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

Annual Report 2013

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. John Zhang

Mr. Chau Kwok Keung

Mr. Shi Cheng Qi

Non-executive Director

Mr. Donald Huang

Independent non-executive Directors

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Mr. Leung Ming Shu

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. John Zhang

Mr. Chau Kwok Keung

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Mr. Donald Huang

NOMINATION COMMITTEE

Mr. John Zhang *(Chairman)*

Mr. Daniel DeWitt Martin

Mr. Kang Sun

Mr. Donald Huang

Mr. Leung Ming Shu

REMUNERATION COMMITTEE

Mr. Leung Ming Shu *(Chairman)*

Mr. John Zhang

Mr. Kang Sun

Mr. Donald Huang

Mr. Daniel DeWitt Martin

CORPORATE GOVERNANCE COMMITTEE

Mr. John Zhang *(Chairman)*

Mr. Chau Kwok Keung

Mr. Leung Ming Shu

Mr. Donald Huang

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Zhang *(Chairman)*

Mr. Chau Kwok Keung

Mr. Donald Huang

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTER

16 Yuan Di Road

Nanhui Industrial Zone

Shanghai 201314

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 28

35/F Central Plaza

18 Harbour Road

Wanchai

Hong Kong

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

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;

Chairman's Statement

- 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.

Chairman's Statement

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.

Chairman's Statement

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

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 report.

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 (net price equals to HK$1.70 per Share)	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
4 April 2014	Placing of 59,541,985 Shares at the placing price of HK$1.31 per Share (net price equals to HK$1.3 per Share)	It was expected that the net proceeds from the subscription would be approximately HK$77 million and the Directors intended to use the net proceeds for any investment opportunity to be identified by the Group and as general working capital of the Group.	Approximately HK$77 million

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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. John Zhang, aged 51, is as an executive Director, the chairman of the Board and the chief executive officer of the Company, responsible for the overall strategy and operation of our Group. Mr. John Zhang is also a director of each of the Group members. Mr. Zhang has accumulated over ten years of experience in the semiconductor and solar industries from both his founding and development of the Group and his prior professional experience. Prior to founding the Group, Mr. Zhang joined Silicon Systems Inc. which was a semiconductor technology company in California, U.S., in 1992 as an engineer and was responsible for developing and designing communication firmware used in silicon chips. Mr. Zhang graduated from 清華大學 (Tsinghua University) in July 1985 with a Bachelor's degree in Electrical Engineering and from Utah State University with a Master's degree in Electrical Engineering in August 1988.

Mr. Chau Kwok Keung, aged 37, is an executive Director, the chief financial officer of the Group and the company secretary of the Company, responsible for corporate financial and general management. He is also a director of Comtec Solar (Hong Kong) Limited and Comtec Semiconductor (Hong Kong) Limited, both of which are subsidiaries of the Group. He acted as a member of supervisory board of RIB Software AG, a software company in Germany, which was listed in Frankfurt Stock Exchange, from May 2010 to June 2013. Prior to joining the Group, Mr. Chau served in various positions at China.com Inc., a company listed on the Stock Exchange (Stock Code: 8006) from October 2005 to October 2007, including vice president of the finance department, chief financial officer, company secretary and authorised representative. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1668) from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Material and Technology Co., Ltd. from June 2002 to August 2003. Mr. Chau Kwok Keung was employed by Andersen & Co. initially as an experienced staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Andersen & Co. in March 2002. Mr. Chau has been a fellow member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a Chartered Financial Analyst of CFA Institute since September 2003. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in May 1998.

Mr. Shi Cheng Qi, aged 70, is an executive Director and the chief technology officer of the Group, responsible for production, technology and research and development. He is in charge of the production technology and equipment design of the Group. Mr. Shi has over 30 years of experience in semiconductor, solar and materials engineering, which was accumulated from the multiple engineering and management positions held by Mr. Shi in the production, technology and research and development departments of 上海半導體材料廠 (Shanghai Semiconductor Materials Factory) in the PRC from 1969 to 2000. He was accredited by 上海市有色金屬總公司 (Shanghai Non-Ferrous Metals Company) as a senior engineer in March 1993 based on the review and evaluation of 高級評委委員會 (senior appraisal committee) of Shanghai Non-Ferrous Metals Company.

NON-EXECUTIVE DIRECTOR

Mr. Donald Huang, aged 33, is a non-executive Director. He is an investor focused on investments in Greater China. Previously, he was with TPG Capital, executing private equity investments across the United States and Asia, and Goldman Sachs, focusing on mergers and acquisitions. Mr. Huang also served on the Board of Directors of HCP Packaging.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Ming Shu, aged 38, is an independent non-executive Director. Mr. Leung is currently the chief financial officer and company secretary of China ITS (Holdings) Co., Ltd. He is also an independent non-executive director of Cabbeen Fashion Limited, a listed company on the Stock Exchange (code: 2030). He acted as an independent non-executive director of 勝利油氣管道控股有限公司 (Shengli Oil & Gas Pipe Holdings Limited) , a company listed on the Stock Exchange (code: 1080) from January 2011 to April 2013. Mr. Leung is experienced in the areas of corporate finance and accounting from his various roles detailed below. From November 2006 to January 2008, Mr. Leung served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd, a subsidiary of Beijing Lingtu Software Co., Ltd, a PRC digital mapping and navigation software company. From February 2006 to October 2006, Mr. Leung served as the chief financial officer of Beijing Xinwei Telecom Technology Co., Ltd, a related party of 大唐電信科技股份有限公司 (Datang Telecom Technology Co., Ltd, a company listed on the Shanghai Stock Exchange) which is engaged in the development of a telecommunications standard and the manufacturer of telecommunications equipment. Prior to that, Mr. Leung spent approximately three years from February 2003 at CDC Corporation, a NASDAQ-listed company, as a senior manager in the mergers and acquisitions department, and as the chief financial officer of China.com Inc., a subsidiary of CDC Corporation and a company listed on the Stock Exchange. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong in auditing in 1998, and subsequently worked at the global corporate finance division of Arthur Andersen & Co. in Hong Kong, which subsequently merged with PricewaterhouseCoopers, until December 2000. From July 2001 to February 2003, he also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he advised companies on issues of strategy, organisation and operations. Mr. Leung obtained a First Class Honours Bachelor's degree in accountancy from the City University of Hong Kong in June 1998 and a Master's degree in accountancy from the Chinese University of Hong Kong in November 2001. He is a Fellow of the Association of Chartered Certified Accountants since February 2007 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since March 2006.

Mr. Daniel DeWitt Martin, aged 75, is an independent non-executive Director. Mr. Martin was the executive vice president of Semiconductor Equipment & Materials International from 1998 to January 2012. During such period, Mr. Matin was mainly responsible for the global standards development activity, and leading Semiconductor Equipment & Materials International into the photovoltaic industry. From July 1984 to March 1996, he worked in Siltec Corporation (Mitsubishi Silicon America) as the vice president of operations, mainly responsible for manufacturing, process engineering, facilities engineering, facilities and equipment maintenance,etc. Mr. Martin graduated from Washington State University in June 1961 and received a bachelor degree in Physical Metallurgy.

Biographical Details of Directors and Senior Management

Mr. Kang Sun, aged 59, is an independent non-executive Director. Mr. Sun is currently the president and chief executive officer of RayTracker Inc., Pasadena, California, USA and a venture partner of WI Harper Group, San Francisco, California USA. Prior to that, Mr. Sun worked from September 2007 to August 2008 as the president and chief operating officer of JA Solar Holding Ltd, China, a company listed on NASDAQ (Code: JASO), managing director of new business development at Applied Materials Inc., USA since 2005. Prior to that, in different periods of time between 1990 and 2005, he had served as the vice president of Microfabrica Inc., the vice president of Honeywell International Inc., USA and the general manager of Optical Devices Business, AlliedSignal Inc., USA, respectively. Mr. Sun received a Ph.D. degree in Materials Science from Brown University, USA in 1988, a M.S. degree in Physical Chemistry from University of Georgia, USA in 1983 and a B.S. degree in Polymer Chemistry from 南京大學 (Nanjing University), China in 1978.

SENIOR MANAGEMENT

Mr. Wu Cheng Xian, aged 66, is the vice general manager and the head of the manufacturing department of the Group. He is mainly responsible for stipulating and implementing manufacturing plan, supervising quality control, coordinating manufacturing and the operations of the other departments in our Group. He joined the Group in October 2008. Mr. Wu has approximately 40 years of experience in the related industry. Prior to joining the Group, Mr. Wu worked as the vice general manager in 麥斯克電子材料有限公司 (MCL Electronic Materials Co. Ltd.) from October 1999 to September 2008, responsible for daily manufacturing and sales, quality control and human resources management. He worked in 洛陽單晶硅廠 (Luoyang Monocrystalline Silicon Factory), which is now 洛陽單晶硅有限責任公司 (Luoyang Monocrystalline Silicon Co., Ltd.) from August 1968 to September 2008, as the manufacturing department head and then promoted to vice general manager in February 1994, responsible for daily manufacturing and sales of semiconductor materials, quality control and human resources management. Mr. Wu studied in 建德冶金工業學校 (Jiande Metallurgy Industrial School), which is now 嘉興學院 (Jiaxing Institute) since September 1963, majoring in Statistics and graduated in August 1968 with a secondary technical school degree. Mr. Wu received a junior college degree in Statistics in December 1988 by National self-taught examination. Mr. Wu was appraised as the senior economist in November 2006 by 中國有色金屬工業協會 (China Nonferrous Metals Industry Committee) according to nonferrous metals industry credential requirements.

Ms. Yi Xin, aged 38, is the head of the import and export department of the Group. She is mainly in charge of importing and exporting and keeping communication documents with customers. She joined us in July 2002. Ms. Yi has over five years of experience in the trading industry and she is in charge of our imports and exports. Prior to joining the Group, Ms. Yi Xin worked in the marketing department of 上海智率醫療器械有限公司 (Shanghai Intelligent Medical Apparatus Company Limited) responsible for market survey and analysis from February 2000 to July 2002. Ms. Yi received a junior college degree in economy and trading from 上海冶金高等專科學校 (Shanghai College of Metallurgy), which is now 上海應用技術學院 (Shanghai Institute of Technology) in July 1997.

Mr. Cheng Yu Wei, aged 62, is the head of the equipment department of the Group. He is mainly responsible for daily operation of electromechanical department and equipment maintenance. He joined us in October 2000. Mr. Cheng has approximately 15 years of experience in the electrical engineering industry. Prior to joining the Group, he worked in 中南地質勘查局實業公司 (Zhongnan Geological Prospecting Bureau Industrial Company) as an electrical engineer in 1992 and as a vice chief engineer in 1993. From June 1994 to December 1996, Mr. Cheng worked as an engineer in 中南金剛石工業公司 (Zhongnan Diamond Industry Co., Ltd.). Mr. Cheng majored in electrical engineering of 湖北廣播電視大學 (Hubei TV & Radio University) and graduated in July 1987.

COMPANY SECRETARY

Mr. Chau Kwok Keung. Please refer to the biography of Mr. Chau above.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the design, development, manufacture and marketing of solar wafers and ingots, with a focus on high quality monocrystalline solar wafers.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2013 are set out in note 36 to the consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 47 to 133 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the audited consolidated statement of comprehensive income.

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.

RESERVES

Details of movements in reserves of the Group and the Company for the year ended 31 December 2013 are set out in the consolidated statement of changes in equity and note 30 to the financial statement, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,118,106,000. The amount of approximately RMB1,118,106,000 represents the Company's share premium account of approximately RMB1,254,224,000 which is offsetted by accumulated losses of approximately RMB136,118,000 in aggregate as at 31 December 2013, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

The Company did not make any charitable and other donations during the year under review.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2013 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 28 to the consolidated financial statements.

