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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Revenue for the year was approximately RMB489.2 million, representing a year-on-year decrease of 39.6% from approximately RMB810.0 million for the year ended 31 December 2016;
- Gross profit for the year was approximately RMB8.0 million, representing a turnaround from gross loss of approximately RMB152.6 million for the year ended 31 December 2016;
- Gross profit margin for the year was approximately 1.6%, representing a turnaround from gross loss margin of approximately 18.8% for the year ended 31 December 2016;
- Net loss for the year was approximately RMB145.4 million, decreased from the net loss of RMB1,007.1 million for the year ended 31 December 2016;
- Net loss margin for the year was approximately 29.7%, comparing to 124.3% for the year ended 31 December 2016; and
- Our loss per share for the year was RMB8.15 cents, comparing to the loss per share of RMB69.48 cents for the year ended 31 December 2016.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the audited annual results of the Group for the year ended 31 December 2017. Here are some financial and business highlights for the year:

- Revenue for the year was approximately RMB489.2 million, representing a year-on-year decrease of 39.6% from approximately RMB810.0 million for the year ended 31 December 2016;

- Gross profit for the year was approximately RMB8.0 million, representing a turnaround from gross loss of approximately RMB152.6 million for the year ended 31 December 2016;

- Gross profit margin for the year was approximately 1.6%, representing a turnaround from gross loss margin of approximately 18.8% for the year ended 31 December 2016;

- Net loss for the year was approximately RMB145.4 million, decreased from the net loss of RMB1,007.1 million for the year ended 31 December 2016;

- Net loss margin for the year was approximately 29.7%, comparing to 124.3% for the year ended 31 December 2016; and

- Our loss per share for the year was RMB8.15 cents, comparing to the loss per share of RMB69.48 cents for the year ended 31 December 2016.

During the year ended 31 December 2017, the Group achieved remarkable progress in downsizing traditional solar wafer manufacturing businesses and expanding to the more profitable downstream solar business which specifically focuses on rooftop distributed generation projects on commercial and industrial buildings.

Disposal of assets in Malaysia

On 30 December 2016, the Company, Comtec Solar International (M) Sdn. Bhd. ("**Comtec Malaysia**") and Longi (Kuching) Sdn. Bhd ("**Longi**") entered into an asset transfer agreement, pursuant to which Comtec Malaysia agreed to sell and Longi agreed to purchase the assets of Comtec Malaysia at a total consideration of RMB200.0 million.

Comtec Malaysia was established in 2013 by the Company to expand the Group's production capacity in its solar-grade monocrystalline silicon business. Due to the unfavorable global macro-economic environment, the relatively small scale of operations, the lower production efficiency at the early stage of its operations and that it took time to train the local production team, Comtec Malaysia had been loss making and had recorded cumulative operating loss of approximately RMB178.5 million since 2013. Although the Group had been striving to improve its operating efficiency and reduce its production cost per unit, Comtec Malaysia was not able to generate operating profit in 2016. At the same time, the industry landscape for the monocrystalline silicon business deteriorated in the second half of 2016, with certain major players who use monocrystalline silicon wafers, such as those produced by Comtec Malaysia, scaling back or even shutting down their production. In such circumstances, the board (the "**Board**") of directors (the "**Directors**") of the Company considered that it would be in the interest of the Company to exit its investment in the production facilities in Malaysia so that the Group could provide more resources on expanding its downstream distributed solar system business, as it was expected that the business prospects of the downstream distributed solar system business would be better than that of the upstream ingot and wafer manufacturing business. Also, given the unfavorable market conditions, the Board believes there is a risk that the prices of the assets of Comtec Malaysia may fall even lower later. Such disposal was completed in June 2017. For further details, please refer to the announcements of the Company dated 3 January 2017, 21 March 2017 and 20 April 2017 and the circular of the Company dated 31 March 2017.

End of long-term purchase agreements

During the year, we were also free from the contractual obligations in relation to the long term purchase agreements for polysilicons which led to our substantial amount of losses in last few years. It allowed the Group to be more flexible in managing its supply chain to adapt to the market situations. And we intend to improve our flexibilities and cost competitiveness on solar wafer manufacturing business by outsourcing certain production procedures to external processing agents. The Group would mainly focus on the production procedures which are important to the long-term competitiveness of our monocrystalline wafer business.

On the other hand, we have made good progress on the new businesses initiatives.

Strategic Cooperation with Macquarie Capital

On 18 September 2017, Comtec Renewable Energy Group Limited ("**Comtec Renewable Energy**"), a wholly-owned subsidiary of the Company, and Macquarie Corporate Holding Pty Limited ("**Macquarie Capital**") entered into a shareholders' agreement, pursuant to which Comtec Renewable Energy and Macquarie Capital agreed to form a co-investment vehicle (the "**Co-Investment Vehicle**") for the purpose of developing and expanding the downstream solar business. The Co-Investment Vehicle will be owned as to 50% by Comtec Renewable Energy and 50% by Macquarie Capital, respectively, and the total subscription amount to be paid by each party for the transaction will be up to a maximum of US$5 million.

The Co-Investment Vehicle will focus on the development, project management and construction of distributed solar generated power projects in the PRC with an aggregate capacity of 30–40 Megawatts. The cooperation with Macquarie Capital will broaden the Group's strategic cooperation with international financial institutions, which strengthens and improves the financial resources of the Group.

Cooperation with Administrative Committee of Wuxi Huishan Economic Development Zone

In addition to the incorporation of the remarkable Co-Investment Vehicle with Macquarie Capital, we also made continuous progress on our new business initiatives. On 12 January, 2017, the Group entered into a strategic framework cooperation agreement with the Administrative Committee of Wuxi Huishan Economic Development Zone in relation to the proposed cooperation in the distributed solar power generation projects and the intelligent energy charging facilities projects. Pursuant to the agreement, both parties agreed to cooperate exclusively with each other in connection with solar projects in Huishan Economic Development Zone.

Acquisition of Forum (Asia) Limited

In March 2017, the Group has completed the acquisition of Forum (Asia) Limited to further expand the business of rooftop solar projects.

Cooperation with Fuzhou Swire Coca Cola

On 8 May 2017, the Company successfully completed the construction of a solar power rooftop distributed generation station in Fuzhou (the "**Solar Power Generation Station**"). Pursuant to an electricity supply agreement (the "**Electricity Supply Agreement**") entered into by, amongst others, Fuzhou Comtec Solar Electricity Co., Ltd.* (福州卡姆丹克太陽能電力有限責任公司) ("**Fuzhou Comtec**"), a wholly-owned subsidiary of the Company, and Fuzhou Swire Coca Cola Beverage Co., Ltd.* (福州太古可口可樂飲料有限公司) ("**Fuzhou Swire Coca Cola**"), the Solar Power Generation Station was constructed by Fuzhou Comtec to supply Fuzhou Swire Coca Cola with solar power electricity for a term of 25 years. The Solar Power Generation Station was constructed on a rooftop covering an area of approximately 30,000 square meters and its scale is approximately 2 Megawatts.

Cooperation with ISDN Holdings

On 25 May 2017, the Company entered into a strategic cooperation framework agreement (the "**Framework Agreement**") with ISDN Holdings Limited ("**ISDN Holdings**"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1656) and the Stock Exchange of Singapore (stock code: I07.SI), in relation to the proposed strategic cooperation in the energy industry. After arm's length negotiation, the parties incorporated an investment holding company in the British Virgin Islands (the "**JV Holdco**") in August 2017. The JV Holdco is named C&I Renewable Limited and owned as to 70% by our Company and 30% by ISDN Holdings. The board of directors of the JV Holdco comprises three members, namely Mr. Zhang Zhen and Mr. Chau Kwok Keung, each being an executive Director of our Company, and Mr. Teo Cher Koon, being the managing director and president of ISDN Holdings. After incorporation of the JV Holdco, it will further establish subsidiaries in Hong Kong and the PRC. It is expected that the PRC subsidiary will set up and operate a distributed generation solar power station with an estimated scale of approximately 1 Megawatt on the roof of a property owned by ISDN Holdings located in Suzhou, the PRC. It is also expected that, upon commencement of operation of the distributed generation solar power station, ISDN Holdings and/or its subsidiary(ies) will purchase generated power from such power station at the relevant fair market price for a term of 20 years. The total investment amount to the JV Holdco and its subsidiaries would be no more than RMB8 million. Upon the incorporation, each of the JV Holdco and its subsidiaries will be accounted as a subsidiary of the Group and their financials will be consolidated to those of the Group accordingly.

