	163,703

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately RMB3,203,000 (2012: RMB3,600,000) which are past due as at the reporting date for which the Group has not provided for impairment losses as it has been substantially settled subsequent to 31 December 2013. The Group did not hold collateral over these balances. The average age of these receivables is 270 days. The majority of the balances are settled after the reporting period.

The following is an aged analysis of bills receivable presented based on respective issue dates at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
Age		
0 to 30 days	**180**	16,344
31 to 60 days	**7,600**	3,075
61 to 90 days	**11,693**	7,000
91 to 180 days	**40,939**	2,389
Over 180 days	**3,000**	–
	63,412	28,808

No interest is charged on the trade receivables and bills receivable. The Group has provided fully for all receivables over 365 days as historical experience indicates that such amount may not be recoverable. Trade receivables and bills receivable aged between 30 and 365 days are provided for based on estimated irrecoverable amounts from the sales of goods, determined by reference to subsequent settlement, past default experience and objective evidence of impairment.

At the end of each reporting period, the Group has not provided for trade receivables and bills receivable that are neither past due nor impaired as the debtors have no default history and of good credit quality.

Included in the Group's allowance for doubtful debts are individually impaired trade receivables with an aggregate carrying amount of approximately RMB2,744,000 as at 31 December 2013 and 31 December 2012 which are past due as at the end of each reporting period. The Group did not make any impairment losses during the year ended 31 December 2013 and 31 December 2012.

Movement in the allowance for other receivables and value-added taxes recoverable:

	RMB'000
Balance at 1 January 2012, 31 December 2012 and 1 January 2013	–
Impairment losses recognised in profit or loss	19,260
Balance at 31 December 2013	19,260

The Group did not hold any collateral over the balance at the end of each reporting period.

In determining the recoverability of the trade and bills receivables, the Group reassesses any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the directors of the Company believe that no further allowance is required.

The Group's trade and other receivables and bills receivable that were denominated in United States dollars ("USD"), the foreign currencies of the relevant group entities, were re-translated into RMB and stated for financial reporting purposes as:

	2013	2012
	RMB'000	*RMB'000*
Trade and other receivables denominated in USD	**163,495**	130,105
Trade and other receivables denominated in JPY	**8,543**	—

10. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**278,805**	249,221
Payables for acquisition of property, plant and equipment	**23,973**	20,415
Other payables and accrued charges	**19,659**	15,022
Outstanding Principal Payments	**–**	100,008
	322,437	384,666

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

	2013	2012
	RMB'000	*RMB'000*
Age		
0 to 30 days	**123,180**	59,454
31 to 60 days	**71,727**	40,436
61 to 90 days	**51,294**	46,787
91 to 180 days	**31,107**	77,720
Over 180 days	**1,497**	24,824
	278,805	249,221

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

The Group's trade and other payables that were denominated in Malaysis Ringgit ("MYR"), USD, and Japanese Yen ("JPY") the foreign currencies of the relevant group entities, were re-translated into RMB and stated for reporting purposes as:

	2013	2012
	RMB'000	*RMB'000*
Trade and other payables denominated in:		
MYR	**4,236**	–
USD	**219,558**	192,271
JPY	**1,125**	219

11. MAJOR CONTRACTS

On 27 December 2013, a wholly-owned subsidiary of the Company, namely Comtec Solar (Hong Kong) Limited ("Comtec Solar HK"), entered into a wafer supply agreement (the "Wafer Supply Agreement") with Mission Solar Energy LLC, a Delaware limited liability company ("Mission") which is an independent third party, pursuant to which Comtec Solar HK will supply solar wafers with capacity of approximately 500MW to Mission from June 2014 to July 2017 at pre-determined delivery schedule and supply price.

In addition, Mission paid non-refundable deposits of USD35 million (equivalent to approximately RMB213,391,000) to Comtec Solar HK which the amount will be used to offset the related consideration payable from June 2014 to July 2017 upon delivery of the solar wafers under the Wafer Supply Agreement. As a result, the Group recognised such deposits as customers' deposits received in the consolidated statement of financial position. At 31 December 2013, the directors of the Company estimate the amount of advances that is expected to be settled by the offset of the sales of the agreed contract quantity in the next twelve months and classify it as current liability. The remaining balance is classified as non-current liability in the consolidated statement of financial position.