DIRECTORS

The Directors during the financial year and as of the date of this annual report were:

Executive Directors

Mr. John Zhang *(Chairman)*
Mr. Chau Kwok Keung
Mr. Shi Cheng Qi

Non-Executive Director

Mr. Donald Huang

Independent Non-Executive Directors

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

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with article 84 of the Company's articles of association, Mr. Chau Kwok Keung, Mr. Shi Chengqi, Mr. Daniel DeWitt Martin will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 16 to 19 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2013.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company for a specific term of two years commencing form the Listing Date and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The non-executive Director of the Company, Mr. Donald Huang has entered into a service contract with the Company for a specific term of two years commencing from 17 June 2011 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term of two years commencing form the Listing Date and will automatically continue for another three years thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The above service contracts are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Company:

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and interest of children under 18	628,513,550	47.2%
Mr. Chau Kwok Keung[2]	Beneficial owner	228,000	0.02%
Mr. Shi Chengqi[3]	Beneficial owner	510,000	0.04%
Mr. Kang Sun[4]	Beneficial owner	549,574	0.04%
Mr. Daniel DeWitt Martin[5]	Beneficial owner	499,659	0.04%
Mr. Leung Ming Shu[6]	Beneficial owner	362,787	0.03%

Notes:

(1) Mr. John Zhang legally owns the entire issued share capital of Fonty Holdings Limited, which beneficially owns 575,683,844 Shares. Mr. John Zhang is therefore deemed to be interested in all the Shares held by Fonty Holdings Limited. As the parent of Mr. Alan Zhang, Mr. John Zhang is also deemed to be interested in 47,829,706 Shares in which Mr. Alan Zhang is interested. These 47,829,706Shares are owned by J.P. Morgan Trust Company of Delaware as the trustee of Zhang Trusts for Descendants, an irrevocable trust set up by Mr. John Zhang for the benefit of his descendants, of which Mr. Alan Zhang is a beneficiary. Mr. John Zhang is also deemed to be interested in the 5,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 28 June 2012 under the Share Option Scheme.

(2) The 228,000 Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 228,000 Shares which may be issued to him upon the exercise of the share options granted to him on 28 June 2012 under the Share Option Scheme.

(3) The 510,000 Shares in which Mr. Shi Chengqi is deemed to be interested represent 510,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Share Option Scheme on 24 May 2010 and 28 June 2012.

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

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

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

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company has adopted a share option scheme on 2 June 2008 (the "Pre-IPO Share Option Scheme") for the purpose of giving its employees an opportunity to have a personal stake in the Company and helping motivate its employees to optimize their performance and efficiency, and retaining its employees whose contributions are important to the long-term growth and profitability of the Group. Options to subscribe for an aggregate of 574,020 Shares (the "Underlying Shares") were granted to three independent non-executive Directors on 3 August 2009 and 2 October 2009, in respect of 230,000 Underlying Shares and 344,020 Underlying Shares, respectively. The exercise price per Share is HK$2.51, which is at a 19.5% premium to the final Offer Price in the Global Offering. No further options would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

All options granted under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Options") can only be exercised in the following manner: (a) Shares representing 1/12th of the Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme shall vest on 1 November 2009; (b) from 1 November 2009 onwards, the remaining 11/12th of the Underlying Shares shall vest in equal quarterly instalments of 1/12th of the Underlying Shares at the end of each three-month period subject to continued employment with our Company during that period and all other terms and conditions as described in the Pre-IPO Share Option Scheme; and (c) all outstanding Pre-IPO Share Options shall lapse on the date falling 10 years from the offer date of the Pre-IPO Share Options.

Details of the exercise of the share options granted under the Pre-IPO Share Option Scheme as at 31 December 2013 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2013	Exercised during 2013	Balance as at 31 December 2013
Director					
Kang Sun	3 August 2009	HK$2.51	249,574	–	249,574
Daniel DeWitt Martin	3 August 2009	HK$2.51	199,659	–	199,659
Leung Ming Shu	3 August 2009	HK$2.51	62,787	–	62,787
Total			512,020	–	512,020

Saved as disclosed above, no Pre-IPO Share Options was granted, lapsed or cancelled for the year ended 31 December 2013.

Share Option Scheme

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 100,000,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

Details of the share options granted, exercised and lapsed under the Share Option Scheme as at 31 December 2013 are as follows:

Date of grant	Grantee	Exercise price per Share	Balance as at 1 January 2013	Share options granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2013
30 September 2013	Other participants in aggregate	HK$1.87	–	4,020,000	–	–	4,020,000
27 December 2012	Mr. Kang Sun	HK$1.262	300,000	–	–	–	300,000
27 December 2012	Mr. Daniel DeWitt Martin	HK$1.262	300,000	–	–	–	300,000
27 December 2012	Mr. Leung Ming Shu	HK$1.262	300,000	–	–	–	300,000
27 December 2012	Other participants in aggregate	HK$1.262	23,000,000	–	16,362,000	–	6,638,000
28 June 2012	Mr. John Zhang	HK$0.98	5,000,000	–	–	–	5,000,000
28 June 2012	Mr. Chau Kwok Keung	HK$0.98	6,000,000	–	5,772,000	–	228,000
28 June 2012	Mr. Shi Cheng Qi	HK$0.98	360,000	–	150,000	–	210,000
28 June 2012	Other participants in aggregate	HK$0.98	8,160,000	–	3,914,000	–	4,246,000
24 May 2010	Mr. Shi Cheng Qi	HK$1.49	300,000	–	–	–	300,000
24 May 2010	Other participants in aggregate	HK$1.49	2,090,000	–	150,000	–	1,940,000
			45,810,000	4,020,000	26,348,000	–	23,482,000

Share options granted under the Share Option Scheme on 28 June 2012 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
On or after 28 June 2012	50% of the total number of Share Options granted
On or after 28 September 2012	12.5% of the total number of Share Options granted
On or after 28 December 2012	12.5% of the total number of Share Options granted
On or after 28 March 2013	12.5% of the total number of Share Options granted
On or after 28 June 2013	12.5% of the total number of Share Options granted

Share options granted under the Share Option Scheme on 27 December 2012 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
On or after 27 December 2012	50% of the total number of Share Options granted
On or after 27 March 2013	12.5% of the total number of Share Options granted
On or after 27 June 2013	12.5% of the total number of Share Options granted
On or after 27 September 2013	12.5% of the total number of Share Options granted
On or after 27 December 2013	12.5% of the total number of Share Options granted

Share options granted under the Share Option Scheme on 30 September 2013 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
On or after 30 September 2013	50% of the total number of Share Options granted
On or after 30 December 2013	12.5% of the total number of Share Options granted
On or after 30 March 2014	12.5% of the total number of Share Options granted
On or after 30 June 2014	12.5% of the total number of Share Options granted
On or after 30 December 2014	12.5% of the total number of Share Options granted

During the year ended 31 December 2013, save as disclosed above, no options under the Share Option Scheme were granted, lapsed or cancelled.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in "Share Option Schemes" above, at no time during the year were rights to acquire benefits by means of the acquisition of Share in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 31 December 2013, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and interest of children under 18	628,513,550	47.2%
Fonty Holdings Limited	Beneficial owner	575,683,844	43.23%
Ms. Carrie Wang[2]	Spouse interest	628,513,550	47.2%

Note:

(1) Mr. John Zhang legally owns the entire issued share capital of Fonty Holdings Limited, which beneficially owns 575,683,844 Shares. Mr. John Zhang is therefore deemed to be interested in all the Shares held by Fonty Holdings Limited. As the parent of Mr. Alan Zhang, Mr. John Zhang is also deemed to be interested in 47,829,706 Shares in which Mr. Alan Zhang is interested. These 47,829,706 Shares are owned by J.P. Morgan Trust Company of Delaware as the trustee of Zhang Trusts for Descendants, an irrevocable trust set up by Mr. John Zhang for the benefit of his descendants, of which Mr. Alan Zhang is a beneficiary. Mr. John Zhang is also deemed to be interested in the 5,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 28 June 2012 under the Share Option Scheme.

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

Save as disclosed above, as at 31 December 2013, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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.

EVENT AFTER THE YEAR UNDER REVIEW

On 4 April 2014, after trading hours, Fonty, Mr. Zhang, the Company and Sky Ville Investments Limited, ASM Connaught House Fund LP and ASM Hudson River Fund (collectively, the "Placees") entered into a placing and subscription agreement. Pursuant to such placing and subscription agreement, the Placees agreed to purchase the 59,541,985 placing shares from Fonty at the placing price of HK$1.31 per Share (net placing price of HK$1.3 per Share), and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty, the subscription shares at the subscription price, being the same as the placing price. The net proceeds from the subscription would be approximately HK$77 million and the Directors intended to use the net proceeds for any investment opportunity to be identified by the Group and as general working capital of the Group.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2013.

NON-COMPETE UNDERTAKINGS

Each of the Controlling Shareholders has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Non-competition Deeds (as defined in the Prospectus). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Non-competition Deeds have been complied with by the Controlling Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2013 and up to and including the date of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year of 2013.

CONNECTED TRANSACTION

The Company has not entered into connected transactions during the year ended 31 December 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Except for the deviations from code provision A.2.1 of Corporate Governance Code, during the year 31 December 2013, the Company has complied with the Corporate Governance Code. The Group's principal corporate governance practices are set out on pages 34 to 44 of the annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' remuneration are set out in note 11 to the financial statements.

The Company has adopted two share option schemes to motivate and reward its Directors and eligible employees. Details of the scheme are set out in the paragraph headed "Share Option Schemes" above and note 29 to the consolidated financial statements.

None of the directors waived any emoluments during the year ended 31 December 2013.

RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution mandatory provident fund scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 for eligible employees. Contributions by the Group, which are matched by the employees, are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and are invested in funds under the control of independent trustees. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute certain percentages of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the state-managed retirement benefits scheme.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers during the year of 2013 were 62.6% and 75.9% of the Group's total sales respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers during the year of 2013 were 40.0% and 86.0% of the Group's total purchases respectively.

So far as is known to the Directors, at no time during the year did a Director, his/her associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

AUDIT COMMITTEE

The audit committee of the Company had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2013.

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 annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the period from the Listing Date to 31 December 2013.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2013 are set out in note 25 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2013 is set out on page 134 of this annual report.

On behalf of the Board
John Zhang
Chairman

Shanghai, 25 March 2014

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Except for the following deviations from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the Corporate Governance Code for the year ended 31 December 2013.

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.

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board comprises seven Directors, consisting of three executive Directors, Mr. John Zhang (the chairman of the Board), Mr. Chau Kwok Keung and Mr. Shi Cheng Qi, one non-executive Director, Mr. Donald Huang and three independent non-executive Directors, Mr. Kang Sun, Mr. Daniel DeWitt Martin and Mr. Leung Ming Shu. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors are set out in the section headed “Directors and Senior Management” of this annual report.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

Board Diversity Policy

Pursuant to the new code provisions of the Corporate Governance Code relating to board diversity which has come into effect since 1 September 2013, the Board approved a new board diversity policy (the “Board Diversity Policy”) in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

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 regarding directors’ securities transactions for the year ended 31 December 2013.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group’s performance. Their views carry significant weight in the Board’s decision, in particular, they bring an impartial view to bear on issues of the Group’s strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group’s business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Mr. Leung Ming Shu, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the New Code on continuous professional development for the year ended 31 December 2013:

	Corporate Governance/Updates on Laws, Rules and Regulations		Accounting/Financial/Management or Other Professional Skills	
Name of Director	Read materials	Attend Seminars/ Briefings	Read materials	Attend Seminars/ Briefings
Executive Directors				
Mr. John Zhang	✓	✓	✓	✓
Mr. Chau Kwok Keung	✓	✓	✓	✓
Mr. Shi Cheng Qi	✓	✓	✓	✓
Non-executive Director				
Mr. Donald Huang	✓	✓	✓	✓
Independent non-executive Directors				
Mr. Daniel DeWitt Martin	✓	✓	✓	✓
Mr. Kang Sun	✓	✓	✓	✓
Mr. Leung Ming Shu	✓	✓	✓	✓

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications.

The individual attendance record of each Director at the meetings of the Board and the general meetings during the year ended 31 December 2013 is set out below:

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. John Zhang *(Chairman and chief executive officer)*	10/10	1/1
Mr. Chau Kwok Keung	10/10	1/1
Mr. Shi Cheng Qi	10/10	1/1
Non-executive Director		
Mr. Donald Huang	10/10	1/1
Independent non-executive Directors		
Mr. Kang Sun	10/10	1/1
Mr. Daniel DeWitt Martin	10/10	1/1
Mr. Leung Ming Shu	10/10	1/1

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the articles of association of the Company, as well as relevant rules and regulations.

Appointments, Re-election and removal of Directors

Each of the executive Directors of the Company has entered into a service contract with the Company for a specific term of two years commencing form the Listing Date and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The non-executive Director of the Company, Mr. Donald Huang has entered into a service contract with the Company for a specific term of two years commencing from 17 June 2011 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term of two years commencing form the Listing Date and will automatically continue for another three years thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The above service contracts are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Committees

The Board has established (i) audit committee, (ii) remuneration committee; (iii) nomination committee and (iv) corporate governance committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.comtecsolar.com and the website of the Stock Exchange at www.hkexnews.hk. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 October 2009. 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 composition and written terms of reference are in line with the Corporate Governance Code. The audit committee comprises of four members, namely, a non-executive Director, Mr. Donald Huang and three independent non-executive Directors, Mr. Leung Ming Shu, Mr. Daniel DeWitt Martin and Mr. Kang Sun. Mr. Leung Ming Shu is the chairman of the audit committee.