Acquisition of Kexin

On 25 May 2017, Comtec Renewable Energy (Jiangsu) Limited* (卡姆丹克清潔能源(江蘇)有限公司) ("**Comtec Renewable (Jiangsu)**"), Zhenjiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司) ("**Kexin**") and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represented an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marked the Group's continuous efforts in diversifying its business.

The consideration payable by Comtec Renewable (Jiangsu) for the acquisition was RMB14 million, which was determined after arm's length negotiation between the parties by reference to, among others, (i) the potential prospects of Kexin and its expected synergy with the Company, and (ii) the valuation of Kexin as at 12 May 2017. The acquisition was completed in October 2017. Please refer to the announcements of the Company dated 25 May 2017 and 16 October 2017 for further details.

The above progresses marked the Group's continuous efforts to develop and expand its new business initiatives. It would also enhance our profit amounts and profitabilities.

Share Placing

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription shares at a subscription price of HK$0.2534 per share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司), generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription share. The net proceed was expected to be used as general working capital of the Group. As at the date of this announcement, the net proceed has been used up. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription shares at a subscription price of HK$0.25 per share. The subscription has been completed on 18 October 2017 with the 190,912,714 subscriptions shares allotted and issued to Advanced Gain Limited, generating the net proceeds of approximately HK$46.93 million, representing a net subscription price of HK$0.2458 per subscription share. The net proceed was expected to be used as general working capital of the Group. As at the date of this announcement, the net proceed has been used up. Please refer to the announcements of the Company dated 21 July 2017 and 18 October 2017 for further details.

The Group intends to explore further opportunities and make further expansion into downstream solar business. We believe this strategy would fuel the growth of the Group. 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 Yi Zhang
Chairman

Shanghai, 29 March 2018

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2017, together with the comparative figures for the corresponding year in 2016. These results have been reviewed by the Company's audit committee, comprising all the independent non-executive Directors, with one of them chairing the committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
Revenue	*5*	**489,208**	810,045
Cost of sales		**(481,230)**	(962,626)
Gross profit (loss)		**7,978**	(152,581)
Other income	*6*	**29,029**	4,120
Other gains and losses, expenses and provision	*7*	**(53,522)**	(763,846)
Distribution and selling expenses		**(11,049)**	(15,276)
Administrative expenses		**(81,846)**	(64,184)
Research and development expenses		**(5,865)**	(6,910)
Finance costs		**(15,925)**	(9,112)
Loss before taxation	*8*	**(131,200)**	(1,007,789)
Income tax (expense) credit	*9*	**(14,247)**	719
Loss and total comprehensive loss for the year		**(145,447)**	(1,007,070)
Loss and total comprehensive loss for the year, attributable to			
Owners of the Company		**(140,296)**	(1,007,070)
Non-controlling interests		**(5,151)**	–
		(145,447)	(1,007,070)
		RMB cents	*RMB cents*
Loss per share	*10*		
— Basic		**(8.15)**	(69.48)
— Diluted		**(8.15)**	(69.48)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Loss for the year		**(145,447)**	(1,007,070)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties transferred from properties plant and equipment and prepaid lease payment to investment properties	*13*	**41,387**	–
Income tax relating to items that will not be reclassified subsequently	*22*	**(10,347)**	–
Other comprehensive income for this year		**31,040**	–
Total comprehensive expense for this year		**(114,407)**	(1,007,070)
Total comprehensive expense attributable to:			
Owners of the Company		**(109,256)**	–
Non-controlling interests		**(5,151)**	–
		(114,407)	(1,007,070)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
Non-current assets			
Property, plant and equipment	*11*	**142,129**	208,314
Prepaid lease payments-non-current	*12*	**13,484**	22,510
Investment properties	*13*	**86,027**	–
Goodwill	*14*	**105,917**	60,256
Intangible assets	*15*	**67,757**	63,050
Deposits paid for acquisition of property, plant and equipment		**22,354**	1,106
		437,668	355,236
Current assets			
Inventories	*16*	**43,209**	191,082
Trade and other receivables	*17*	**131,346**	151,585
Bills receivable	*17*	**1,684**	10,826
Advance to suppliers		**64,509**	117,131
Prepaid lease payments-current	*12*	**335**	551
Prepaid assignment fee	*24*	**–**	166,190
Short-term bank deposits		**20,874**	126,637
Bank balances and cash		**32,107**	82,130
		294,064	846,132
Assets classified as held for sale	*18*	**–**	160,638
		294,064	1,006,770
Current liabilities			
Trade and other payables	*19*	**131,057**	408,892
Customers' deposits received	*20*	**43,203**	237,668
Short-term bank loans		**200,339**	388,364
Tax liabilities		**10,333**	309
Deferred revenue-current		**287**	287
Contingent consideration payables-current	*21*	**9,884**	–
		395,103	1,035,520
Net current liabilities		**(101,039)**	(28,750)
Total assets less current liabilities		**336,629**	326,486

	NOTES	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital		**1,807**	1,333
Reserves		**231,337**	208,738
Equity attribute to owners of the Company		**233,144**	210,071
Non-controlling interests		**8,961**	–
Total equity		**242,105**	210,071
Non-current liabilities			
Long-term bank loans		**11,950**	–
Deferred tax liabilities	*22*	**31,958**	18,283
Long-term payable		**4,500**	–
Deferred revenue-non-current		**4,011**	4,297
Contingent consideration payables	*21*	**42,105**	93,835
		94,524	116,415
		336,629	326,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

The Company is a public limited company incorporated in the Cayman Island, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2009. Its parent company and ultimate holding company is Fonty Holdings Limited ("Fonty") incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Yi Zhang ("Mr. Zhang") who is the Chairman and director of the Company. The addresses of the registered office and principal place of business of the Company are in Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in research, production and sales of efficient mono-crystalline products and power storage products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations.

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

The Group experienced a net loss of RMB145 million in the year ended 31 December 2017 and had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB101 million although a net assets of RMB242 million are maintained as of that date. These factors initially raised doubt as to the Group's ability to continue as a going concern. However, the Group has developed and implemented the following liquidity plan:

- While there can be no assurance that the Group will be able to refinance its short-term bank loans as they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. The Group has assumed it will continue to be able to do so for the foreseeable future.

- The Group is adopting strict control of operating and investing activities.

- The Group plans to secure additional capital by way of issuing new shares to new investors.

Based on the business forecast, refinanced short-term bank loans plan and the liquidity plan, the accompanying consolidated financial statements have been prepared assuming the Group will continue as a going concern.

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

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board ("IASB") for the first time in the current year.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to IFRS 12	Annual Improvements to IFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to IFRSs 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 these consolidated financial statements.

Amendments to IAS7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 23. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 23, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair values at the end of the reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized 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.

4. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the consolidated financial statements of the Company and entities controlled by the Company (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.

5. SEGMENT INFORMATION

The Group is principally engaged in research, production and sales of efficient mono-crystalline products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations. Accordingly, the Group has two operating and reporting segments for financial reporting purpose. The Group's segment profit is the profit 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:

	2017	2016
	RMB'000	*RMB'000*
Manufacturing and sales of solar products:		
Monocrystalline solar wafers	**249,510**	306,567
Monocrystalline solar ingots	**45,465**	29,648
	294,975	336,215
Trading of solar and power storage products:		
Monocrystalline silicon	**65,295**	456,099
Monocrystalline silicon solar cells	**34,787**	–
Crystalline silicon solar modules	**37,467**	–
Power storage products	**5,187**	–
Others	**4,323**	15,942
	147,059	472,041
Provision of processing services and consulting service:		
Processing service for solar products	**–**	1,789
Consulting services for investment, development, construction of operation of solar photovoltaic power stations	**47,174**	–
Total revenue	**489,208**	810,045

Revenue reported above represents revenue generated from external customers.