Carrying amounts of customers' deposits received:

	RMB'000
Within one year	15,438
One to two years	51,996
More than two years, but not exceeding five years	145,957
	213,391
Less: Amounts due within one year shown under current liabilities	(15,438)
Amounts shown under non-current liabilities	197,953

Immediately before the conclusion of the Wafer Supply Agreement between Comtec Solar (HK) and Mission, Comtec Solar (HK) entered into an agreement with an independent third party (the "Assignor" or the former seller of Mission) and paid an amount of USD35 million (equivalent to approximately RMB213,391,000) to the Assignor as an assignment fee that Comtec Solar (HK) assumed obligations as seller and the Assignor assigned its rights to Comtec Solar (HK) under the Wafer Supply Agreement over the relevant contractual period.

The Group recognised such prepaid assignment fee in the consolidated statement of financial position. At 31 December 2013, the directors of the Company estimate the amount of assignment fee that is expected to be released to the consolidated statement of profit or loss and other comprehensive income over the sales of the agreed contract quantity in the next twelve months and classify it as current asset. The remaining balance is classified as non-current asset in the consolidated statement of financial position.

Carrying amounts of prepaid assignment fee:

	RMB'000
Current portion	15,438
Non-current portion	197,953
	213,391

The directors of the Company assessed sufficiency of provision for onerous contract in relation to the Wafer Supply Agreement periodically.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The photovoltaics industry continued capacity rationalization in 2013. Uncertainties from potential international trade conflicts between China and overseas countries intensified. Despite the challenges facing the market, we see continuous increase in global demand for solar energy, selling price of solar products stabilized and further signs of industry consolidation. A large number of solar companies shut down operations or became financially insolvent, which reduced industry over-capacity. The credit environment, particularly in China, has become more disciplined leading to heavily debt-leveraged companies getting more difficult to survive. Only cost-effective leaders can maintain reasonable profit margin and solid financial positions. We are optimistic to the development of solar industry.

During the year, our wafer shipments increased approximately by 17.3% from 338.4MW in 2012 to 396.9MW in 2013. With the continuous cost reduction and improvement of conversion efficiency, our customers increasingly realized the benefits of buying high efficient "Super Mono Wafers" to assist them to reduce the overall system costs and to strengthen their competitive advantages. It continuously strengthens the demand on our high efficient solar products. Based on the feedback from our major customer, the conversion efficiency of solar cell with our "Super Mono Wafers" exceeded 24%. The thickness of such wafers is now reduced to below 150 micron. We expect specifications and cost competitiveness of Super Mono Wafers would further improve in the coming few years.

Revenues from our top five customers in 2013 represented approximately 75.9% of our total revenues, comparing to approximately 85.7% in the last year. The sales to our largest customer in Philippines and Malaysia with the high quality "Super Mono Wafers" accounted for approximately 62.6% of our total revenues in 2013 as compared to approximately 77.7% in 2012. The remaining of our sales in 2013 was mainly shipped to PRC and Japan. During the year, we mainly focused on the limited number of prestige customers with sounding financial positions.

We kept working on the qualification process with other potential customers and completed the diamond wire wafer qualification procedures with a reputable Japan customer during first half of 2013. We also signed a long term sales agreement with Mission Solar in December 2013 in relation to our sales of "Super Mono Wafers" in 2014–2017 of approximately 500MW in terms of volume. We expect the shipments to new customers would keep increasing from 2014 onwards. Our ability to manufacture more advanced and efficient products made us one of the few companies being qualified by worldwide leading solar cell companies to provide "Super Mono Wafers" in the industry. It differentiates us in the market and strengthens the barrier to entry to our business.

Further, we continued to execute our cost reduction strategy. Our continual efforts to improve technology, manufacturing process and conversion efficiency of our wafers enabled us to reduce our costs of production. We expect to see further costs reduction in the coming few 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 focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive landscape of solar industry. We would also leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for customers. This strategy enabled us to achieve reasonable profit margin and would ensure our long term sustainability.