The Group's unaudited interim results for the six months ended 30 June 2013 and the audited annual results for the year ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the unaudited quarterly financials and the internal control of the Group during the year of 2013.

During the year ended 31 December 2013, four meetings were held by the audit committee. The individual record of each member of the audit committee at the meetings of the audit committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Donald Huang	4/4
Mr. Daniel DeWitt Martin	4/4
Mr. Kang Sun	4/4
Mr. Leung Ming Shu	4/4

Remuneration Committee

The Company established a remuneration committee on 2 October 2009 with written terms of reference. The primary duties of the remuneration committee to make recommendations to the Board on the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of non-executive Directors. Their composition and written terms of reference are in line with the Corporate Governance Code. The remuneration committee comprises of five members, namely, Mr. John Zhang, an executive Director, Mr. Donald Huang, a non-executive Director, and three independent non-executive Directors, Mr. Daniel DeWitt Martin, Mr. Kang Sun, and Mr. Leung Ming Shu. Mr. Leung Ming Shu is the chairman of the remuneration committee.

During the year ended 31 December 2013, the remuneration Committee reviewed the remuneration packages of the Directors and the senior management.

During the year ended 31 December 2013, one meeting was held by the remuneration committee. The individual record of each member of the remuneration committee at the meeting of the remuneration committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. John Zhang	1/1
Mr. Donald Huang	1/1
Mr. Daniel DeWitt Martin	1/1
Mr. Kang Sun	1/1
Mr. Leung Ming Shu	1/1

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. The nomination committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy on a regular basis to ensure its effectiveness. Their composition and written terms of reference are in line with the Corporate Governance Code. The nomination committee comprises of five members, namely, Mr. John Zhang, an executive Director and the chairman of the Board, Mr. Donald Huang, a non-executive Director, and three independent non-executive Directors, Mr. Daniel DeWitt Martin, Mr. Kang Sun, and Mr. Leung Ming Shu. Mr. John Zhang is the chairman of the nomination committee.

The nomination committee reviewed the structure, size and composition of the Board, during the year of 2013.

During the year ended 31 December 2013, one meeting was held by the nomination committee. The individual record of each member of the nomination committee at the meeting of the nomination committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. John Zhang	1/1
Mr. Donald Huang	1/1
Mr. Daniel DeWitt Martin	1/1
Mr. Kang Sun	1/1
Mr. Leung Ming Shu	1/1

Corporate Governance Committee

The Company's corporate governance function is carried out by the corporate governance committee established pursuant to a resolution of the Board passed on 30 March 2012. The duties of the corporate governance committee include: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. The corporate governance committee of the Board comprises four Directors, namely Mr. John Zhang, an executive Director, Mr. Chau Kwok Keung, an executive Director, Mr. Donald Huang, a non-executive Director, and Mr. Leung Ming Shu, an independent non-executive Director. Mr. John Zhang is the Chairman of the corporate governance committee.

During the year of 2013, the corporate governance committee reviewed the Company's policies and practices on corporate governance and; reviewed the training and continuous professional development of the Directors and senior management of the Group; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; reviewed the compliance manual applicable to employees of the Group and the Directors; and reviewed the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

During the year ended 31 December 2013, two meetings were held by the nomination committee. The individual record of each member of the corporate governance committee at the meeting of the nomination committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. John Zhang	2/2
Mr. Chau Kwok Keung	2/2
Mr. Donald Huang	2/2
Mr. Leung Ming Shu	2/2

Company Secretary

The secretary of the Company is Mr. Chau Kwok Keung, whose biography details are set out in the section headed "Directors and Senior Management" in this annual report. Mr. Chau Kwok Keung has informed of the requirement of the Rule 3.29 of the Listing Rules. Mr. Chau Kwok Keung has informed the Company that he took approximately 20 hours of training covering corporate governance and accounting matters. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Deloitte Touche Tohmatsu, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

Auditor's Remuneration

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages Deloitte Touche Tohmatsu as its external auditors. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year ended 31 December 2013 are as follows.

	RMB'000
Audit services	953
Non-audit services	800
	1,753

Note: The non-audit services mainly covered tax advisory and interim review.

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

During the year of 2013, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to the Article 58 of the articles of association of the Company, any one or more member(s) of the Company ("Shareholder(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Suite 28, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Suite 28, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong or by email at catherine_siu@comtecsolar.com. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Constitutional documents

Apart from the adoption of the existing articles of association on 30 October 2009, there has been no significant change in the Company's constitutional documents during the year ended 31 December 2013.

Communications with Shareholders

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.comtecsolar.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

Deloitte.
德勤

TO THE MEMBERS OF COMTEC SOLAR SYSTEMS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Comtec Solar Systems Group Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 133, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013 and of the Group's losses and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	NOTES	2013	2012
		RMB'000	*RMB'000*
Revenue	6	937,479	1,025,615
Cost of sales		(862,511)	(942,163)
Gross profit		74,968	83,452
Other income	7	7,452	48,015
Other gains and losses, expenses and provision	8	(136,536)	(190,931)
Distribution and selling expenses		(11,478)	(4,751)
Administrative expenses		(48,161)	(60,578)
Finance costs	9	(18,585)	(39,036)
Loss before taxation	10	(132,340)	(163,829)
Taxation	12	(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	14	(10.18)	(14.55)
— Diluted	14	(10.18)	(14.55)

Consolidated Statement of Financial Position

at 31 December 2013

	NOTES	2013	2012
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	15	828,609	796,195
Prepaid lease payments-non-current	16	28,496	20,556
Prepaid assignment fee-non-current	35	197,953	–
Deposits paid for acquisition of property, plant and equipment		154,167	6,927
Advance to suppliers	17	168,926	355,137
Deferred tax assets	18	638	638
Held-to-maturity investments	21(D)	14,105	–
Other financial instruments	21(C)	38,673	26,491
		1,431,567	1,205,944
Current assets			
Inventories	19	383,626	295,864
Trade and other receivables	20	287,309	295,567
Bills receivable	20	63,412	28,808
Advance to suppliers	17	71,788	70,186
Prepaid lease payments-current	16	600	458
Prepaid assignment fee-current	35	15,438	–
Tax recoverable		–	3,690
Pledged bank deposits	21(A)	1,019	172,866
Bank balances and cash	21(B)	330,773	342,381
		1,153,965	1,209,820
Assets classified as held for sale	22	23,013	24,335
		1,176,978	1,234,155
Current liabilities			
Trade and other payables	23	322,437	384,666
Customers' deposits received	24	19,216	2,368
Short-term bank loans	25	436,067	470,100
Tax liabilities		270	–
Deferred revenue	27	287	287
		778,277	857,421
Liabilities associated with assets classified as held for sale	22	81	336
		778,358	857,757
Net current assets		398,620	376,398
Total assets less current liabilities		1,830,187	1,582,342

Consolidated Statement of Financial Position

at 31 December 2013

	NOTES	2013 *RMB'000*	2012 *RMB'000*
Capital and reserves			
Share capital	28	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	18	9,568	9,569
Customers' deposits received-non-current	35	197,953	–
Long-term bank loans	25	7,889	13,112
Provision for onerous contracts	17	39,107	39,107
Warrants	26	45,700	39,400
Other financial instruments	21(A)	–	11,024
Deferred revenue	27	5,157	5,444
		305,374	117,656
		1,830,187	1,582,342

The consolidated financial statements on pages 47 to 133 were approved and authorised for issue by the Board of Directors on 25 March 2014 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note c)	Share options reserve RMB'000	Special reserve RMB'000 (note a)	Statutory surplus reserve RMB'000 (note b)	Retained earnings RMB'000	Total RMB'000
At 1 January 2012	999	1,005,201	187,631	1,779	11,012	73,659	373,496	1,653,777
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(165,049)	(165,049)
Issue of ordinary shares	40	45,597	–	–	–	–	–	45,637
Redemption of convertible bonds and warrants	–	–	(187,631)	–	–	–	97,651	(89,980)
Recognition of equity-settled share-based payments	–	–	–	20,301	–	–	–	20,301
Transfer	–	–	–	–	–	10,924	(10,924)	–
At 31 December 2012	1,039	1,050,798	–	22,080	11,012	84,583	295,174	1,464,686
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(133,077)	(133,077)
Issue of ordinary shares	97	168,907	–	–	–	–	–	169,004
Transaction costs attributable to issue of shares	–	(3,900)	–	–	–	–	–	(3,900)
Exercise of share options	21	38,420	–	(14,216)	–	–	–	24,225
Recognition of equity-settled share-based payments	–	–	–	3,875	–	–	–	3,875
At 31 December 2013	1,157	1,254,225	–	11,739	11,012	84,583	162,097	1,524,813

Notes:

a. Special reserve

This reserve arises on a group reorganisation which took place in the year ended 31 December 2007. The difference between the nominal value of the shares acquired and the acquisition consideration is treated as special reserve arising on group reorganisation and recorded in special reserve.

b. Statutory surplus reserve

In accordance with the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under the generally accepted accounting principles in the PRC to the statutory surplus reserve. Allocation shall be approved by the shareholders. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the PRC subsidiaries' registered capital.

The PRC subsidiaries may, upon the approval by a resolution, convert their surplus reserves into capital in proportion to their then existing shareholdings. However, when converting the PRC subsidiaries' statutory surplus reserve fund into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

c. Other reserve

The reserve arose on the issue of convertible bonds and warrants on 17 June 2011. The reserve represented the equity component of the convertible bonds outstanding at the end of each reporting period and the proportion of transaction costs incurred in the issue related to the equity component of the convertible bonds.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Operating activities		
Loss before taxation	(132,340)	(163,829)
Adjustments for:		
Allowance for inventories	948	5,084
Interest income	(7,093)	(12,316)
Interest expenses	18,585	39,036
Loss on disposal of property, plant and equipment	48	4,878
Loss (gain) on fair value change of 2012 Warrants (defined in note 26)	6,300	(19,900)
Depreciation of property, plant and equipment	82,231	76,990
Share-based payment expenses	3,875	20,301
Release of deferred revenue	(287)	–
Release of prepaid lease payments	854	854
(Gain) loss on fair value changes of other financial instruments	(23,206)	11,024
Impairment loss recognised in respect of other receivables, value-added taxes recoverable and other provision	23,344	–
Impairment losses recognised in respect of advance to suppliers	126,781	–
Loss on fair value change of Call Option (defined in note 26)	–	1,965
Loss on fair value change of 2011 Warrants (defined in note 26)	–	9,800
Loss on redemption of convertible bonds and cancellation of warrants	–	177,705
Operating cash flows before movements in working capital	100,040	151,592
Increase in inventories	(88,710)	(82,989)
Increase in trade and other receivables	(10,220)	(81,966)
(Increase) decrease in bills receivable	(34,604)	7,892
Decrease in advance to suppliers	57,828	53,351
Increase in prepaid assignment fee	(213,391)	–
Increase in trade and other payables	29,882	147,644
Increase in customers' deposits received	214,801	2,139
Cash generated from operations	55,626	197,663
Tax paid	–	(7,785)
Tax refunded	3,222	18,091
Net cash from operating activities	58,848	207,969

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Investing activities		
Interest received	7,093	12,316
Proceeds from disposals of property, plant and equipment	15,204	655
Placement of pledged bank deposits	(1,019)	(171,812)
Withdrawal of pledge bank deposits	172,866	16,235
Deposits paid to acquire property, plant and equipment	(154,167)	(87,548)
Purchase of property, plant and equipment	(119,695)	
Additions of prepaid lease payments	(8,936)	–
Purchase of held-to-maturity investments	(14,105)	–
Receipt of government grants	–	5,731
Net cash used in investing activities	(102,759)	(224,423)
Financing activities		
Proceeds from issue of new shares	193,229	45,637
Expenses on issue of shares	(3,900)	–
Bank loans raised	613,612	471,923
Interest paid	(18,585)	(21,730)
Repayment of bank loans	(652,868)	(325,075)
Payment for redemption of convertible bonds and cancellation of warrants	(100,008)	(554,492)
Net cash from (used in) financing activities	31,480	(383,737)
Decrease in cash and cash equivalents	(12,431)	(400,191)
Cash and cash equivalents at beginning of the year	345,909	746,100
Cash and cash equivalents at end of the year, represented by bank balances and cash	333,478	345,909

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands, 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 details of the Company's subsidiaries are set out in note 36.

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

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

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 intepretations 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.
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.

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

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.

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

Annual Improvements to IFRSs 2010–2012 Cycle *(continued)*

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.

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

IFRS 9 Financial Instruments *(continued)*

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. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost convention except for certain financial instruments that are measured at fair values, and in accordance with the accounting policies set out below which are in conformity with IFRSs.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of related sales taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- The amount of revenue can be measured reliably;

- It is probable that the economic benefits associated with the transaction will flow to the Group; and

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from provision of service is recognised when service is provided.