Revenue analysed by the locations of external customers

	2017	2016
	RMB'000	*RMB'000*
PRC including Hong Kong SAR	**426,515**	536,671
Philippines and Malaysia	**39,794**	213,871
Japan	**16,907**	2,968
Korea	**5,992**	13,971
USA	**–**	39,590
Other countries	**–**	2,974
Total revenue	**489,208**	810,045

Information about major customers

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

	2017	2016
	RMB'000	*RMB'000*
Customer A	**84,610**	N/A
Customer B	**57,496**	N/A
Customer C	**N/A**	209,762

Note: N/A — the company sale to that customer was less than 10% of the total revenue in the relevant year.

All of the Group's non-current assets, including property, plant and equipment, prepaid lease payments, goodwill, intangible assets, deposits paid for acquisition of property, plant and equipment and advance to suppliers, are located in the Group entities' countries of domicile at the end of each reporting period. The following table sets forth details:

	2017	2016
	RMB'000	*RMB'000*
PRC including Hongkong SAR	**437,279**	347,117
Malaysia	**389**	8,119
	437,668	355,236

6. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grant *(note)*	**26,764**	1,165
Deferred revenue amortization	**287**	287
Rental related income	**1,606**	–
Interest income	**296**	2,612
Others	**76**	56
	29,029	4,120

Note: The government grant 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 clean energy industry and high-technology advancement. No specific conditions were attached to the grant.

7. OTHER GAINS AND LOSSES, EXPENSES AND PROVISION

	2017 *RMB'000*	2016 *RMB'000*
Net foreign exchange losses	**(3,861)**	(10,121)
Gain on fair value change of contingent consideration payables *(Note 21)*	**22,016**	19,068
Gain on disposal of assets held for sale	**–**	81
Loss on disposal of property, plant and equipment	**(14,796)**	(1,548)
Allowance for trade and other receivables *(Note 17)*	**(7,690)**	(5,151)
Impairment losses recognized in respect of property, plant and equipment *(Note 11)*	**(36,872)**	(276,470)
Impairment losses recognized in respect of advance to suppliers	**–**	(1,369)
Impairment losses recognized in respect of assets held for sale *(Note 18)*	**–**	(339,317)
Write off deposit paid for acquisition of equipment *(Note 18)*	**–**	(25,775)
Losses recognized in respect of provision for termination of Malaysian plant under construction *(Note 18)*	**(6,200)**	(88,269)
Losses recognized in respect of provision for compensation to a supplier	**(6,119)**	(34,975)
	(53,522)	(763,846)

Note: In prior years, the Group entered into certain long term consumable purchase agreements with an independent supplier. In 2016, an agreement was reached into between the independent supplier and the Group to reduce the consumable purchase period from 11 years to 21 months from March 2016. Due to the downside of the Group's manufacturing business, however, the directors of the Company expect that the Group would not be able to fulfill the agreed purchase amount and would incur penalties of approximately RMB34,975,000. In 2017, the independent supplier and the Group agreed to terminate the related affairs and the Group recognized another RMB6,119,000 loss.

8. LOSS BEFORE TAXATION

	2017 *RMB'000*	2016 *RMB'000*
Loss before taxation has been arrived at after charging:		
Staff costs, including Director's Remuneration		
Salaries, wages, bonus and other benefits	**43,344**	61,713
Retirement benefits scheme contributions	**5,188**	9,656
Share based payments expenses	**2,106**	22,369
Total staff costs	**50,638**	93,737
Capitalized in inventories	**(19,829)**	(46,830)
	30,809	46,907
Depreciation of property, plant and equipment	**18,086**	59,847
Capitalized in inventories	**(16,930)**	(56,020)
	1,156	3,827
Auditor's remuneration	**2,100**	2,000
Cost of inventories recognized as expense *(note (i))*	**473,380**	962,626
Release of prepaid lease payments	**551**	761
Amortization of intangible assets	**21,288**	–
Research and development expenses	**5,865**	6,910
Operating lease rentals in respect of rented premises	**3,803**	3,154

Notes

i. Included in cost of inventories recognized as expense represented write-down of inventories of approximately RMB 17,381,000 (2016: RMB94, 537,000) to their net realisable values.

9. TAXATION

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**15,208**	21
Deferred tax charge *(Note 22)*	**(961)**	(740)
	14,247	(719)

No Hong Kong Profits Tax was provided for the year ended 31 December 2017 and 31 December 2016 as the group entities either had no relevant assessable profits or incurred tax losses in Hong Kong.

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 2017 and 31 December 2016, the applicable tax rate of Shanghai Comtec Solar Technology Co., Ltd. ("Comtec Solar") was 15% as it was qualified as a New High-Tech enterprise for the period of five years form 1 January 2014 to 31 December 2018.

Upon the EIT Law, dividends paid out of the net profits derived by the Company's PRC operating subsidiaries to non-PRC residents shareholders for financial years since 1 January 2008 are subject to applicable PRC withholding tax in a rate of 10% or lower rates 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 Company's PRC operation subsidiaries to non-PRC resident shareholders with 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 realized or the liability is settled.

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

	2017	2016
	RMB'000	*RMB'000*
Loss before taxation	**(131,200)**	(1,007,789)
Tax at domestic income tax rate (25%)	**(32,800)**	(251,947)
Tax effect of expenses not deductible for tax purpose	**14,492**	5,692
Tax effect of temporary difference not recognized	**33,516**	246,387
Utilization of temporary difference previously not recognized	**–**	(111)
Overprovision on withholding tax on undistributed dividends	**(961)**	(740)
Taxation charge (credit) for the year	**14,247**	(719)

10. LOSS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(140,296)**	(1,007,070)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,720,898,993**	1,449,485,250

The outstanding share options of the Company have not been included in the computation of diluted loss per share as they are anti-diluted to the net loss for the year ended 31 December 2017 and 31 December 2016.

11. 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 2016	255,718	748,807	2,016	3,622	467,895	1,478,058
Additions	–	132	135	250	19,361	19,878
Reclassifications	588	(1,351)	7	756	–	–
Classified as assets held for sale *(Note 18)*	–	(69,034)	(343)	(1,224)	(421,932)	(492,533)
Disposals	–	(1,005)	(74)	(309)	(687)	(2,075)
At 31 December 2016	256,306	677,549	1,741	3,095	64,637	1,003,328
Additions	–	35,169	2,187	964	11,600	49,920
Reclassifications	–	1,383	–	413	(1,796)	–
Transfer to investment properties *(Note 13)*	(57,505)	–	–	–	–	(57,505)
Disposals	(529)	(243,446)	(587)	(346)	–	(244,908)
At 31 December 2017	198,272	470,655	3,341	4,126	74,441	750,835
DEPRECIATION AND IMPAIRMENT						
At 1 January 2016	95,745	360,790	1,206	2,245	–	459,986
Provided for the year	12,966	46,317	87	477	–	59,847
Classified as assets held for sale *(Note 18)*	–	(188)	(93)	(481)	–	(762)
Eliminated on disposals	–	(251)	(24)	(252)	–	(527)
Impairment	5,530	216,224	495	908	53,313	276,470
At 31 December 2016	114,241	622,892	1,671	2,897	53,313	795,014
Provided for the year	12,512	5,162	240	172	–	18,086
Transfer to investment properties *(Note 13)*	(21,556)	–	–	–	–	(21,556)
Eliminated on disposals	(190)	(218,622)	(552)	(346)	–	(219,710)
Impairment	–	26,067	–	–	10,805	36,872
At 31 December 2017	105,007	435,499	1,359	2,723	64,118	608,706
CARRYING VALUES						
At 31 December 2017	93,265	35,156	1,982	1,403	10,323	142,129
At 31 December 2016	142,065	54,657	70	198	11,324	208,314

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 in which the buildings are erected on or 20 years
Plant and machinery	3-20 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.