We also benefited from the decrease in polysilicon prices in 2013. During the year, we actively renegotiated with our major polysilicon suppliers and were able to lower our average cost of polysilicon to approximately RMB136.6 per kg, decreased from RMB171.6 per kg in 2012. We will continue to focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive industry environment.

During the year, we also recorded cash inflow from operating activities of approximately RMB58.8 million. Coupled with the sounding cash flow from our operating activities and our disciplined financial and operational initiatives, we were one of the few solar companies which maintained net cash position by the end of 2013. Our healthy financial status positions us well to manage the risks arising from the industry consolidation and lays foundation for our sustainable and long term growth. It helps to fund our business developments and enables us to take advantage of the numerous opportunities emerging in the industry.

It is clear that strict financial discipline is essential to success and we believe diligence in financial matters will separate the winners from the rest. On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK$1.74 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK$1.74 per Share. The subscription price for the subscription represents a discount of 7.5% to the closing price of HK$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2012. The net placing price, after deduction of placing commission and all other fees and expenses, was HK$1.7 per Share. Approximately HK$203.8 million was raised from the placing to fund the Group's capital expenditure and general working capital. Further details of the transactions are set out in the Company's announcement dated 22 January 2013. We believe this support from respectable institutional investors is a clear vote of confidence in our long term growth potential.

We expect the global demand for solar energy would continue to increase in 2014. We believe we are particularly well positioned with our strong financial position, competitive cost structure and our strong technical capabilities to benefit from the emerging opportunities. We are continuously evaluating the market environment and the equipment pricing to maximize our benefits from the consolidation of production capacity in the industry. We are in the process to set up production facilities of approximately 300MW in Malaysia which would enable the Group to lower production costs and to increase our scale of operation. We would ramp up the capacity during first half of 2014. The strategy to expand production capacity in Malaysia not only helps us to lower our production cost and to increase production capacity, it also enables us to help our customers to mitigate their risks and costs in relation to international trade conflicts between China and overseas countries. We expect the uncertainties from potential trade conflicts would continue to exist. We are one of the few PRC based companies with production facilities in oversea countries and we would benefit from the pioneer advantages.

During the year, there were further decreases in module and total system costs. It had accelerated the industry's progress towards grid-parity and the installation of PV systems becoming increasingly affordable. The cost of solar power is now below user-paid rates for increasing number of markets and user categories. We believe that lower PV system costs will drive the adoption of solar power and long-term market growth. In 2014, we are optimistic that solar PV demand will continue to be strong and expect China, Japan, the United States as well as the broader Asia Pacific region and the Middle East to be key drivers of this increased demand. We are also excited to see the increasing commitments on solar power from various emerging markets. We expect that Japan, for example, will be an important market to us as few suppliers can meet the rigorous standards of Japanese customers for product quality and reliabilities. Going forward, we expect the Group will benefit from this trend of increasing demand for high efficiency products.

To leverage on our solid financial positions, advanced technological capabilities, and high-quality product offerings, we would work towards strengthening our leading position in the global solar industry. Having successfully navigated through the most challenging period of the industry, we will continue to strengthen the competitive advantages of our core wafer business where we have demonstrated solid track records. We are also confident to capture enormous opportunities during the industry consolidation process and to drive continued and healthy growth for the Group in the future.

Financial Review

Revenue

Revenue decreased by RMB88.1 million, or 8.6%, from RMB1,025.6 million for the year ended 31 December 2012 to RMB937.5 million for the year ended 31 December 2013, primarily as a result of decrease in average selling price, which was partially offset by the growth in our sales volume. Due to the increase in customer demand for our high quality "Super Mono Wafers", the total wafer shipment volume increased by 17.3% from 338.4MW for the year ended 31 December 2012 to 396.9MW for the year ended 31 December 2013.

Sales of monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB174.7 million, or 21.9%, from RMB799.2 million for the year ended 31 December 2012 to RMB624.5 million for the year ended 31 December 2013, primarily due to a decrease in our average unit price for this product by 26.9% from RMB2.6 per watt for the year ended 31 December 2012 to RMB1.9 per watt for the year ended 31 December 2013. But it was partially offset by an increase in our sales volume of 125 mm by 125 mm monocrystalline wafers by 8.6% from 310.0MW for the year ended 31 December 2012 to 336.6MW for the year ended 31 December 2013.