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or administrative purposes (other than construction in progress) are stated in consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Prepaid lease payments

Upfront prepayments made for the land use rights and leasehold land are initially recognised in the consolidated statement of financial position as lease payments and are expensed in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the periods of the respective lease.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group would purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the respective functional currency(ies) (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund are recognised as expenses when employees have rendered service entitling them to the contributions.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Research and development expenditure *(continued)*

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near term; or

— on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

(a) those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the entity designates as available for sale; and

(c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment losses on financial assets below).

Impairment of financial assets

Financial assets, other than those FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one of more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Effective interest method (continued)

Financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

— it has been acquired principally for the purpose of repurchasing it in the near term; or

— on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the 'other gains and losses' line item in profit or loss and includes any interest paid on the financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, short-term and long-term bank loans are subsequently measured at amortised cost, using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Effective interest method (continued)

Financial liabilities (continued)

Warrants

Warrants that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are derivatives.

At the date of issue and in subsequent periods, the warrants are measured at fair value with changes in fair value recognised in profit or loss. Transaction costs relating to the warrants are charged to profit or loss immediately.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Provision for onerous contract

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to the directors and employees of the Company

The fair values of services received in exchange for awards of share options determined by reference to the grant-date fair value of those share options is recognised as expense over the vesting period on a straight-line basis with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the original revision of the estimates of the number of share options during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve (for share options).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount of share options previously recognised in share options reserve will be transferred to retained profits.

At the time when the terms of share options are modified during the vesting period, the incremental fair value granted, which represents the excess of fair value of the share options immediately after modification over those of immediately before modification, is expensed over the remaining vesting period of the share options, in addition to the amount based on the grant date fair value of the original share options. At the time when the terms of share options are modified after the vesting period, the incremental fair value granted is recognised immediately in profit or loss.

At the time when the share options are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share options reserve will be transferred to retained profits.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions (continued)

Share options granted to consultants

Share options issued in exchange of services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Shares granted to consultants

Shares issued by the Company in exchange of services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the shares issued. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share capital and share premium), when the counterparties render services, unless the services qualify for recognition as assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(a) Impairment of property, plant and equipment

In assessing the impairment of property, plant and equipment, the Group requires to estimate the recoverable amount of the cash-generating units or the underlying assets. The recoverable amount, which is determined by the value-in-use calculation, requires the Group to estimate the future cash flows expected to arise from the cash-generating units or the underlying assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment losses were considered necessary during the year ended 31 December 2013 and 2012 after the Group reviewed its analysis performed.

(b) Impairment of advance to suppliers, prepaid assignment fee and provision for onerous contracts

The Group makes non-refundable advance payments to raw material suppliers under non-cancellable long-term and short-term purchase agreements which are to be offset against future purchases. In the event when the economic benefits expected to be received under these purchase agreements are less than the unavoidable costs of meeting the contractual obligations; or the financial conditions of these suppliers deteriorate, the Group would impair advance payments to these suppliers and make necessary provision for the present obligation under the agreements. The Group does not require collateral or other security against its advance to suppliers. The Group performs ongoing evaluation of impairment of advance to suppliers and provision for commitment that may become onerous due to a change of market conditions and the financial conditions of its suppliers. The evaluation takes into account the projected revenue, related expenses, capital spending and other costs. When the advance would not be settled as expected, the Group would impair the advance to suppliers and make necessary provision for the present obligation under the agreements.

As discussed in note 17, during the year ended 31 December 2013, the Group recognised an impairment loss in respect of advance payments to suppliers in relation to the long-term purchase agreements and wafer supply agreement of approximately RMB126,781,000 in profit or loss. No further provision of onerous contract is required. No impairment losses or provision were made during the year ended 31 December 2012 as there were no impairment indications.

As detailed in note 35, the Group paid approximately RMB213,291,000 (equivalent to approximately USD35 million) to an independent third party to enjoy rights and assume obligations as seller for a long-term wafer supply agreement to a new customer. The prepaid assignment fee will be released to profit or loss over the respective contractual period upon delivery of the Group's solar products to the new customer. The Group performs continuous evaluation of the long-term wafer supply agreement to check whether such contract will become onerous. The Group takes into account recent and forecasted market prices of raw materials, contracted selling prices of the Group's solar products in accordance with the long-term wafer supply agreement, other payments, etc in the evaluation analysis and concluded no impairment indicators in respect of the prepaid assignment fees as at 31 December 2013.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(c) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. The Group inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down of inventories in that year. During the year ended 31 December 2013, write-down of inventories to net realisable value of approximately RMB948,000 (2012: RMB5,084,000) was recognised.

(d) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

At 31 December 2013, the carrying amount of property, plant and equipment amounted to approximately RMB828,609,000 (2012: RMB796,195,000).

5. FINANCIAL INSTRUMENTS

The Group's major financial instruments include held-to-maturity investments, other financial instruments, trade and other receivables, bills receivable, pledged bank deposits, bank balances and cash, trade and other payables, bank loans and warrants. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	2013 *RMB'000*	2012 *RMB'000*
Financial assets		
Trade and other receivables	174,441	171,547
Bills receivable	63,412	28,808
Pledged bank deposits	1,019	172,866
Bank balances and cash	333,478	345,909
Total loans and receivables	572,350	719,130
FVTPL	38,673	26,491
Held-to-maturity investments	14,105	–
Financial liabilities		
Trade and other payables	302,767	369,939
Short-term bank loans	436,067	470,100
Long-term bank loans	7,889	13,112
Total liabilities measured at amortised cost	746,723	853,151
FVTPL	45,700	50,424

Currency risk

The primary economic environment in which most of the principal subsidiaries of the Company operate is the PRC and their functional currency is RMB. However, these principal subsidiaries sometimes collect their trade receivables and settle their purchases of materials, machinery and equipment supplies and certain expenses in foreign currencies.

Details of the Group's other financial assets, held-to-maturity investments, pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, bank loans and warrants that are denominated in foreign currencies, mainly in Hong Kong dollars ("HK$"), United States dollars ("USD"), Japanese yen ("JPY"), Malaysian Ringgit ("MYR") and Euro ("EUR") as at 31 December 2013 and 31 December 2012 are set out in respective notes.

5. FINANCIAL INSTRUMENTS *(continued)*

Currency risk *(continued)*

The Group had foreign currency denominated monetary assets and monetary liabilities amounting to approximately RMB290,126,000 and RMB485,542,000, respectively (31 December 2012: RMB609,242,000 and RMB198,593,000) as at 31 December 2013. In order to reduce foreign currency exposures, the Group entered into forward contracts. Details of transactions are set out in note 21(A).

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in each relevant foreign currency against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax loss for the year and a negative number below indicates a decrease in post-tax loss for the year where the relevant foreign currencies fluctuate 5% against RMB.

	2013 *RMB'000*	2012 *RMB'000*
EUR impact		
— EUR strengthens against RMB	1,658	505
— EUR weakens against RMB	(1,658)	(505)
HK$ impact		
— HK$ strengthens against RMB	(755)	(8,108)
— HK$ weakens against RMB	755	8,108
USD impact		
— USD strengthens against RMB	11,213	7,796
— USD weakens against RMB	(11,213)	(7,796)
MYR impact		
— MYR strengthens against RMB	479	–
— MYR weakens against RMB	(479)	–
JPY impact		
— JPY strengthens against RMB	(529)	–
— JPY weakens against RMB	529	–

5. FINANCIAL INSTRUMENTS *(continued)*

Sensitivity analysis *(continued)*

For the foreign currency forward contracts, the sensitivity analysis has been estimated based on the contracts outstanding at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax loss for the year and a negative number below indicates a decrease in post-tax loss for the year where the relevant foreign currency forward rates of the foreign currencies of the Company's principal subsidiary, i.e. USD and EUR, change 5% against RMB.

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
EUR impact		
— if EUR strengthens against RMB	–	(2,575)
— if EUR weakens against RMB	–	2,575
USD impact		
— if USD strengthens against RMB	(3,172)	(4,013)
— if USD weakens against RMB	3,172	4,013

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period end exposures do not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to held-to-maturity investments as the instruments have fixed interest rate at 10% per annum as at 31 December 2013. The Group is exposed to fair value interest rate risk in relation to other financial instruments as the instruments have fixed interest rate at 5% per annum as at 31 December 2012. The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank loans (see notes 21(B) and 25 for details of these bank balances and bank loans) and variable-rate components of other financial instruments (see note 21(C) for details of other financial instruments). The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

5. FINANCIAL INSTRUMENTS *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing bank balances and bank loans at the end of each reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of bank balances and bank loans.

A 10 basis point increase or decrease in interest rates on variable-rate bank balances and variable-rate components of other financial instruments and a 100 basis point increase or decrease in interest rates on variable-rate bank loans are used when reporting interest rate risk internally to key management personnel and represents managements' assessment of the reasonably possible change in interest rates.

If interest rates on bank balances and components of other financial assets had been 10 basis points higher and all other variables were held constant, a positive number below indicates a decrease in post-tax loss for the year.

	2013 *RMB'000*	2012 *RMB'000*
Decrease in post-tax loss for the year	253	272

The post-tax loss for the year would be increased by an equal and opposite amount if interest rates on bank balances and components of other financial assets had been 10 basis points lower and all other variables were held constant.

If the interest rates on bank loans had been 100 basis points higher and all other variables were held constant, a negative number below indicates an increase in post-tax loss for the year.

	2013 *RMB'000*	2012 *RMB'000*
Increase in post-tax loss for the year	(2,020)	(188)

The post-tax loss for the year would be decreased by an equal and opposite amount if interest rates on variable-rate bank loans had been 100 basis points lower and all other variables were held constant.

5. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

The Group's principal financial assets are held-to-maturity investments, trade and other receivables, bills receivable, pledged bank deposits, bank balances and cash and other financial instruments. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated statements of financial position.

The Group's credit risk is primarily attributable to the trade and other receivables and bills receivable. In order to minimise the credit risk, the Group's management continuously monitors the credit quality and financial conditions of the customers and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

There is concentration of credit risk on bank balances, pledged bank deposits, held-to-maturity investments and other financial instruments for the Company as at 31 December 2013 and 31 December 2012. As at 31 December 2013 and 2012, balances with the largest bank accounted for 55% (2012: 52%) of aggregate balance of bank balances, pledged bank deposits and other financial assets of the Group. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group purchased interest-bearing bonds which are principal-protected and issued by a sizeable entity. In addition, the bonds are listed on the Stock Exchange. Therefore, the credit risk is minimal.

The credit risk of the Group is concentrated on trade receivables from one of the Group's customers, a major customer engaged in the sales and manufacturing of solar cells and modules in Malaysia and Philippines, at 31 December 2013 and 31 December 2012 which amounted to approximately RMB162,098,000 (2012: RMB130,081,000) and accounted for 92.9% (2012: 79.4%) of the Group's total trade receivables. This customer has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In addition, the Group's credit risk on bills receivable was concentrated on counterparties which were reputable banks in the PRC. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers and banks to ensure that prompt actions will be taken to lower exposure.

5. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk management

The directors of the Company have adopted an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by closely and continuously monitoring the Group's consolidated financial position. The directors of the Company maintain the sufficiency of cashflows with availability of unutilized banking facilities, internally generated funds and funds arosing from financing activities, such as issue of convertible debts or equity instruments, if necessary. The directors of the Company also review the forecasted cashflows on an ongoing basis to ensure that the Group will be able to meet its financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be renegotiated with creditors and changes to capital expansion plan will be made should the need arise.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the discounted amount is derived from interest rate curve at the end of the reporting period:

	Weighted average effective interest rate	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013							
Financial liabilities							
Non-interest bearing instruments	–	293,869	8,898	–	–	302,767	302,767
Fixed interest bearing instruments	3.84	137,573	144,726	–	–	282,299	268,907
Variable interest bearing instruments	2.26	104,041	63,888	5,168	3,421	176,518	175,049
		535,483	217,512	5,168	3,421	761,584	746,723
At 31 December 2012							
Financial liabilities							
Non-interest bearing instruments	–	360,841	9,098	–	–	369,939	369,939
Fixed interest bearing instruments	4.74	288,155	185,823	–	–	473,978	458,207
Variable interest bearing instruments	2.20	9,593	2,792	5,585	9,003	26,973	25,005
		658,589	197,713	5,585	9,003	870,890	853,151

5. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk management *(continued)*

The amount for variable interest rate instruments for non-derivative financial liabilities is subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The following table details the Group's liquidity analysis for its derivative financial instruments as at 31 December 2012. The table was drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable was not fixed, the amount disclosed was determined by reference to the projected interest rates and other input parameters as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments was prepared based on the contractual maturities as the management consider that the contractual maturities were essential for an understanding of the timing of the cash flows of the derivatives.