The industry landscape for the traditional monocrystalline silicon business has been deteriorated continuously, with certain major players who use monocrystalline silicon wafers, such as those produced by the Group, scaling back or even shutting down their production. The Group thus conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to the adverse changes in the future economic conditions of the solar wafer manufacturing business in which the Group is engaging. Accordingly, impairment losses of RMB36,872,000 (2016: RMB276,470,000) have been recognized in respect of plant and machinery and construction in process, which are used in the Group's manufacturing and sales of solar wafers and related processing services. The recoverable amounts of the relevant assets have been determined on the basis of their value in use.

As at 31 December 2017, the Group pledged its buildings having net book values of approximately RMB98,486,000 (2016: RMB137,817,000) to banks to secure banking facilities granted to the Group.

12. PREPAID LEASE PAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Carrying values		
At 1 January	**23,061**	26,779
Additions	**–**	5,227
Released to profit or loss	**(551)**	(761)
Classified as assets held for sale	**–**	(8,184)
Transfer to Investment properties *(Note 13)*	**(8,691)**	–
At 31 December	**13,819**	23,061
Current portion	**335**	551
Non-current portion	**13,484**	22,510

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

As at 31 December 2017, prepaid lease payments with carrying amount of approximately RMB13,819,000 (2016: RMB23,061,000) was pledged to banks to secure banking facilities granted to the Group.

13. INVESTMENT PROPERTIES

	Investment properties *RMB'000*
FAIR VALUE	
At 1 January 2017	–
Transferred from property, plant and equipment	35,949
Transferred from prepaid lease payment	8,691
Gain on revaluation of properties recognized in property revaluation reserve *(Note)*	41,387
At 31 December 2017	86,027

Note: During the year ended 31 December 2017, certain self-used properties and related prepaid lease payments with carrying amount of RMB35,949,000 and RMB8,691,000, respectively were transferred to investment properties upon the change in use of the properties evidenced by commencement of leasing agreement for the properties to generate rental income. At the date of transfer, the gain on revaluation from property, plant and equipment and prepaid lease payments to investment properties amounting to RMB41,387,000 was recognised in property revaluation reserve.

The fair value of the Group's investment properties at 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by an independent qualified professional valuers not connected to the Group.

As at 31 December 2017, the Group pledged its investment properties having carrying value of approximately RMB86,027,000 to banks to secure banking facilities granted to the Group.

The following table gives information about how the fair value of these investment properties as at 31 December 2017 are determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key input(s)
Industry property located in Shanghai RMB86,027,000	Level 3	Cost approach and income approach with weight coefficient. Taking into account the time, location and individual factors, such as frontage and the size, between the comparable and the property.

Note: Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

14. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**60,256**	–
Acquired during the year	**45,661**	60,256
At 31 December	**105,917**	60,256

The carrying amounts of goodwill as at December 31, 2017 and 2016 are as follows:

	2017	2016
	RMB'000	*RMB'000*
Comtec Renewable Energy Group Limited	**60,256**	60,256
Comtec (Asia) Limited	**39,025**	–
Zhenjiang Kexin Power System Design and Research Company Limited	**6,636**	–
At 31 December	**105,917**	60,256

For the purposes of impairment testing, goodwill have been allocated to each of the individual cash-generating units ("CGUs"), comprising 3 subsidiaries (2016: 1) in the downstream solar business segment. During the year ended 31 December 2017 and 2016, the management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The recoverable amounts of the above CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The major underlying assumptions are summarized below:

Comtec Renewable Energy Group Limited

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 22.3%. Cash flow beyond that five-year period has been extrapolated using a 0.2% descent rate. This descent rate does not exceed the long-term average growth rate for the market in which the Group operates.

Comtec (Asia) Limited

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 24.5%. Cash flow beyond that five-year period has been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

Zhenjiang Kexin Power System Design and Research Company Limited

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 18.2%. Cash flow beyond that five-year period has been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

15. INTANGIBLE ASSETS

The balance of intangible assets are analysed as follows:

	Cooperative agreement *RMB'000*	Non-compete agreement *RMB'000*	Franchise relationship *RMB'000*	Backlog *RMB'000*	Technology *RMB'000*	Total *RMB'000*
At 1 January 2016	–	–	–	–	–	–
Additions	51,500	11,550	–	–	–	63,050
At 31 December 2016	51,500	11,550	–	–	–	63,050
Additions	–	13,026	5,899	970	6,100	25,995
Amortization	12,875	4,407	2,731	970	305	21,288
At 31 December 2017	38,625	20,169	3,168	–	5,795	67,757

The intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Cooperative agreement	4 years
Non-compete agreement	2–5 years
Franchise relationship	1.8 years
Backlog	0.8 years
Technology	5 years

16. INVENTORIES

	2017 ***RMB'000***	2016 *RMB'000*
Raw materials	**13,727**	99,084
Work-in-progress	**17,430**	58,277
Finished goods	**12,052**	33,721
	43,209	191,082

As at 31 December 2017, the carrying amount of the inventories disclosed above included inventory provision of RMB17,452,000 (2016: RMB96,599,000) and the movements of which are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
At 1 January	**96,599**	114,729
Written off	**(96,528)**	(112,667)
Provision	**17,381**	94,537
At 31 December	**17,452**	96,599

17. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**69,269**	100,679
Write off of allowance	**(5,151)**	(4,260)
Less: allowance for doubtful debts	**(7,690)**	(5,151)
	56,428	91,268
Utility deposits	**3,147**	3,798
Value-added-tax recoverable	**43,729**	43,242
Other receivables and prepayments	**28,042**	13,277
	131,346	151,585
Bills receivable	**1,684**	10,826

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

	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 30 days	**18,368**	21,872
31 to 60 days	**6,167**	3,189
61 to 90 days	**353**	810
91 to 180 days	**6,438**	2,556
Over 180 days	**25,102**	62,841
	56,428	91,268

Included in the trade receivables are debtors with an aggregate carrying amount of RMB16,448,000 (2016: RMB62,841,000) which are past due at the end of the reporting period but not considered impaired. The Group does not hold any collateral over these balances. The directors of the Company, after considering the trade relationship, credit status and past settlement history of these individual trade debtors, had concluded that these outstanding balances would be recovered.

Aging of trade receivables which are past due but not impaired:

	2017	2016
	RMB'000	*RMB'000*
Overdue by:		
61 to 90 days	**353**	–
91 to 180 days	**6,120**	–
Over 180 days	**9,975**	62,841
	16,448	62,841

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

	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 30 days	**1,134**	2,126
31 to 60 days	**550**	4,250
61 to 90 days	**–**	3,450
91 to 180 days	**–**	1,000
	1,684	10,826

No interest is charged on the trade receivables and bills receivable. Trade receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the trade receivables, the estimated future cash flows of the trade receivables have been affected.

Movement in the allowance for trade receivables:

	RMB'000
Balance at 1 January 2016	4,260
Impairment losses recognized in profit or loss	5,151
Write-off of allowance	(4,260)
Balance at 31 December 2016	5,151
Impairment losses recognized in profit or loss	7,690
Write-off of allowance	(5,151)
At 31 December	7,690

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

	2017	2016
	RMB'000	*RMB'000*
Trade and other receivables denominated in USD	**6,996**	73,593

18. ASSETS CLASSIFIED AS HELD FOR SALE

On 30 December 2016, the Group entered into an agreement (the "Asset Transfer Agreement") with an independent third party, pursuant to which certain assets of the Group maintained in Malaysia comprising property, plant and equipment and prepaid lease payments with a total net book value of approximately RMB499,955,000 will be disposed of for a cash consideration of approximately RMB200,000,000. The directors of the Company estimate the cost of disposal of such assets is approximately RMB39,362,000 and therefore the Group provides a total impairment of RMB339,317,000 against the assets classified as held for sales as at 31 December 2016. Therefore, such assets to be disposed are classified as assets held for sale as of 31 December 2016. Details of this assets disposal are disclosed in a circular of the Company dated 31 March 2017.