Processing services of monocrystalline solar wafers

Revenue from processing fees on monocrystalline solar wafers was approximately RMB2.4 million and there was no such revenue in the corresponding period in 2012. The shipment volume related to the processing services of "Super Mono Wafers" was approximately 53.7MW for the year ended 31 December 2013.

Sales of 156 mm by 156 mm monocrystalline wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers decreased by RMB39.4 million, or 75.5%, from RMB52.2 million for the year ended 31 December 2012 to RMB12.8 million for the year ended 31 December 2013, primarily as a result of a decrease of sales volume by 76.8% from 28.4MW for the year ended 31 December 2012 to 6.6MW for the year ended 31 December 2013.

Others

The remaining revenue of RMB297.8 million for the year ended 31 December 2013 was mainly generated from the sales of polysilicon.

In relation to the analysis of our revenue by geographical market, approximately 62.6% of total revenue for the year ended 31 December 2013 was generated from our Philippines customer (2012: 77.7%). Remaining portion was mainly generated from our sales in China and Japan.

Cost of sales

Cost of sales decreased by RMB79.7 million, or 8.5%, from RMB942.2 million for the year ended 31 December 2012 to RMB862.5 million for the year ended 31 December 2013, primarily as a result of a decrease in the average price of polysilicon by 20.4% during the year ended 31 December 2013 to RMB136.6 per kg from the average price of RMB171.6 per kg for the year ended 31 December 2012 as well as the improvement in production efficiency.

Gross profit

Gross profit decreased by RMB8.5 million, or 10.2%, from RMB83.5 million for the year ended 31 December 2012 to RMB75.0 million for the year ended 31 December 2013, primarily as a result of the above.

Other income

Other income decreased by RMB40.5 million, or 84.4%, from RMB48.0 million for the year ended 31 December 2012 to RMB7.5 million for the year ended 31 December 2013 which was primarily due to the government grants recorded in 2012.

Other gains and losses, expenses and provision

Other losses decreased by RMB54.4 million from RMB190.9 million for the year ended 31 December 2012 to RMB136.5 million for the year ended 31 December 2013. The losses incurred in the year of 2013 was mainly related to the impairment losses on advance to suppliers and the decrease was mainly due to the loss on repurchase of convertible bonds and cancellation of warrants of approximately RMB177.7 million in 2012, which was a one-off and non-recurring transaction.

Distribution and selling expenses

The distribution and selling expenses increased by RMB6.7 million, or 139.6%, from RMB4.8 million for the year ended 31 December 2012 to RMB11.5 million for the year ended 31 December 2013, mainly due to the increase in export sales of "Super Mono Wafers" to overseas customers.

Administrative and general expenses

Administrative and general expenses decreased by RMB12.4 million, or 20.5%, from RMB60.6 million for the year ended 31 December 2012 to RMB48.2 million for the year ended 31 December 2013. It was mainly credited to the continuous efforts on reducing operating expenses.

Interest expenses

Interest expenses were approximately RMB18.6 million for the year ended 31 December 2013, representing a decrease by RMB20.4 million from RMB39 million for the year ended 31 December 2012, which was mainly due to the reduction of interest-bearing liabilities during the year.

Loss before taxation

Loss before taxation of RMB132.3 million for the year ended 31 December 2013, decreased from the loss before taxation of RMB163.9 million for the year ended 31 December 2012, as a result of the foregoing.

Taxation

Taxation decreased from RMB1.2 million for the year ended 31 December 2012 to RMB0.7 million for the year ended 31 December 2013. The decrease was mainly due to the decrease in our profits before taxation from the operating entities in China.

Loss for the year

The Group recorded a loss of RMB133.1 million, decreased from the loss of RMB165.1 million for the year ended 31 December 2012, as a result of the foregoing. Net loss margin of 14.2% for the year ended 31 December 2013, decreased from the net loss margin of 16.1% for the year ended 31 December 2012.