	On demand Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted cash flows	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012						
Foreign exchange forward contracts	–	–	–	11,024	11,024	11,024

No liquidity analysis for derivative financial instruments as at 31 December 2013 was presented due to the fact that the foreign exchange forward contract as at the end of the reporting period amounted to a financial asset.

In addition, the management did not estimate the cash inflows, if any, to be derived from the warrants of the Company as at 31 December 2013 and 31 December 2012 which would be valid till 16 June 2016 as the cash flows were not predictable with reference to interest rates and other input parameters.

Fair value measurements

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

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements *(continued)*

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/financial liabilities	Fair value as at 31/12/2013	Fair value as at 31/12/2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
(1) Long-term foreign currency forward contracts classified as other financial instruments in the consolidated statement of financial position	**Assets — RMB12,182,000**	Liabilities — RMB11,024,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at rates that reflected the credit risk of various counterparties.	N/A	N/A
(2) Principal-protected unsecured deposits classified as other financial instruments in the consolidated statement of financial position	**Assets — RMB26,491,000**	Assets — RMB26,491,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflected the credit risk of the counterparty.	N/A	N/A
(3) Warrants classified as derivative financial instruments in the consolidated statement of financial position	**Liabilities — RMB45,700,000**	Liabilities — RMB39,400,000	Level 3	Binomial Model with parameters of the Company's shares, including share prices, expected volatility, dividend yield, etc, at the end of the reporting period and expected life of the warrants, discounted at a rate that reflected credit risk of the Company.	Expected volatility of the warrants, which is made reference to the historical volatility in the share prices of the Company	The higher the expected volatility, the higher the fair value of the warrants.

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

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements *(continued)*

Reconciliation of Level 3 fair value measurements of warrants

	2011 Warrants	2012 Warrants
	RMB'000	*RMB'000*
At 1 January 2012	14,600	–
Issue during the year	–	59,300
(Gain) loss on fair value	9,800	(19,900)
Cancellation during the year	(24,400)	–
At 31 December 2012	–	39,400
Loss on fair value	–	6,300
At 31 December 2013	–	45,700

Fair value loss on warrants of approximately RMB6,300,000 (2012: fair value gain on warrants RMB10,100,000) are included in other gains and losses for the year ended 31 December 2013.

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

Fair value measurements and valuation processes

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

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

5. FINANCIAL INSTRUMENTS *(continued)*

Capital risk management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the bank loans and equity attributable to owners of the Company, which includes the share capital, share premium, special reserve and retained earnings, as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issuance of new shares as well as raising of bank loans.

6. 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 *RMB'000*	2012 *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

6. SEGMENT INFORMATION *(continued)*

Entity-wide disclosures *(continued)*

Revenue analysis (continued)

	2013	2012
	RMB'000	*RMB'000*
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:		
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.

6. SEGMENT INFORMATION *(continued)*

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.

7. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Government grant *(Note)*	359	35,437
Interest income	7,093	12,316
Others	–	262
	7,452	48,015

Note: The government grant for the years ended 31 December 2013 and 31 December 2012 mainly represented the amount received from the local government by an operating subsidiary of the Group to encourage activities carried out by the Group in solar business and high-technology advancement. No specific conditions were attached to the grant.

8. 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 (defined in note 26)	(6,300)	19,900
Gain (loss) on fair value changes of other financial instruments *(note 21(A))*	23,206	(11,024)
Impairment losses recognised in respect of advance to suppliers *(note 17)*	(126,781)	–
Impairment losses recognised in respect of other receivables	(5,615)	
Other provision *(note 23)*	(4,084)	–
Impairment losses recognised in respect of value-added taxes recoverable	(13,645)	–
Loss on fair value changes of Call Option (defined in note 26)	–	(1,965)
Loss on fair value changes of 2011 Warrants (defined in note 26)	–	(9,800)
Loss on redemption of convertible bonds and cancellation of warrants *(note 26)*	–	(177,705)
	(136,536)	(190,931)

9. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest expense in relation to:		
— bank loans wholly repayable within five years	16,929	13,248
— factorised bills receivable	–	5,650
— arrangement of forward contracts *(Note 21(A))*	1,656	2,832
Effective interest expense on convertible bonds	–	17,306
Total borrowing costs	18,585	39,036

10. 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	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). Details of transactions are set out in note 29.

(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.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

	2013	2012
	RMB'000	*RMB'000*
Non-executive directors		
— fees	–	–
— basic salaries and allowance	–	–
Independent non-executive directors		
— fees	820	832
— basic salaries and allowance	–	–
— share-based payments expense in relation to share options vested	246	382
Executive directors		
— fees	–	–
— basic salaries and allowance	2,693	2,686
— share-based payments expense in relation to share options	1,086	3,260
— Retirement benefits scheme contributions	12	11
	4,857	7,171

The emoluments paid or payable to each of the directors of the Company during the year were as follows:

	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2013					
Executive directors					
Mr. Zhang	–	600	478	–	1,078
Mr. Chau Kwok Keung ("Mr. Chau")	–	1,920	574	12	2,506
Mr. Shi Cheng Qi ("Mr. Shi")	–	173	34	–	207
Non-executive director					
Mr. Donald Huang ("Mr. Huang")	–	–	–	–	–
Independent non-executive directors					
Mr. Leung Ming Shu ("Mr. Leung")	200	–	82	–	282
Mr. Daniel DeWitt Martin ("Mr. DeWitt")	310	–	82	–	392
Mr. Kang Sun ("Mr. Kang")	310	–	82	–	392
	820	2,693	1,332	12	4,857

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2012					
Executive directors					
Mr. Zhang	–	600	1,435	–	2,035
Mr. Chau	–	1,920	1,722	11	3,653
Mr. Shi	–	166	103	–	269
Non-executive director					
Mr. Huang	–	–	–	–	–
Independent non-executive directors					
Mr. Leung	200	–	112	–	312
Mr. DeWitt	316	–	129	–	445
Mr. Kang	316	–	141	–	457
	832	2,686	3,642	11	7,171

Mr. Zhang is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The five highest paid individuals included four (2012: four) directors and the Chief Executive of the Company for the year ended 31 December 2013. Details of their emoluments are set out above. The emoluments of the remaining individual during the years are as follows:

	2013	2012
	RMB'000	*RMB'000*
Employee		
— basic salaries and allowance	350	354
— retirement benefits scheme contributions	–	–
— share-based payments expense	34	103
	384	457

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

The emoluments of the five highest paid individuals were within the following bands:

	2013	2012
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	–
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	1	–
HK$4,000,001 to HK$4,500,000	–	1

During the years ended 31 December 2013 and 31 December 2012, no discretionary bonus was paid or payable to the directors, the Chief Executive or the other five highest paid individual(s).

During the years ended 31 December 2013 and 31 December 2012, no emoluments were paid by the Group to the directors and five highest paid individual(s) as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the Chief Executive nor any of the directors waived any emoluments during the years ended 31 December 2013 and 31 December 2012.

12. 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 *(note 18)*:		
— Current year	(1)	60
	737	1,220

12. TAXATION *(continued)*

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%.

During the year ended 31 December 2013 and 31 December 2012, the applicable tax rate of Shanghai Comtec Solar Technology Co., Ltd. ("Comtec Solar") was 15% as it qualified as a New High-Tech enterprise.

Under the EIT Law, dividends paid out of the net profits derived by the Company's PRC operating subsidiaries to non-PRC resident shareholders for financial years since 1 January 2008 are subject to applicable PRC withholding tax at a rate of 10% or lower as provided in tax treaties in accordance with relevant tax laws in the PRC. Withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities to non-PRC resident shareholders at relevant withholding tax rate of 10%.

The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The taxation for the year is reconciled to loss before taxation as follows:

	2013 *RMB'000*	2012 *RMB'000*
Loss before taxation	(132,340)	(163,829)
Tax at domestic income tax rate (25%)	(33,085)	(40,957)
Tax effect of expenses not deductible for tax purpose	4,802	64,862
Tax effect of income not taxable for tax purpose	(3,192)	(4,975)
Tax effect of deductible temporary difference not recognised	33,351	–
Utilisation of deductible temporary difference previously not recognized	(1,063)	(14,437)
Effect of tax exemptions granted to a PRC subsidiary	(75)	(456)
Withholding income tax provision on dividends from the PRC subsidiaries	(1)	9
Overprovision in prior years	–	(2,826)
Taxation for the year	737	1,220

13. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2013 and 31 December 2012.

The directors of the Company do not recommend the payment of a final dividend.

14. 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 (defined in note 26) 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 (defined in note 26) 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, i.e. the period from1 January 2012 to 9 November 2012 (date of Repurchase Transaction II as defined in note 26).

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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2012	233,309	760,617	1,802	4,238	87,360	1,087,326
Additions	276	480	13	265	23,350	24,384
Transfers	19,704	78,659	2	–	(98,365)	–
Disposals	–	(11,556)	–	(402)	–	(11,958)
Reclassified as held for resale	–	–	(3)	–	(1,290)	(1,293)
At 31 December 2012	253,289	828,200	1,814	4,101	11,055	1,098,459
Additions	–	2,730	5	951	126,494	130,180
Transfers	892	19,498	–	–	(20,390)	–
Disposals	–	(17,614)	–	(1,689)	(283)	(19,586)
At 31 December 2013	254,181	832,814	1,819	3,363	116,876	1,209,053
DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	39,025	181,913	812	2,063	7,887	231,700
Provided for the year	10,690	65,425	192	683	–	76,990
Eliminated on disposals	–	(6,192)	–	(233)	–	(6,425)
Eliminated on reclassification as held for sale	–	–	(1)	–	–	(1)
Transfers	7,887	–	–	–	(7,887)	–
At 31 December 2012	57,602	241,146	1,003	2,513	–	302,264
Provided for the year	12,907	68,646	134	544	–	82,231
Eliminated on disposals	–	(2,754)	–	(1,297)	–	(4,051)
At 31 December 2013	70,509	307,038	1,137	1,760	–	380,444
CARRYING VALUES						
At 31 December 2013	183,672	525,776	682	1,603	116,876	828,609
At 31 December 2012	195,687	587,054	811	1,588	11,055	796,195

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	Over the shorter of the period of the respective land use rights which the buildings are erected on or 20 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The Group's buildings are located on land in the PRC which is under a lease term of 50 years.

As at 31 December 2013, the Group pledged its buildings having net book values of approximately RMB87,727,000 (2012: RMB92,650,000) to banks to secure banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

	2013 *RMB'000*	2012 *RMB'000*
Carrying values		
At beginning of the year	40,143	40,997
Additions during the year	8,936	–
Released to profit or loss	(854)	(854)
At end of the year	48,225	40,143
Reclassified as held for sale *(note 22)*	(19,129)	(19,129)
Less: Amount to be amortised within one year	(600)	(458)
Non-current portion	28,496	20,556

The lease payments represent the land use rights situated in the PRC and Malaysia which are under medium-term leases.

As at 31 December 2013, prepaid lease payments with carrying amount of approximately RMB14,242,000 (2002: RMB14,564,000) were pledged to banks to secure banking facilities granted to the Group.

As at 31 December 2012, the certificate of a land use right with carrying amount of approximately RMB19,129,000 (which is included in assets held for sale) was not granted. The Group obtained legal title to such land use right during the year ended 31 December 2013.

17. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS

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

In prior years, the Group entered into several purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed to purchase a minimum quantity of raw materials, mainly polysilicon virgins (to be used in the manufacture of its products) each year during the period from 1 January 2008 to 31 December 2018, when the Group has discretion to extend supply in certain years to 2021 (the "Supply Period") at pre-determined prices. According to the terms of the agreements, the Group made advances to these suppliers during the year ended 31 December 2013 and 31 December 2012. At 31 December 2013 and 31 December 2012, the Group had outstanding aggregate advance payments, net of allowance, of approximately RMB239,996,000 and RMB422,572,000, respectively, with these suppliers. The advances are unsecured, interest-free and will be offset with part of the invoiced amounts in the manner as discussed below, on an annual basis before expiry of the agreements at the end of the Supply Period.

Pursuant to the terms of the agreements, during each year of the Supply Period, the amount of advances made in respect of the agreed contract quantity in that particular year would be utilised to reduce the invoice amount of purchases up to those annual agreed quantities. The total minimum amount of raw materials to be purchased by the Group from the two major suppliers during the Supply Period is approximately RMB6,357,501,000 (2012: RMB5,807,625,000).