As the Group terminated its Malaysian plant under construction, a provision of approximately RMB88,269,000 in respect of retrenchment expenses to lay off Malaysian staff and compensations to two utility suppliers were made in relation to the termination of the Malaysian plant under construction. In addition, the Group has written off a non-refundable deposit paid in prior years in connection with the acquisition of equipment to be installed to the Malaysian plant under construction amount to approximately RMB25,775,000 as the directors of the Company are of a review that this deposit is no longer recoverable given the adverse changes and market sentiment in the relevant industry.

In 2017, there were another RMB6,200,000 loss for additional stamp duty and other tax from the government.

The disposal was duly completed on 8 June 2017. The Group received most of the proceeds which are in accordance with the disposal agreement:

	Property, plant and equipment *RMB'000*	**Prepaid lease payments** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	–	19,129	19,129
Disposal	–	(19,129)	(19,129)
Reclassified from property, plant and equipment *(Note 11)*	491,771	–	491,771
Reclassified from prepaid lease payments *(Note 12)*	–	8,184	8,184
Impairment	(337,833)	(1,484)	(339,317)
At 31 December 2016	153,938	6,700	160,638
Disposal	(153,938)	(6,700)	(160,638)
At 31 December 2017	–	–	–

19. TRADE AND OTHER PAYABLES

	2017 *RMB'000*	2016 *RMB'000*
Trade payables	**83,947**	255,509
Payables for acquisition of property, plant and equipment	**17,106**	31,927
Provision for termination costs for termination of Malaysian plant under construction	**1,267**	88,269
Other payables and accrued charges	**28,737**	33,187
	131,057	408,892

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

	2017 *RMB'000*	2016 *RMB'000*
Age		
0 to 30 days	**45,815**	63,548
31 to 60 days	**11,544**	28,767
61 to 90 days	**5,604**	14,752
91 to 180 days	**4,570**	16,910
Over 180 days	**16,414**	131,532
	83,947	255,509

The average credit period on purchases of goods is 7 days to 180 days and certain suppliers grant longer credit period on case-by-case basis.

The Group's trade and other payables that were denominated in MYR, USD, JPY and EUR, the foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	2017	2016
	RMB'000	*RMB'000*
Trade and other payables denominated in:		
MYR	**1,372**	597
USD	**31,174**	176,585
JPY	**–**	2,618
EUR	**–**	2,883

20. CUSTOMERS' DEPOSITS RECEIVED

The balances of the customers' deposits received are analysed as:

	2017	2016
	RMB'000	*RMB'000*
Mission	**–**	166,190
Other customers	**43,203**	71,478
	43,203	237,668

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

21. CONTINGENT CONSIDERATION PAYABLES

The balances of the contingent consideration payables are analysed as:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**93,835**	–
Initial recognition	**45,250**	112,903
Fair value change through profit or loss *(Note 7)*	**(22,016)**	(19,068)
Transferred to equity	**(65,080)**	–
At 31 December	**51,989**	93,835
Analysed as:		
Current portion	**9,884**	–
Non-current portion	**42,105**	93,835
	51,989	93,835

The contingent consideration arose from the issue of ordinary shares of the Company on earn-out basis in relation to business acquisitions. The contingent consideration is classified as a financial instrument (financial liability at fair value through profit or loss) and recognized in the consolidated statement of financial position at fair value. The fair value of the contingent consideration at the date of initial recognition and as at 31 December 2017 are based on the calculation on the business performance of the acquired companies and the change of stock price and exchange rate.

22. DEFERRED TAX

The following is the deferred tax liabilities recognized by the Group and movements thereon during the year.

	Withholding tax on undistributed dividends *RMB'000*	**Fair value adjustment** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	(8,620)	–	(8,620)
Credit to profit or loss	740	–	740
Acquisitions of a subsidiary *(Note)*	–	(10,403)	(10,403)
At 31 December 2016	(7,880)	(10,403)	(18,283)
Credit to profit or loss	961	–	961
Charge to property revaluation reserve	–	(10,347)	(10,347)
Acquisitions of subsidiaries *(Note)*	–	(4,289)	(4,289)
At 31 December 2017	(6,919)	(25,039)	(31,958)

Note: Fair value adjustment mainly refers to the recognition of intangible assets upon the business combination arose from acquisition of a subsidiary.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *RMB'000*
At 1 January	388,364
Financing cash flows	(177,075)
Liabilities arising from acquisition	1,000
At 31 December	212,289

24. MAJOR CONTRACTS

In prior years, 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 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 recognized such deposits as customers' deposits received in the consolidated statement of financial position. At each reporting date, 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.

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

On 1 December 2017, Comtec Solar HK entered into an agreement with Mission under which, Mission unconditionally waived the right of the unutilized advance payment to the Group and the Group also released Mission from the relevant duties and obligations. Therefore, the balance of prepaid assignment fee is offset with the customers' deposits from Mission from that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 December 2017, the Group achieved remarkable progress in downsizing the traditional solar wafer manufacturing businesses and expanding to the more profitable downstream solar business which specifically focuses on rooftop distributed generation projects on commercial and industrial buildings.

Disposal of assets in Malayia

On 30 December 2016, the Company, Comtec Malaysia and Longi entered into an asset transfer agreement, pursuant to which Comtec Malaysia agreed to sell and Longi agreed to purchase the assets of Comtec Malaysia at a total consideration of RMB200.0 million.

Comtec Malaysia was established in 2013 by the Company to expand the Group's production capacity in its solar-grade monocrystalline silicon business. Due to the unfavorable global macro-economic environment, the relatively small scale of operations, the lower production efficiency at the early stage of its operations and that it took time to train the local production team, Comtec Malaysia had been loss making and had recorded cumulative operating loss of approximately RMB178.5 million since 2013. Although the Group had been striving to improve its operating efficiency and reduce its production cost per unit, Comtec Malaysia was not able to generate operating profit in 2016. At the same time, the industry landscape for the monocrystalline silicon business deteriorated in the second half of 2016, with certain major players who use monocrystalline silicon wafers, such as those produced by Comtec Malaysia, scaling back or even shutting down their production. In such circumstances, the Board considered that it would be in the interest of the Company to exit its investment in the production facilities in Malaysia so that the Group could provide more resources on expanding its downstream distributed solar system business, as it is expected that the business prospects of the downstream distributed solar system business would be better than that of the upstream ingot and wafer manufacturing business. Also, given the unfavorable market conditions, the Board believes there is a risk that the prices of the assets of Comtec Malaysia may fall even lower later. Such disposal was completed in June 2017.

End of long-term purchase agreements

During the year, we were also free from the contractual obligations in relation to the long term purchase agreements for polysilicons which led to our substantial amount of losses in last few years. It allowed the Group to be more flexible in managing its supply chain to adapt to the market situations. And we intend to improve our flexibilities and cost competitiveness on solar wafer manufacturing business by outsourcing certain production procedures to external processing agents. The Group would mainly focus on the production procedures which are important to the long-term competitiveness of our monocrystalline wafer businesses.

Strategic Cooperation with Macquarie Capital

On 18 September 2017, Comtec Renewable Energy, a wholly-owned subsidiary of the Company, and Macquarie Capital entered into a shareholders' agreement, pursuant to which Comtec Renewable Energy and Macquarie Capital agreed to form the Co-Investment Vehicle for the purpose of developing and expanding the downstream solar business. The Co-Investment Vehicle will be owned as to 50% by Comtec Renewable Energy and 50% by Macquarie Capital, respectively, and the total subscription amount to be paid by each party for the transaction will be up to a maximum of US$5 million.