Inventory turnover days

The inventories of the Group mainly comprised of raw materials (namely polysilicon, crucibles and other auxiliary materials) for production requirements. There was an increase in inventories balance of 29.7% from RMB295.9 million for the year ended 31 December 2012 to RMB383.6 million for the year ended 31 December 2013. It was mainly due to the increase in our polysilicon inventories and our increase in shipment scale. The inventory turnover days as at 31 December 2013 were 162 days in total (2012: 115 days).

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2013 totaled 68 days (2012: 58 days). For the year ended 31 December 2013, the Group has shifted the focus to "Super Mono Wafers" which were mainly sold to overseas customers. The credit period to overseas customers is approximately 60 days. The Group normally grants a credit period of 30 to 90 days to other customers. The average receivable turnover days were approximately 68 days which was within the credit periods of the Group grants to its customers.

Trade payable turnover days

The trade payable turnover days as at 31 December 2013 totaled 118 days (2012: 97 days). The increase in turnover days was mainly due to the challenging market environment in 2013 and the continuous supports from suppliers.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from the share placings. As at 31 December 2013, the Group's current ratio (current assets divided by current liabilities) was 1.5 (31 December 2012: 1.4) and it was in a net cash position of approximately RMB6.7 million (2012: net debt of approximately RMB12.7 million). The Group's financial position remains healthy. As at 31 December 2013, the Group was in a net cash position of approximately RMB6.7 million (31 December 2012: net debt of approximately RMB12.7 million) which included cash and cash equivalent, note receivables endorsed by banks, bonds, other financial assets and pledged bank deposits of RMB450.7 million (31 December 2012: RMB570.5 million), short-term bank loans of RMB436.1 million (31 December 2012: RMB470.1 million) and no further outstanding principal payments to repurchase of convertible bonds (31 December 2012: RMB100.0 million) and long-term bank loans of RMB7.9 million (31 December 2012: RMB13.1 million).

On 22 January 2013, Fonty, Mr. John Zhang, the Company and CCB International Capital Limited, Macquarie Capital Securities Limited and Guotai Junan Securities (Hong Kong) Limited, as the placing agents entered into a placing and subscription agreement pursuant to which the placing agents agreed to place, on best efforts basis, up to 120,000,000 existing Shares owned by Fonty to not fewer than six independent placees at the placing price of HK$1.74 per Share, and Fonty conditionally agreed to subscribed, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK$1.74 per Share. The subscription price for the subscription represents a discount of 7.5% to the closing price of HK$1.88 per Share as stated in the Stock Exchange's daily quotations sheet on 22 January 2012. The net placing price, after deduction of placing contribution and all other fees and expenses, was HK$1.7 per share. Approximately HK$203.8 million was raised from the subscription to fund the Group's capital expenditure and general working capital. Further details of these transactions are set out in the Company's announcement dated 22 January 2013.

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

Capital Commitments

As at 31 December 2013, the Group had capital commitments of approximately RMB119.6 million (2012: RMB98.7 million). The increase is mainly due to the expansion of the Group in Malaysia.

Contingent liabilities

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

Related Party Transactions

Other than remuneration that the Group paid to the Directors and key management, the Group did not have any related party transactions for the year ended 31 December 2013.

Charges on Group Assets

As at 31 December 2013, other than the restricted cash of approximately RMB1.0 million (31 December 2012: RMB172.9 million), the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB87.7 million (31 December 2012: RMB92.7 million) and approximately RMB14.2 million (31 December 2012: RMB14.6 million), respectively, to banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 31 December 2013, no Group asset was under charge to any financial institution.

Acquisition of subsidiary

No subsidiary of the Company was acquired during the year ended 31 December 2013.

Disposal of subsidiary

No subsidiary of the Company was disposed during the year ended 31 December 2013.

Reference is made to the announcement of the Company dated 19 November 2012 in relation to the disposal of Comtec New Energy Technology (Shanghai) Co., Ltd. (卡姆丹克新能源科技(上海)有限公司), it is expected that the disposal will be completed during the second quarter of 2014.