For the arrangement with one of the major suppliers, if the minimum purchase requirement is not met in a particular year, the advance made to that supplier in relation to the minimum purchase commitment would be forfeited. In addition, pursuant to terms of this purchase agreement, the Group granted to this supplier a continuing security interest in the raw materials supplied by such supplier and the proceeds of sale or insurance of such raw materials with the entire purchase of such raw materials and if applicable, all late payments, interest and expenses necessary to enforce such security interest. The supplier has the right to take all necessary measures to create, perfect, preserve and enforce the security interest. At 31 December 2013 and 31 December 2012, the Group did not have any outstanding trade payable with this supplier.

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

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

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

Year ending 31 December	Amount equivalent to *RMB'000*
2014	886,219
2015	839,734
2016	777,723
2017	244,000
2018	345,609
2019	345,609
2020	345,609
2021	345,609
	4,130,112

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

Movement in the allowance for advance to suppliers:

	RMB'000
Balance at 1 January 2012, 31 December 2012 and 1 January 2013	7,149
Impairment losses recognised in profit or loss	126,781
Balance at 31 December 2013	133,930

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

During the year ended 31 December 2013, the Group performed an analysis of the sufficiency of impairment losses recognised in respect of advance to suppliers and provision for onerous contracts, due to volatility of the solar industry which the Group is engaged in, with reference to the Group's budgeted annualized production capacity, the Group's product mix, recent market demand for the Group's products, updated forecasted selling prices of the products that reflected current market assessments, the Group's committed delivery of solar products (including terms governed under the Wafer Supply Agreement (defined in note 35)), etc. The Group recognised impairment losses in respect of advances to the two major suppliers of approximately RMB126,781,000 (2012: nil). No further provision (2012: nil) or reversal of provision (2012: nil) for onerous contracts was made during the year ended 31 December 2013. Impairment losses made or recognised by the Group represented expected losses to be suffered or future payments that the Group is presently obliged to make under the above-mentioned non-cancellable operating contracts, after taking into account the revenue expected to be earned and costs to be incurred in production, in certain calendar year(s) in the Supply Period.

In prior years, the Group made provision of approximately RMB39,107,000 on onerous contracts. No further provision is required during the year ended 31 December 2013 (2012: nil).

18. DEFERRED TAX

The following is the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year.

	Write-down of inventories *RMB'000*	Allowance for doubtful debts *RMB'000*	Withholding tax on undistributed dividends *RMB'000*	Total *RMB'000*
At 1 January 2012	127	562	(9,560)	(8,871)
(Charge) to profit or loss	(41)	(10)	(9)	(60)
At 31 December 2012	86	552	(9,569)	(8,931)
Credit to profit or loss	–	–	1	1
At 31 December 2013	86	552	(9,568)	(8,930)

18. DEFERRED TAX *(continued)*

The following is the analysis of the deferred tax balance for financial report presentation purposes.

	2013	2012
	RMB'000	*RMB'000*
Deferred tax assets	638	638
Deferred tax liabilities	(9,568)	(9,569)
	(8,930)	(8,931)

At 31 December 2013 and 31 December 2012, except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately RMB97.3 million and RMB97.3 million, respectively, deferred tax liabilities have not been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of the PRC operating subsidiaries of approximately RMB309.7 million and RMB309.7 million, respectively, as the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse or be subject to withholding tax in the foreseeable future.

At the end of the reporting period, the Group has unrecognised deductible temporary differences of approximately RMB294,777,000 (2012: RMB143,652,000), representing impairment for property, plant and equipment, impairment for other receivables, allowance of inventories and impairment losses recognised in respect of advance to suppliers.

19. 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

20. 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.

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(continued)*

The following is an aged analysis of bills receivable presented based on the 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
181 to 365 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 aged between 30 and 365 days and bills receivable aged between 0 to 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

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(continued)*

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 USD, the foreign currencies of the relevant group entities, were re-translated into RMB and stated for financial reporting purposes as:

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

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/OTHER FINANCIAL INSTRUMENTS/OTHER FINANCIAL INSTRUMENTS/HELD-TO-MATURITY INVESTMENTS

(A) Pledged bank deposits and forward contracts

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

Long-term contract

During the year ended 31 December 2012, the Group entered into an arrangement with a commercial bank in Hong Kong pursuant to which the Group would buy USD with RMB at exchange rate of 6.3205 from this bank for a contractual period of three years at principal amount of approximately USD63,444,000 (equivalent to approximately RMB401,000,000).

In addition, the Group is entitled to receive interest income at a rate of 2.00% per annum on amount of RMB401,000,000 and is obliged to pay interest expense at a rate of 2.13% per annum on amount of USD63,444,000, on semi-annual basis.

The contract will be settled net upon maturity date on 16 March 2015. During the year ended 31 December 2013, gain on fair value change of this forward contract was estimated to be approximately RMB23,206,000 (2012: loss on fair value change of this forward contract approximately RMB11,024,000). The contract was recognised as other financial assets of approximately RMB12,182,000 as at 31 December 2013 (2012: other financial liabilities of approximately RMB11,024,000) in the consolidated statement of financial position and fair value changes were recognised as other gains and losses in the consolidated statement of profit or loss and other comprehensive income.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/OTHER FINANCIAL INSTRUMENTS/OTHER FINANCIAL INSTRUMENTS/HELD-TO-MATURITY INVESTMENTS *(continued)*

(A) Pledged bank deposits and forward contracts *(continued)*

Short-term contracts

During the year ended 31 December 2012, the Group entered into several arrangements with a commercial bank in the PRC pursuant to which the Group borrowed USD and EUR loans from this bank for contractual period of one year for settlement of its payables denominated in USD and EUR. At the same time, the Group (a) placed fixed deposits (in RMB amounts equivalent to the respective USD and EUR loans) plus fixed interest at rates ranging from 2.16% to 2.91% per annum for the same contractual period to the same bank as security against the USD and EUR loans, and (b) entered into forward contracts with the bank to purchase USD and EUR (in amounts equivalent to the USD and EUR loans plus interest thereon) by HKD at predetermined forward rates.

As at 31 December 2012, fixed deposits denominated in RMB of approximately RMB172,866,000 and the USD and EUR loans of approximately USD17,027,000 and EUR8,254,000, respectively (equivalent to an aggregate amount of approximately RMB175,678,000) are included in pledged bank deposits and bank loans, respectively.

The related interest income on the fixed deposits of approximately RMB4,926,000 and unrealised exchange loss on USD and EUR loans of approximately RMB600,000 are included in the other income and other gains and losses, respectively, while the interest expenses on USD and EUR loans of approximately RMB2,832,000 are included in finance costs.

Major terms of the net settled foreign currency forward contracts as at 31 December 2012 were as follows:

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

In the opinion of the directors of the Company, the fair values of the Group's foreign currency forward contracts do not have a material impact on the results and financial position of the Group. As at 31 December 2013, there are no outstanding short-term forward contracts for the Group.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/OTHER FINANCIAL INSTRUMENTS/OTHER FINANCIAL INSTRUMENTS/HELD-TO-MATURITY INVESTMENTS *(continued)*

(B) Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.10% to 0.50% per annum and 0.10% to 0.50% per annum at 31 December 2013 and 31 December 2012, respectively.

The Group's bank balances and cash that were denominated in EUR, HKD ,USD, JPY and MYR, foreign currencies of the relevant group entities, were re-translated into RMB and stated for reporting purposes as:

	2013	2012
	RMB'000	*RMB'000*
Bank balances and cash denominated in:		
EUR	**1,716**	2,591
HK$	**20,143**	43,559
USD	**42,719**	229,871
JPY	**15,229**	–
MYR	**1,421**	–

Certain bank balances and cash of approximately RMB252,250,000 and RMB69,888,000 at 31 December 2013 and 31 December 2012, respectively, were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

(C) Other financial instruments

	2013	2012
	RMB'000	*RMB'000*
FVTPL	**38,673**	26,491

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/OTHER FINANCIAL INSTRUMENTS/OTHER FINANCIAL INSTRUMENTS/HELD-TO-MATURITY INVESTMENTS *(continued)*

(C) Other financial instruments *(continued)*

The other financial instruments of the Group as at 31 December 2013 included the forward contract with carrying amount of RMB12,182,000 (2012: other financial liabilities of RMB11,024,000) as disclosed in note 21(A) and other financial instruments of RMB26,491,000 (2012: RMB26,491,000) as discussed below.

During the year ended 31 December 2013 and 31 December 2012, the Group had a contract of principal-protected unsecured deposit with a bank for a period of five years. The significant terms and conditions relating to the financial assets as FVTPL were as follows:

Notional amount	Start date	Deposit end date	Interest rate	Fair value as at 31 December 2013 *RMB'000*	Fair value as at 31 December 2012 *RMB'000*
USD4,000,000	18 July 2011	17 July 2016	variable	26,491	26,491

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

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

Index refers to a portfolio of financial instruments, related to forward and spot exchange rates of USD and HKD and interest rates, and can be extracted from Bloomberg.

The deposit was denominated in USD.

The deposit at 31 December 2013 and 31 December 2012 was designated at fair value through profit or loss upon initial recognition as the deposit formed part of contracts containing embedded derivatives. It was stated at fair values derived from discounted cash flow analysis based on the terms of the deposits and relevant market inputs, mainly forward and spot exchange rates of USD and HKD and interest rates on 31 December 2013 and 31 December 2012, which was provided by the counterparty financial institution.

In the opinion of the directors of the Company, changes in fair value of the above contract did not have a material impact on the performance of the Group as at 31 December 2013 and 31 December 2012.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/OTHER FINANCIAL INSTRUMENTS/OTHER FINANCIAL INSTRUMENTS/HELD-TO-MATURITY INVESTMENTS *(continued)*

(D) Held-to-maturity investments

During the year ended 31 December 2013, the Group purchased principal-guaranteed bonds listed in Hong Kong which carry interest at 10% per annum and mature in 2015. The bonds are denominated in HKD.

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

22. ASSETS CLASSIFIED AS HELD FOR SALE

In November 2012, the Group entered into an agreement with an independent third party to dispose of the entire equity interests in a subsidiary, Comtec New Energy (Shanghai) Limited, whose principal asset is the prepaid lease payments for a parcel of land, at a cash consideration of RMB28,500,000. The transaction has not yet been completed by the date of this report.

	2013 *RMB'000*	2012 *RMB'000*
Prepaid lease payments *(Note 1)*	19,129	19,129
Other assets *(Note 2)*	3,884	5,206
Assets classified as held for sale	23,013	24,353
Liabilities directly associated with assets classified as held for sale	(81)	(336)

Notes:

(1) In the opinion of the directors of the Company, no impairment loss was recognised on reclassification of the land as held for sale at 31 December 2013 and 31 December 2012 as its carrying amount is less than the estimated fair value less costs of disposal.

(2) The major classes of assets held by the to-be-disposed of subsidiary at 31 December 2013 are property, plant and equipment and cash and bank balances with carrying amounts of approximately RMB1,179,000 and RMB2,705,000, respectively (2012: property, plant and equipment, other receivables, cash and bank balances with carrying amounts of approximately RMB1,292,000, RMB386,000 and RMB3,528,000, respectively).

The transaction was not completed during the year ended 31 December 2013 due to unexpected time spent on the group restructuring before disposal of the entity.

23. 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 (defined in note 26)	**–**	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.

23. TRADE AND OTHER PAYABLES *(continued)*

The Group's trade and other payables that were denominated in MYR, USD, and 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	14,203	–
USD	219,558	192,271
JPY	1,125	219

During the year ended 31 December 2013, a lawsuit arose from an independent third party (the "Counterparty") against the Group for failing to execute in full the obligations of delivery of solar products to the Counterparty in accordance with the relevant sale and purchase agreement. The amount of the proposed claim was estimated to be approximately RMB4,000,000. The directors of the Group made full provision in relation to the amount claimed, together with estimated further legal costs of RMB84,000 to be incurred. Up to the date of the report, the lawsuit was not yet concluded.

24. CUSTOMERS' DEPOSITS RECEIVED

Customers' deposits received are unsecured, interest-free and will be settled by the delivery of the Group's products.

25. BANK LOANS

	2013 RMB'000	2012 RMB'000
Bank loans		
— secured	130,308	130,000
— unsecured	313,648	353,212
	443,956	483,212
Carrying amounts repayable:		
Within one year	436,067	470,100
One to two years	4,829	4,978
More than two years, but not exceeding five years	3,060	8,134
	443,956	483,212
Less: Amounts due within one year shown under current liabilities	(436,067)	(470,100)
Amounts shown under non-current liabilities	7,889	13,112

Certain loans as at 31 December 2013 and 31 December 2012 carried interest at variable market rates benchmarked to the interest rates of the People's Bank of China or London Interbank Offerred Rate.