The Co-Investment Vehicle will focus on the development, project management and construction of distributed solar generated power projects in the PRC with an aggregate capacity of 30–40 Megawatts. The cooperation with Macquarie Capital will broaden the Group's strategic cooperation with international financial institutions, which strengthens and improves the financial resources of the Group.

Cooperation with Administrative Committee of Wuxi Huishan Economic Development Zone

In addition to the incorporation of the remarkable Co-Investment Vehicle with Macquarie Capital, we also made continuous progress on our new business initiatives. On 12 January, 2017, the Group entered into a strategic framework cooperation agreement with the Administrative Committee of Wuxi Huishan Economic Development Zone in relation to the proposed cooperation in the distributed solar power generation projects and the intelligent energy charging facilities projects. Pursuant to the agreement, both parties agreed to cooperate exclusively with each other in connection with solar projects in Huishan Economic Development Zone.

Acquisition of Forum (Asia) Limited

In March 2017, the Group has completed the acquisition of Forum (Asia) Limited to further expand the business of rooftop solar projects.

Cooperation with Fuzhou Swire Coca Cola

On 8 May 2017, the Company successfully completed the construction of the Solar Power Generation Station in Fuzhou. Pursuant to the Electricity Supply Agreement entered into by, amongst others, Fuzhou Comtec, a wholly-owned subsidiary of the Company, and Fuzhou Swire Coca Cola, the Solar Power Generation Station was constructed by Fuzhou Comtec to supply Fuzhou Swire Coca Cola with solar power electricity for a term of 25 years. The Solar Power Generation Station was constructed on a rooftop covering an area of approximately 30,000 square meters and its scale is approximately 2 Megawatts.

Cooperation with ISDN Holdings

On 25 May 2017, the Company entered into the Framework Agreement with ISDN Holdings, in relation to the proposed strategic cooperation in the energy industry. After arm's length negotiation, the parties incorporated the JV Holdco in August 2017. The JV Holdco is named C&I Renewable Limited and owned as to 70% by our Company and 30% by ISDN Holdings. The board of directors of the JV Holdco comprises three members, namely Mr. Zhang Zhen and Mr. Chau Kwok Keung, each being an executive Director of our Company, and Mr. Teo Cher Koon, being the managing director and president of ISDN Holdings. After incorporation of the JV Holdco, it will further establish subsidiaries in Hong Kong and the PRC. It is expected that the PRC subsidiary will set up and operate a distributed generation solar power station with an estimated scale of approximately 1 Megawatt on the roof of a property owned by ISDN Holdings located in Suzhou, the PRC. It is also expected that, upon commencement of operation of the distributed generation solar power station, ISDN Holdings and/or its subsidiary(ies) will purchase generated power from such power station at the relevant fair market price for a term of 20 years. The total investment amount to the JV Holdco and its subsidiaries would be no more than RMB8 million. Upon the incorporation, each of the JV Holdco and its subsidiaries will be accounted as a subsidiary of the Group and their financials will be consolidated to those of the Group accordingly.

Acquisition of Kexin

On 25 May 2017, Comtec Renewable (Jiangsu), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represented an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marked the Group's continuous efforts in diversifying its business.

The consideration payable by Comtec Renewable (Jiangsu) for the Proposed Acquisition was RMB14 million, which was determined after arm's length negotiation between the parties by reference to, among others, (i) the potential prospects of Kexin and its expected synergy with the Company, and (ii) the valuation of Kexin as at 12 May 2017. The acquisition was completed in October 2017. Please refer to the announcements of the Company dated 25 May 2017 and 16 October 2017 for further details.

The above progresses marked the Group's continuous efforts to develop and expand its new business initiatives. It would also enhance our profit amounts and profitabilities.

Share Placing

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription shares at a subscription price of HK$0.2534 per share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司), generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription share. The net proceed was expected to be used as general working capital of the Group. As at the date of this announcement, the net proceed has been used up. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription shares at a subscription price of HK$0.25 per share. The subscription has been completed on 18 October 2017 with the 190,912,714 subscriptions shares allotted and issued to Advanced Gain Limited, generating the net proceeds of approximately HK$46.93 million, representing a net subscription price of HK$0.2458 per subscription share. The net proceed was expected to be used as general working capital of the Group. As at the date of this announcement, the net proceed has been used up. Please refer to the announcements of the Company dated 21 July 2017 and 18 October 2017 for further details.

Revenues from our top five customers in 2017 represented approximately 46.2% of our total revenues, compared to approximately 44.5% in the last year. The sales to our largest customer accounted for approximately 17.3% of our total revenues in 2017 as compared to approximately 25.9% in 2016. The remaining of our sales in 2017 was mainly shipped to Philippines, Japan and Korea. We continued to diversity and expand our customer basis.

The Group intends to explore opportunities in new business initiatives and expand further into downstream solar business. We believe this strategy would fuel the growth of the Group and would try to create synergy through integration of the downstream solar business with the Group's existing upstream solar business. The acquisition of Joy Boy Limited, Forum (Asia) Limited and Kexin represent attractive opportunities for the Group to expand into the new business initiatives of renewable energy. To leverage on our advanced technological capabilities, high quality product offerings, the strategic alliance with reputable strategic partners and the completed acquisitions to fill us with the required talents and resources to drive the new business developments, we are confident to capture enormous opportunities and drive continuous growth for the Group in the future.

Financial Review

Revenue

Revenue decreased by RMB320.8 million, or 39.6%, from RMB810.0 million for the year ended 31 December 2016 to RMB489.2 million for the year ended 31 December 2017, primarily as a result of the decrease in sales of polysilicon due to the expiry of the long term purchase agreements and decrease in sales of the excess inventories of polysilicon arising from such contractual obligation which materially reduced during the year. In addition, the average selling prices of wafers decreased during the year. But it was partially mitigated by the increase in the sale volume of wafers and ingots as well as revenue contributions from downstream businesses.

Sales of 156 mm by 156 mm monocrystalline wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB115.0 million, or 125.5%, from RMB91.6 million for the year ended 31 December 2016 to RMB206.6 million for the year ended 31 December 2017, primarily as a result of the increase in sales volume while it was partially offset by the decrease in average selling price. The sales volume increased by 131.2MW, or 164.4% from 79.8MW for the year ended 31 December 2016 to 211.0MW for the year ended 31 December 2017, which was mainly due to the major market demand and focus on larger-size monocrystalline silicon wafers. But it was partially offset by the decrease in average selling price of RMB0.17 or 14.8%, from RMB1.15 per watt for the year ended 31 December 2016 to RMB0.98 per watt for the year ended 31 December 2017 due to the competitive market environment.

Sales of 125 mm by 125 mm monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB172.1 million, or 80.0%, from RMB215.0 million for the year ended 31 December 2016 to RMB42.9 million for the year ended 31 December 2017, primarily due to the decrease in both of sales volume and average selling price. The sales volume of 125 mm by 125 mm monocrystalline wafers decreased by approximately 106.6MW, or 62.2%, from 171.3MW for the year ended 31 December 2016 to 64.7MW for the year ended 31 December 2017, which was primarily due to the major market demand and focus on larger-size monocrystalline silicon wafers instead of smaller ones. The average selling price also decreased by RMB0.59, or 47.2%, from RMB1.25 per watt for the year ended 31 December 2016 to RMB0.66 per watt for the year ended 31 December 2017 due to the change of market landscape and our clearance of the inventory of 125 mm by 125 mm monocrystalline solar wafers.

Others

The other revenues, mainly composed of revenues from the sales of excess inventory of polysilicon, downstream project development services income, sales of ingots and trading revenue from sales of solar cells and modules. Other revenues decreased by RMB263.7 million, or 52.4% from RMB503.4 million for the year ended 31 December 2016 to RMB239.7 million for the year ended 31 December 2017. It was mainly due to the substantial decrease in sales of excess inventory of polysilicon while it was partially mitigated by the increase in sales of ingot, new sources of revenue from downstream project development services income and trading revenue from sales of solar cells and modules and the increase in sales of ingots.