Use of Proceeds

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

Date of initial Announcement	**Capital raising activity**	**Use of net proceeds**	**Intended use of net proceeds not yet utilised**
22 January 2013	Placing of up to 120,000,000 Shares at the placing price of HK$1.74	It was expected that approximately HK$100 million would be used to satisfy capital expenditure of the Group and approximately HK$100 million would be used as general working capital of the Group	N/A *Note:* Approximately HK$100 million has been used to satisfy capital expenditure of the Group and approximately HK$100 million has been used as general working capital of the Group

Human resources

As at 31 December 2013, the Group had 864 (2012: 807) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

The Group is expanding production capacity in Malaysia which would enable the Group to lower production costs and to increase the scale of operation.

We are still in the process to evaluate various opportunities to further expand the production facilities in Malaysia. Due to the rapid changing market environment, the Group prefers to maintain flexibilities throughout the expansion process and avoid fixing a capacity target under a pre-determined timeline. We believe this strategy would enable the Group to maximize its advantages from the industry consolidation process.

Exposure to fluctuations in exchange rates and any related hedges

The Group recognised net exchange losses of approximately RMB3.3 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 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 the Corporate Governance Code as disclosed below, for the year ended 31 December 2013, the Company has complied with the Corporate Governance Code.

Under provision A.2.1 of both 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 for the year ended 31 December 2013.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 October 2009 with written terms of reference. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. Their written terms of reference are in line with the Corporate Governance Code provisions. The audit committee consists of four members, namely, Mr. Leung Ming Shu, Mr. Daniel DeWitt Martin, Mr. Kang Sun and Mr. Donald Huang, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors. Mr. Leung Ming Shu is the chairman of the audit committee.

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2013, including the accounting principles and practice adopted by the Group.

The audit committee of the Company held four meetings for the year ended 31 December 2013.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 2 October 2009 with written terms of reference. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review performance based remuneration, and ensure none of the Directors determine their own remuneration. Their written terms of reference are in line with the Corporate Governance Code provisions. The remuneration committee consists of five members, namely, Mr. John Zhang, Mr. Kang Sun, Mr. Leung Ming Shu, Mr. Donald Huang and Mr. Daniel DeWitt Martin. Mr. Leung Ming Shu is the chairman of the remuneration committee.

The remuneration committee of the Company held one meeting for the year ended 31 December 2013.

NOMINATION COMMITTEE

The Company established a nomination committee on 2 October 2009 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their written terms of reference are in line with the Corporate Governance Code provisions. The nomination committee consists of five members, namely, Mr. John Zhang, Mr. Daniel DeWitt Martin, Mr. Kang Sun, Mr. Donald Huang and Mr. Kang Sun. Mr. John Zhang is the chairman of the nomination committee.

The nomination committee of the Company held one meeting for the year ended 31 December 2013.

CORPORATE GOVERNANCE COMMITTEE

The Company established a corporate governance committee on 30 March 2012 with written terms of reference. The primary duties of the corporate governance committee are to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board, to review and monitor the training and continuous professional development of directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors, and to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. Their written terms of reference are in line with the Corporate Governance Code provisions. The corporate governance committee consists of four members, namely, Mr. John Zhang, Mr. Chau Kwok Keung, Mr. Leung Ming Shu and Mr. Donald Huang. Mr. John Zhang is the chairman of the corporate governance committee.

The corporate governance committee of the Company held two meetings for the year ended 31 December 2013.

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

During the year of 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 maintain the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2013.

DIVIDEND

The Board recommended that since the Company plans to reserve the cash for working capital requirement and any potential investment opportunities in the future, no dividend will be declared for the year ended 31 December 2013. The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.comtecsolar.com). The annual report for the year ended 31 December 2013 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.

APPRECIATION

I would like to take this opportunity to express my thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

DEFINITIONS

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

"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"Company"	Comtec Solar Systems Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company

"Fonty"	Fonty Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 5 September 2007, the entire issued share capital of which is directly owned by Mr. John Zhang.
"Group"	the Company and its subsidiaries
"Listing Date"	30 October 2009, on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	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)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

* *denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.*

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

Shanghai, the People's Republic of China, 25 March 2014

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 Director is Mr. Donald HUANG; and the independent non-executive Directors are Mr. Daniel DeWitt MARTIN, Mr. Kang SUN and Mr. LEUNG Ming Shu.