The carrying amounts of the Group's fixed-rate borrowings and their relevant contractual maturity dates (or reset dates) are as follows:

	2013 RMB'000	2012 RMB'000
Fixed rate borrowings:		
Within one year	268,907	458,207

25. BANK LOANS *(continued)*

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2013	2012
	RMB'000	*RMB'000*
Effective interest rate:		
Fixed-rate	**1.72% to 6.56%**	2.16% to 6.56%
Variable-rate	**0.78% to 2.82%**	2.20% to 2.21%

The Group's bank loans that were denominated in USD and EUR, 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*
Denominated in USD	**159,044**	128,505
Denominated in EUR	**45,912**	84,707

26. CONVERTIBLE BONDS AND WARRANTS

The Company issued RMB-denominated convertible bonds at a par value of RMB100,000 each with an aggregate principal amount of approximately RMB655 million on 17 June 2011, with contractual period of five years, to an independent third party who is not related to the Group (the "Bondholder"). The convertible bonds would be matured in five years since issuance. The conversion price was fixed at HK$3.90 (at the fixed exchange rate of HK$1.1917494 = RMB1 as pre-determined).

Concurrent with the issuance of the bonds, 95,121,951 fully detachable and transferrable warrants ("2011 Warrants") each to purchase one ordinary share of the Company were issued. The exercise price of the 2011 Warrants was HK$4.10 and would be expired in five years from the date of issuance.

Details of the bonds and 2011 Warrants are set out in 2012 annual report of the Company.

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

26. CONVERTIBLE BONDS AND WARRANTS *(continued)*

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

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

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

The Repurchase Transaction II was completed on 9 November 2012.

The Outstanding Principal Payments are unsecured and interest-free. There was no Outstanding Principal Payments as at 31 December 2013. As at 31 December 2012, the aggregate unsettled Outstanding Principal Payments were approximately RMB100,008,000.

26. CONVERTIBLE BONDS AND WARRANTS *(continued)*

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

	14 March 2012	9 November 2012
Expected volatility	62.73%	67.36%
Call option life	4.3 years	3.6 years
Risk-free interest rate	0.571%	0.210%

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

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

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

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

26. CONVERTIBLE BONDS AND WARRANTS *(continued)*

The principal terms of the 2012 Warrants are as follows:

(A) Exercise price — Each 2012 Warrant carried the right to subscribe for one share. The exercise price at which a share would be issued upon exercise of a 2012 Warrant, as adjusted from time to time, will initially be RMB1.00874 per share (translated at the fixed exchange rate of HK$1.22926 = RMB1 as pre-determined and the exercise price will be settled in HKD) but would be subject to anti-dilutive adjustment in the manner provided in the warrant instrument, including subdivision or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options, rights or warrants, and certain other events.

(B) Exercisable period — At the option of the holder thereof, at any time on or after the date of the issue of each 2012 Warrant up to the close of business (at the place where the warrant certificate evidencing such warrant is deposited for exercise) on the fourth anniversary of the date of issue of such warrant, that was 16 June 2016 (the "Expiration Date"), but in no event thereafter. After the close of business on the Expiration Date, the exercise right shall lapse and each 2012 Warrant shall cease to be valid for any purpose.

(C) Rights — The 2012 Warrants would rank pari passu in all respects with one another.

(D) Transferability — The 2012 Warrants were freely transferable subject to the terms and conditions of the investment agreement entered into between the Company and the holder of the 2012 Warrants.

(E) Voting right — The holder of the 2012 Warrants would not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder of the warrants. The holder of the 2012 Warrants would not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder of the 2012 Warrants.

(F) Listing of the 2012 Warrants — No application would be made for the listing of the 2012 Warrants on the Stock Exchange or any other exchange.

26. CONVERTIBLE BONDS AND WARRANTS *(continued)*

The fair values of the 2012 Warrants on 14 March 2012 and 31 December 2012 were approximately RMB59,300,000 and RMB39,400,000, respectively. The 2012 Warrants are measured at fair value with changes in fair value recognised in profit or loss. The fair values of the 2012 Warrants of the Company at 14 March 2012 and 31 December 2012 were calculated using the Binomial pricing model. The inputs into the model were as follows:

	14 March 2012	31 December 2012
Share price	HK$1.53	HK$1.22
Exercise price	HK$1.24	HK$1.24
Warrant volatility	62.73%	66.50%
Warrant life	4.3 years	3.6 years
Risk-free interest rate	0.485%	0.113%

The fair values of the 2012 Warrants of the Company at 31 December 2013 were calculated using the Binominal pricing model. The inputs into the model were as follows:

Share price	HK$1.46
Exercise price	HK$1.24
Warrant volatility	67.19%
Warrant life	2.2 years
Risk-free interest rate	0.409%

The risk-free interest rates were based on yield of Hong Kong government bonds at the date of valuation. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the 2012 Warrants.

The movement of the fair value of the 2012 Warrants for the year ended 31 December 2013 and 31 December 2012 was set out below:

	RMB'000
Carrying amount at 14 March 2012	59,300
Gain on fair value change recognised in profit or loss	(19,900)
Carrying amount at 31 December 2012	39,400
Loss on fair value change recognised in profit or loss	6,300
Carrying amount at 31 December 2013	45,700

26. CONVERTIBLE BONDS AND WARRANTS *(continued)*

The directors of the Company considered that the Repurchase Transaction I and Warrants Issue Transaction in the year ended 31 December 2012 were part of the same arrangement and Repurchase Transaction I would not have occurred without Warrants Issue Transaction and vice versa, and therefore should be considered as linked transactions (the "Linked Transaction"). The aggregate consideration for each of the Linked Transaction and the Repurchase Transaction II was analysed as follows:

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

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

	Debt *RMB'000*	Equity *RMB'000*	2011 Warrants *RMB'000* *(Note)*	Total *RMB'000*
At 1 January 2012	402,444	188,839	14,600	605,883
Interest charged	9,712	–	–	9,712
Change in fair values	–	–	12,600	12,600
At 14 March 2012	412,156	188,839	27,200	628,195
Linked Transaction	(309,117)	(141,629)	(20,400)	(471,146)
Interest charged	7,594	–	–	7,594
Change in fair values	–	–	(2,800)	(2,800)
At 9 November 2012	110,633	47,210	4,000	161,843
Repurchase Transaction II	(110,633)	(47,210)	(4,000)	(161,843)
At 31 December 2012 and 31 December 2013	–	–	–	–

Note: The fair values of the 2011 Warrants at 14 March 2012 and 9 November 2012 were calculated using the Binomial pricing model with the following inputs into the model.

26. CONVERTIBLE BONDS AND WARRANTS *(continued)*

	14 March 2012	9 November 2012
Share price	HK$1.53	HK$1.21
Exercise price	HK$4.10	HK$4.10
Expected volatility	62.73%	67.36%
Warrant life	4.3 years	3.6 years
Risk-free interest rate	0.485%	0.210%

The risk-free interest rates were based on yield of Hong Kong government bonds at the dates of valuation. Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. Changes in variables and assumptions might result in changes in the fair values of the 2011 Warrants.

27. DEFERRED REVENUE

	2013 *RMB'000*	2012 *RMB'000*
Government grants	**5,444**	5,731
Analysed for reporting purpose as:		
Current liabilities	**287**	287
Non-current liabilities	**5,157**	5,444
	5,444	5,731

During the year ended 31 December 2012, the Group received certain government subsidies of approximately RMB5,731,000 which was related to compensation of acquisition of plant and equipment. The amount was treated as deferred revenue and amortised to income over the useful lives of related assets when such assets were ready for their intended use and depreciation commenced. During the year ended 31 December 2013, RMB 287,000 (2012: RMB287,000) was recognized.

28. SHARE CAPITAL

The share capital of the Group at 31 December 2013 and 31 December 2012 represented the issued and fully paid capital of ordinary shares of the Company.

Authorised:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 1 January 2012	1,133,890,000	1,134
Issue of new shares in December 2012 *(note 1)*	50,000,000	50
Ordinary shares of HK$0.001 each at 31 December 2012	1,183,890,000	1,184
Exercise of share options *(note 2)*	26,348,000	26
Issue of new shares in January 2013 *(note 3)*	120,000,000	120
Issue of new shares in July 2013 *(note 4)*	1,351,765	2
Ordinary shares of HK$0.001 each at 31 December 2013	1,331,589,765	1,332

	2013	2012
	RMB'000	*RMB'000*
Presented as RMB:		
Ordinary shares	1,157	1,039

28. SHARE CAPITAL *(continued)*

Notes:

(1) In December 2012, the Company issued 50,000,000 ordinary shares of HK$0.001 each for a consideration of HK$1.15 per share. The allotment was in the form of private placement with shares subscribed by independent third parties not related to the Group.

(2) During the year ended 31 December 2013, the Company issued 150,000, 9,836,000 and 16,362,000 new shares upon exercise of share options at the exercise price of HK$1.49 per share, HK$0.98 per share and HK$1.262 per share, respectively.

(3) In January 2013, the Company issued 120,000,000 ordinary shares of HK$0.001 each for a consideration of HK$1.74 per share. The allotment in January 2013 was in the form of private placement with shares subscribed by independent third parties not related to the Group.

(4) In July 2013, the Company issued 1,351,765 ordinary shares of HK$0.001 each at nil consideration to third party consultants who provided consultancy services to the Group.

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

29. SHARE-BASED COMPENSATION

(a) Pre-IPO Share Option Scheme

The Company's share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a resolution passed on 2 June 2008 for the primary purpose of giving the grantees an opportunity to have personal stake in the Company and motivating the grantees to optimise their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the Pre-IPO Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is not permitted to exceed 3% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Option granted must be taken up within 30 days from the date of grant, upon payment of HK$1.00. Subject to the vesting as detailed below, options may be exercised at any time from the grant date of the share options to the 10th anniversary of the date of grant. The exercise price of the shares in the Company shall be a price determined by the board of directors of the Company with reference to future earnings potential of the Company and notified to the eligible participants.

29. SHARE-BASED COMPENSATION *(continued)*

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

(1) All options granted are at an exercise price of HK$2.51 per share.

(2) All holders of options granted may only exercise their options in the following manner:

(i) 1/12th of the share options vested on 1 November 2009 and become exercisable; and

(ii) from 1 November 2009 onwards, for the remaining 11/12th share options, every 1/12th of the granted share options will vest at the end of each three-month period on a quarterly basis.

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

Set out below are details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the years ended 31 December 2013 and 31 December 2012:

	Number of options				
	Outstanding as at 1 January 2013	Issue during the year	Exercised during the year	Forfeited in the year	Outstanding as at 31 December 2013
Directors:					
Mr. Leung	63,000	–	–	–	63,000
Mr. DeWitt	200,000	–	–	–	200,000
Mr. Kang	249,020	–	–	–	249,000
	512,020	–	–	–	512,020
Exercisable at the end of the year	512,020				512,020
Weighted average exercise price (HK$)	2.51	N/A	N/A	N/A	2.51

29. SHARE-BASED COMPENSATION *(continued)*

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

	Number of options				
	Outstanding as at 1 January 2012	Issue during the year	Exercised during the year	Forfeited in the year	Outstanding as at 31 December 2012
Directors:					
Mr. Leung	63,000	–	–	–	63,000
Mr. DeWitt	200,000	–	–	–	200,000
Mr. Kang	249,020	–	–	–	249,000
	512,020	–	–	–	512,020
Exercisable at the end of the year	341,347				512,020
Weighted average exercise price (HK$)	2.51	N/A	N/A	N/A	2.51

No share options under the Pre-IPO Share Option Scheme were exercised during the year ended 31 December 2013 and 31 December 2012.

At 31 December 2013, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (2012: 512,020), representing 0.04% (2012: 0.04%) of the shares of the Company in issue at that date.

The Group did not recognise any expense (2012: RMB59,000) in relation to the share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2013 since the share options were fully vested in the prior period.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme

The Company has adopted its share option scheme (the "Share Option Scheme") on 2 October 2009. The purpose of the Share Option Scheme is to motivate eligible persons to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Additionally, the Company may, from time to time, grant share options to outside third parties in respect of services provided to the Company.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 0.1% of the number of shares in issue unless approved by shareholders in general meeting.

Option granted must be taken up within 30 days from the date of grant, upon payment of HK$1.00. Subject to the vesting as detailed below, options may be exercised at any time from the grant date of the share options to the 10th anniversary of the date of grant. The subscription price of a share in respect of option granted under the Share Option Scheme will be determined by the board of directors provided that it shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

Pursuant to a board resolution in 2010, the Company granted 5,180,000 share options to certain employees of the Company under the Share Option Scheme. Set out below were details of the outstanding options granted under the Share Option Scheme in 2010:

(1) All options granted were at an exercise price of HK$1.49 per share.

(2) All holders of options might only exercise their options in the following manner:

  (i) half of the share options vested and exercisable on the grant date and

  (ii) the remaining balance of share options became vested and exercisable at 30 June 2012.