The revenue from the sales of excess inventory of polysilicon during the year was approximately RMB65.3 million, representing a decrease of approximately RMB390.8 million or 85.7% from RMB456.1 million for the year ended 31 December 2016. The excess inventories were purchased under the long-term agreements with our major polysilicon suppliers and the amount of such excess inventory dropped materially during the year due to the expiry of such agreements. The sales volume of excess inventory of polysilicon was approximately 544.9 tons during the year, representing a decrease of 3,835.5 tons or 87.6% from 4,380.4 tons in 2016.

For the year ended 31 December 2017, the revenues from downstream project development services income was approximately RMB47.2 million and the trading revenue from sales of solar cells and modules was approximately RMB72.3 million. They were new sources of revenues generated during the year. In addition, the revenue from sales of ingots for the year ended 31 December 2017 was approximately RMB45.5 million, representing an increase of approximately RMB15.9 millions or 53.7% from RMB29.6 million for the year ended 31 December 2016. It represented approximately 9.3% of our total revenue for the year ended 31 December 2017, representing an increase from 3.7% for the year ended 31 December 2016. The increase in these revenues mitigated the drop of revenue from sales of excess inventory of polysilicon.

In relation to the analysis of our revenue by geographical market, approximately 87.2% of total revenue for the year ended 31 December 2017 was generated from our PRC customers (2016: 66.3%). Remaining portion was mainly generated from our Philippines customer which represented approximately 7.5% of total revenue (2016: 25.9%).

Cost of sales

Cost of sales for the year ended 31 December 2017 was approximately RMB481.2 million, representing a decrease of RMB481.4 million or 50.0% from RMB962.6 million for the year ended 31 December 2016. The decrease was mainly due to the substantial decrease in shipment volume of excess inventory of polysilicon and decrease in write-down of inventory during the year ended 31 December 2017.

The shipment volumes of the excess inventory of polysilicon was approximately 544.9 tons during the year, representing a decrease of 3,835.5 tons or 87.6% from 4,380.4 tons in 2016. The excess inventories were purchased under the long-term agreements with our major polysilicon suppliers and the amount of such excess inventory dropped materially during the year due to the expiry of such agreements.

The write-down of inventory was approximately RMB17.4 million for the year ended 31 December 2017 as compared to RMB94.5 million for the year ended 31 December 2016. When the Group identifies items of inventories which have a net realizable value that is lower than its carrying amount, the Group would write down such inventories in that year. During the year ended 31 December 2017, the average selling price of the 125 mm by 125 mm monocrystalline solar wafers and the 156 mm by 156 mm monocrystalline solar wafers decreased by approximately 47.2% and 14.8% respectively. Thus, there were inventories with net realizable values that are lower than their carrying amounts, resulting in the write-down of inventory for the year ended 31 December 2017. But such write-down dropped a lot comparing to that for the year ended 31 December 2016 after the disposal of assets and properties of factory in Malaysia.

Gross profit/(loss)

The Company recorded gross profit of approximately RMB8.0 million for the year ended 31 December 2017, representing a turnaround from the gross loss of RMB152.6 million for the year ended 31 December 2016.

The turnaround to gross profit in 2017 was mainly attributable to the profitable downstream project development businesses which commenced during the year. Also, the write-down of inventory for the year ended 31 December 2017 also decreased after disposal of assets and properties of factory in Malaysia. In addition, the cost of sales for the year ended 31 December 2017 decreased by approximately 50.0% from the year ended 31 December 2016, which outpaced the drop of revenue by approximately 39.6% during the year.

As a result of the foregoing, the Company recorded gross profit of RMB8.0 million for the year ended 31 December 2017, comparing to gross loss of approximately RMB152.6 million for the year ended 31 December 2016.

Other income

Other income for the year ended 31 December 2017 was approximately RMB29.0 million, representing an increase of approximately RMB24.9 million, or 607.3%, from RMB4.1 million for the year ended 31 December 2016, mainly due to the government subsidies of approximately RMB27.1 million granted to our downstream business in 2017.

Other gains and losses, expenses and provision

Other losses decreased by RMB710.3 million, or 93.0%, from RMB763.8 million for the year ended 31 December 2016 to RMB53.5 million for the year ended 31 December 2017. For the year ended 31 December 2017, the amount of other losses mainly included (i) losses on disposal of fixed assets of approximately RMB14.8 million and (ii) the impairment losses recognized in respect of property, plant and equipment of approximately RMB36.9 million. The amount of other losses for the year ended 31 December 2016 mainly included (i) the losses from disposal of assets and properties of our Comtec Malaysia of approximately RMB339.3 million, (ii) the impairment losses recognized in respect of property, plant and equipment of approximately RMB276.5 million and (iii) the accrued expenses for termination of our Malaysia plant under construction as a result of the disposal of major assets and properties of Comtec Malaysia and downsize of manufacturing business of approximately RMB149.0 million. Substantial amount of other losses related to disposal of assets and properties of our Comtec Malaysia was incurred and recognised for the year ended 31 December 2016. Thus the amount of other losses dropped substantially during the year.

Impairment losses recognized in respect 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. 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 and impairment losses would arose.

The competitive landscape for the traditional monocrystalline silicon wafer industry further deteriorated in the second half of 2017. The selling price of monocrystalline silicon wafers dropped continuously during 2017. The Group thus conducted a review of the Group's property, plant and equipment which has made reference to the Group's annual shipment volume would be less than 500MW in future, the Group's product mix would mainly focus on 156mm x 156mm "Super Mono" wafers, recent market demand for the Group's products, the forecasted selling prices of our products and of polysilicons would continue to decrease etc and determined that a number of those assets were impaired, due to the adverse changes in the future economic conditions of the traditional solar wafer manufacturing business in which the Group is engaging. Accordingly, impairment losses of RMB36.9 million have been recognized in respect of plant and machinery, which are used in the Group's manufacturing and sales of solar wafers and related processing services.

Distribution and selling expenses

The distribution and selling expenses accounted for approximately 2.3% of the revenue for the year ended 31 December 2017 which had no material difference from the percentage recorded for the year ended 31 December 2016. The distribution and selling expenses decreased by approximately RMB4.2 million, or 27.5%, from RMB15.3 million for the year ended 31 December 2016 to RMB11.1 million for the year ended 31 December 2017. The decrease was in line with the decrease in shipment volume during 2017.

Administrative and general expenses

Administrative and general expenses increased by RMB17.6 million, or 27.4%, from RMB64.2 million for the year ended 31 December 2016 to RMB81.8 million for the year ended 31 December 2017. It was mainly due to the additional amount of amortization expense of RMB21.3 million in relation to intangible assets.

Research and development expenses

Research and development expenses decreased by RMB1.0 million, or 14.5%, from RMB6.9 million for the year ended 31 December 2016 to RMB5.9 million for the year ended 31 December 2017.

Interest expenses

Interest expenses were approximately RMB15.9 million for the year ended 31 December 2017, representing an increase of RMB6.8 million from RMB9.1 million for the year ended 31 December 2016, which was mainly due to increase of financing costs during the year ended 31 December 2017. The effective interest rate upon the bank loan balances as at 31 December 2017 was approximately 7.5%.

Loss before taxation

Loss before taxation of RMB131.2 million for the year ended 31 December 2017, representing a decrease from the loss before taxation of RMB1,007.8 million for the year ended 31 December 2016, as a result of the foregoing.

Taxation

The Group recorded taxation expenses of approximately RMB14.2 million for the year ended 31 December 2017 which was mainly due to the taxable profits recorded by certain subsidiaries in China under the corporate income tax rate of 25%. However, the Group did not incur significant tax expenses for the year 31 December 2016 since no assessable profits were derived or tax losses were incurred from the Group entities during that year.