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

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Pursuant to board resolutions dated 28 June 2012 and 27 December 2012, the Company granted 19,840,000 and 23,900,000, representing 1.68% and 2.02%, respectively, of the shares of the Company in issue at these dates, share options to certain directors, employees and consultants of the Company under the Share Option Scheme. Except for the expenses in relation to share options granted to certain consultants on 27 December 2012 which are fully charged to profit or loss upon their grant, the expenses of the other options granted under the Share Option Scheme on 28 June 2012 and 27 December 2012 will be accounted for in the consolidated statements over the vesting period as follows:

(4) Options granted on 28 June 2012 and 27 December 2012 were at an exercise price of HK$0.98 and HK$1.26 per share, respectively.

(5) All holders of options granted on 28 June 2012 and 27 December 2012 might only exercise their options in the following manner:

(i) half of the share options vested and exercisable on date of grant and

(ii) the remaining 50% will be vested in 4 tranches, i.e. the first 12.5% from three months after the date of grant, the second 12.5% from six months from the date of grant, the third 12.5% from nine months from date of grant and the balance 12.5% from the anniversary of date of grant.

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

The estimated fair values of share options granted on 28 June 2012 and 27 December 2012 were RMB7,685,000 and RMB14,929,000, respectively. These fair values were calculated using the Binomial model. The inputs into the model are as follows:

	28 June 2012	27 December 2012
Share price	HK$0.98	HK$1.25
Exercise price	HK$0.98	HK$1.26
Expected volatility	62.00%	62.33%
Expected life	2.4 years	2.5 years
Risk-free interest rate	0.966%	0.620%

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

The risk-free rate was based on market yield rate of Hong Kong Government Bond with maturity on 20 June 2022 and 27 December 2022 as of the date of valuation on 28 June 2012 and 27 December 2012. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

Pursuant to a board resolution dated 30 September 2013, the Company granted 4,020,000, representing 0.30% of the shares of the Company in issue at the date, share options to certain employees and consultants of the Company under the Share Option Scheme. Set out below were details of the outstanding options granted under the Share Option Scheme in 2013:

(1) Options granted on 30 September 2013 were at an exercise price of HK$1.48 per share.

(2) Except for the expenses in relation to share options granted to certain consultants which are fully charged to profit or loss upon their grant, all other holders of options granted on 30 September 2013 might only exercise their options in the following manner:

(iii) half of the share options vested and exercisable on date of grant and

(iv) the remaining 50% will be vested in 4 tranches, i.e. the first 12.5% from three months after the date of grant, the second 12.5% from six months from the date of grant, the third 12.5% from nine months from date of grant and the balance 12.5% from the anniversary of date of grant.

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

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

The estimated fair value of share options granted on 30 September 2013 was RMB 2,434,000. The fair value was calculated using the Binomial model. The inputs into the model are as follows:

	30 September 2013
Share price	HK$1.87
Exercise price	HK$1.87
Expected volatility	65.16%
Expected life	2.0 years
Risk-free interest rate	2.03%

The risk-free rate was based on market yield rate of Hong Kong Government Bond with maturity on 28 August 2023 and 20 February 2024 for employees and directors respectively as of the grant date. Expected volatility was determined by using the historical volatility of the Company's share prices. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the year ended 31 December 2013:

	Number of options				
	Outstanding as at 1 January 2013	Issue during the year	Exercised during the period	Forfeited during the period	Outstanding as at 31 December 2013
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau	6,000,000	–	(5,772,000)	–	228,000
Mr. Shi	660,000	–	(150,000)	–	510,000
Mr. Leung	300,000	–	–	–	300,000
Mr. DeWitt	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	10,850,000	3,500,000	(3,764,000)	–	10,586,000
Consultants	22,400,000	520,000	(16,662,000)	–	6,258,000
	45,810,000	4,020,000	(26,348,000)	–	23,482,000
Exercisable at the end of the year	29,220,000				21,974,500
Weighted average exercise price (HK$)	1.37	1.87	1.16	N/A	1.46

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

	Number of options				
	Outstanding as at 1 January 2012	Issue during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2012
Director:					
Mr. Zhang	–	5,000,000	–	–	5,000,000
Mr. Chau	–	6,000,000	–	–	6,000,000
Mr. Shi	300,000	360,000	–	–	660,000
Mr. Leung	–	300,000	–	–	300,000
Mr. DeWitt	–	300,000	–	–	300,000
Mr. Kang	–	300,000	–	–	300,000
Employees	2,090,000	9,080,000	–	(320,000)	10,850,000
Consultants	–	22,400,000	–	–	22,400,000
	2,390,000	43,740,000	–	(320,000)	45,810,000
Exercisable at the end of the year	2,390,000				29,220,000
Weighted average exercise price (HK$)	1.49	1.13	N/A	1.49	1.37

In respect of 26,348,000 share options which were exercised during the year ended 31 December 2013, the weighted average share price at the date of exercise is HK$1.16 per share. During the year ended 31 December 2012, no share options under the share option scheme were exercised. During the year ended 31 December 2013, no (2012: 320,000) share options previously granted by the Company were forfeited before vesting due to departure of employees.

At 31 December 2013, the number of shares in respect of which options under the Share Option Scheme remained outstanding was 23,482,000 (2012: 45,810,000), representing 1.76% (2012: 3.87%) of the shares of the Company in issue at that date.

The Group recognised the total expense of approximately RMB3,875,000 (2012: RMB 20,242,000) for the year ended 31 December 2013 in relation to share options granted by the Company under the Share Option Scheme.

30. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013	2012
	RMB'000	*RMB'000*
Non-current assets		
Held-to-maturity investments	14,105	–
Investments in subsidiaries and amounts due from subsidiaries	1,158,892	1,102,330
	1,172,997	1,102,330
Current assets		
Other receivables	156	847
Amounts due from subsidiaries	3,950	4,073
Bank balances and cash	240	50
	4,346	4,970
Current liability		
Other payables	639	105,784
Net current (liabilities) assets	3,707	(100,814)
Total assets less current liabilities	1,176,704	1,001,516
Capital and reserves		
Share capital (see note 28)	1,157	1,039
Reserves *(note)*	1,129,847	961,077
Total equity	1,131,004	962,116
Non-current liability		
Warrants *(note 26)*	45,700	39,400
	1,176,704	1,001,516

30. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note: Reserves

	The Company				
	Share premium *RMB'000*	Other reserve *RMB'000*	Share options reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2012	1,005,201	187,631	1,779	(10,271)	1,184,340
Loss and total comprehensive expense for the year	–	–	–	(199,181)	(199,181)
Issue of ordinary shares *(note 28)*	45,597	–	–	–	45,597
Redemption of convertible bonds and warrants	–	(187,631)	–	97,651	(89,980)
Recognition of equity-settled share-based payments	–	–	20,301	–	20,301
At 31 December 2012	1,050,798	–	22,080	(111,801)	961,077
Loss and total comprehensive expense for the year	–	–	–	(24,316)	(24,316)
Transaction costs attributable to issue of shares	(3,900)	–	–	–	(3,900)
Issue of ordinary shares *(note 28)*	168,907	–	–	–	168,907
Exercise of share options	38,420	–	(14,216)	–	24,204
Recognition of equity-settled share-based payments	–	–	3,875	–	3,875
At 31 December 2013	1,254,225	–	11,739	(136,117)	1,129,847

31. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group was committed to make the following future minimum leases payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2013	2012
	RMB'000	*RMB'000*
Within one year	785	895
In the second to fifth year inclusive	1,989	1,829
After five years	1,756	2,186
	4,530	4,910

Operating lease payments represented rentals payable by the Group for certain of its office properties and factory premises. Except for the lease for the Group's factory with a term of twenty years, leases are negotiated for an average term from one to two years.

32. CAPITAL COMMITMENTS

	2013	2012
	RMB'000	*RMB'000*
Capital expenditure in the consolidated financial statements in respect of the acquisition of property, plant and equipment		
— Contracted for but not provided	119,585	1,147
— Authorised but not contracted for	–	97,600
	119,585	98,747

33. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme in Hong Kong which was established under the Mandatory Provident Fund Ordinance in December 2000 (the "MPF Scheme"). The assets of the schemes are held separately from those of the Group and are invested in funds under the control of independent trustees. For members of the MPF Scheme, the Group contributes 5%, with a maximum of HK$1,250 per person, of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute 20% to 22% of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

34. RELATED PARTY TRANSACTIONS

In the opinion of the directors of the Company, the Group did not have any outstanding balances with related parties at 31 December 2013 and 31 December 2012.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year as follows:

	2013	2012
	RMB'000	*RMB'000*
Basic salaries and allowances	4,451	4,454
Retirement benefits scheme contributions	156	145
Share-based payments expense	1,437	3,957
	6,044	8,556

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

35. 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.

35. MAJOR CONTRACTS *(continued)*

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. Details of such analysis are set out in note 17.

36. SUBSIDIARIES

Details of the Company's subsidiaries, which are all wholly-owned, at 31 December 2013 and 31 December 2012 are as follows:

Name of company	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital at the date of this report	Principal activities
Comtec Semiconductor (Cayman) Limited*	Cayman Islands 23 April 2007	US$2 *(Note)*	Investment holding
Comtec Semiconductor (Hong Kong) Limited	Hong Kong 12 October 2007	HK$2 *(Note)*	Investment holding
Comtec Solar (Cayman) Limited*	Cayman Islands 23 April 2007	US$2 *(Note)*	Investment holding
Comtec Solar (HK)	Hong Kong 12 October 2007	HK$2 *(Note)*	Investment holding, provision of sourcing, invoicing and support services for group companies

36. SUBSIDIARIES *(continued)*

Name of company	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital at the date of this report	Principal activities
Comtec Solar International Limited	BVI 2 January 2013	US$50,000 *(Note)*	Investment holding
Comtec Solar International (M) Sdn Bhd	Malaysia 7 February 2013	MYR 5,000,000 *(Note)*	Manufacturing and sales of semiconductors, solar wafers and related products
Comtec Solar Trading Limited	Hong Kong 4 December 2013	HK$2	Investment holding
Comtec Solar (China) Investment Holdings Limited	Hong Kong 4 December 2013	HK$2	Investment holding
Comtec New Energy China Holdings Limited	Hong Kong 25 November 2013	HK$10,000 *(Note)*	Investment holding
Comtec Solar (Jiangxi)#	PRC 22 March 2006	US$6,064,000 *(Note)*	Inactive
Comtec Semi#	PRC 21 December 1999	US$4,040,000 *(Note)*	Manufacturing and sales of semiconductors, solar wafers and related products
Comtec Solar#	PRC 5 July 2005	US$18,500,000 *(Note)*	Manufacturing and sales of solar wafers and related products
Comtec New Energy (Shanghai) Limited#	PRC 7 January 2012	US$16,000,000 *(Note)*	Manufacturing and sales of solar wafers and related products
Comtec Solar (Jiangsu) Co., Limited#	PRC 11 February 2012	US$35,500,000 *(Note)*	Manufacturing and sales of solar wafers and related products

* Directly held by the Company
\# Wholly foreign-owned enterprise

Note: The issued and fully paid share capital of the entity remained unchanged as at 31 December 2013 and 31 December 2012.

None of the subsidiaries has issued any debt securities at the end of the reporting period.

Five Years Summary

	Year ended 31 December				
	2009	2010	2011	2012	**2013**
Results	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Turnover	506,876	1,021,371	1,016,746	1,025,615	**937,479**
(Loss) Profit before interest expenses and taxation	37,999	270,492	20,597	(124,793)	**(113,755)**
Interest expense	(6,669)	(7,401)	(38,596)	(39,036)	**(18,585)**
(Loss) Profit before taxation	31,330	263,091	(17,999)	(163,829)	**(132,340)**
Taxation	(6,389)	(40,151)	(28,328)	(1,220)	**(737)**
(Loss) Profit and total comprehensive income for the year, attributable to the owners of the Company	24,941	222,940	(46,327)	(165,049)	**(133,077)**

	As at 31 December				
	2009	2010	2011	2012	**2013**
Assets and liabilities	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	1,410,675	1,912,392	2,654,773	2,440,099	**2,608,545**
Total liabilities	(349,050)	(401,049)	(1,000,996)	(975,413)	**(1,083,732)**
Net assets	1,061,625	1,511,343	1,653,777	1,464,686	**1,524,813**

Definitions

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

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Controlling Shareholders"	the controlling shareholders (as defined in the Listing Rules) of the Company, namely Mr. John Zhang and Fonty Holdings 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
"Fonty"	Fonty Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 5 September 2007
"Global Offering" or "IPO"	the listing of the Shares on the Stock Exchange on 30 October 2009
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange
"Model Code"	model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China

Definitions

"Prospectus"	the prospectus of the Company dated 19 October 2009
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company