Loss for the year

The Group recorded a loss of RMB145.4 million during 2017, representing a decrease from the loss of RMB1,007.1 million for the year ended 31 December 2016, as a result of the foregoing. Net loss margin for the year ended 31 December 2017 was 29.7%, comparing to the net loss margin of 124.3% for the year ended 31 December 2016.

Inventory turnover days

The inventories of the Group mainly comprised of raw materials (namely polysilicon, crucibles and other auxiliary materials) for production requirements, work in process and finished goods. There was a decrease in inventories balance of 77.4% from RMB191.1 million for the year ended 31 December 2016 to RMB43.2 million for the year ended 31 December 2017. The decrease was mainly due to the efforts to downsize the scale of traditional manufacturing wafer business and to reduce inventory level. The inventory turnover days as at 31 December 2017 were 33 days in total (2016: 72 days).

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2017 totaled 42 days (2016: 41 days). For the year ended 31 December 2017, the Group has closely supervised the repayment status of debtor balances. The credit period granted to customers is approximately 7 to 180 days on case-by-case basis. The average receivable turnover days were approximately 42 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 2017 totaled 64 days (2016: 97 days). The Group has obtained continuous supports from long term and strategic suppliers during the challenging industry environments.

Liquidity and financial resources

The Group's principal sources of working capital included bank borrowings and the proceeds from the share placements. As at 31 December 2017, the Group's current ratio (current assets divided by current liabilities) was 0.7 (31 December 2016: 1.0) and it was in a net debt position of approximately RMB157.6 million (2016: approximately RMB168.8 million). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB101.0 million as of 31 December 2017 (2016: RMB28.8 million). However, the Group still maintained net assets of approximately RMB242.1 million as of 31 December 2017. In additions, although there are no assurance that the Group will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. The Group has assumed it will continue to be able to do so for the foreseeable future. Also, we had downstream projects with book value of approximately RMB38.0 million in our book as at 31 December 2017. We would consider to dispose the projects when we receive offers with reasonable profits or require additional funding. There was an amount of RMB9.9 million of contingent consideration payable in the current liabilities which expected to be settled by issue of share and would not involve any cash out flow. The Group has also adopted strict control of operating and investing activities. And we would consider to raise funding from placement of new shares when required.

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription shares at a subscription price of HK$0.2534 per share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司) , generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription share. The net proceed was expected to be used as general working capital of the Group. As at the date of this announcement, the net proceed has been used up. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription shares at a subscription price of HK$0.25 per share. The subscription has been completed on 18 October 2017 with the 190,912,714 subscriptions shares allotted and issued to Advanced Gain Limited, generating the net proceeds of approximately HK$46.93 million, representing a net subscription price of HK$0.2458 per subscription share. The net proceed was expected to be used up. As at the date of this announcement, the net proceed has been used as working capital of the Group. Please refer to the announcements of the Company dated 21 July 2017 and 18 October 2017 for further details.

Although there are no assurance that the Group will be able to raise capital when we require additional funding, historically, the Group has been able to raise capital in each of last few years when required. The Group has assumed it will continue to be able to do so for the foreseeable future.

Save as disclosed herein, the Company has not conducted any equity fund raising activities in the past twelve months preceding the date of this announcement. The Group would implement a balanced financing plan to support the operation of our business.

Capital Commitments

As at 31 December 2017, the capital commitments were approximately RMB41.9 million (2016: nil) which were mainly related to the construction in process downstream projects. Such amounts are expected to be billed and booked as payables upon completion of such projects. The Group currently has no plan to further expand its production capacity of traditional manufacturing business. In addition, the Group would carefully plan for the expansion of its downstream solar business which would depend on and subject to the market conditions and opportunities.

Contingent liabilities

As at 31 December 2017, other than the balance of contingent consideration payables of approximately RMB52.0 million (2016: RMB 93.8 million), the Group had no other contingent liabilities.

Related Party Transactions

On 25 May 2017, Comtec Renewable (Jiangsu), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) of Kexin agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14 million.

The consideration payable by Comtec Renewable (Jiangsu) for the Proposed Acquisition was RMB14 million, which was determined after arm's length negotiation between the parties by reference to, among others, (i) the potential prospects of Kexin and its expected synergy with the Company, and (ii) the valuation of Kexin as at 12 May 2017. Such acquisition was completed in October 2017. Please refer to the announcements of the Company dated 25 May 2017 and 16 October 2017 for further details.

Save from the above and other than the remuneration the Group paid to the Directors and key management, the Group did not have any related party transactions for the year ended 31 December 2017.

Charges on Group Assets

As at 31 December 2017, other than the short term bank deposits of approximately RMB20.9 million (31 December 2016: RMB126.6 million), the Group also pledged its buildings, investment property, prepaid lease payments and the power station of two downstream projects having net book values of approximately RMB98.5 million (31 December 2016: RMB137.8 million), RMB86.0 million (31 December 2016: Nil), RMB13.8 million (31 December 2016: RMB23.1 million) and RMB16.9 million (31 December 2016: Nil) respectively to secure banking facilities granted to the Group.

Save as disclosed above, as at 31 December 2017, no Group asset was under charge to any financial institution.

Acquisition of subsidiary

On 14 November 2016, the Company, Forum (Asia) Limited, and its original shareholders entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire 51% of the entire issued share capital of Forum (Asia) at a total maximum consideration of RMB52.02 million from its original shareholders. The consideration is to be satisfied by the Company by allotting and issuing new shares to the original shareholders of Forum (Asia) under the specific mandate sought from the shareholders of the Company (unless the Company opted to pay in cash with the consent of its original shareholders). In March 2017, the Group has completed the acquisition of Forum (Asia) Limited. This acquisition represented an attractive opportunity for the Group to expand into the business of rooftop solar project.

On 25 May 2017, Comtec Renewable (Jiangsu), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represented an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marked the Group's continuous efforts in diversifying its business. The acquisition was completed in October 2017. Please refer to the announcements of the Company dated 25 May 2017 and 16 October 2017 for further details.

Disposal of assets of a subsidiary

On 30 December 2016, the Company, Comtec Malaysia and Longi entered into an asset transfer agreement, pursuant to which Comtec Malaysia agreed to sell and Longi agreed to purchase the assets of Comtec Malaysia at a total consideration of RMB200.0 million. Such disposal was completed in June 2017

Human resources

As at 31 December 2017, the Group had 342 (2016: 805) employees. The decrease was mainly due to the downsizing of our manufacturing business. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

The Group is planning to expand to the downstream business. 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. The Group has yet to make any capital commitments for its downstream solar business, other than the projects under construction, which would depend on and subject to the market conditions and opportunities. 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 recognized net exchange losses of approximately RMB3.9 million (2016: approximately RMB10.1 million), which mainly arose from monetary assets and liabilities of the group entities denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy but the management has been monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. Except for the deviation from code provision A.2.1 of the Corporate Governance Code as disclosed below, for the year ended 31 December 2017, the Company has complied with the Corporate Governance Code.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Before 19 April 2017, Mr. John Yi Zhang was 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 considered that vesting the roles of chairman and chief executive officer in the same individual was beneficial to the business prospects and management of the Group. With effect from 19 April 2017, in order to promote the good corporate governance of the Group to differentiate the roles between the chief executive officer and the chairman of the Board under the Listing Rule, Mr. John Yi Zhang resigned and Mr. Zhang Zhen was appointed as the chief executive officer of the Company. Following the resignation of Mr. John Yi Zhang and the appointment of Mr. Zhang Zhen as the chief executive officer of the Company, the Company is able to comply with paragraph A.2.1 of the Corporate Governance Code, which requires that the roles of chairman and the chief executive should be separate and not be performed by the same individual. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

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

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2017.

AUDIT COMMITTEE

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

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practice adopted by the Group.

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

Save for the placing of new shares as disclosed in the section headed "Chairman's Statement" in this announcement, during the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintain the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2017.

DIVIDEND

The Board recommended that since the Company plans to reserve the cash for working capital requirement and any potential investment opportunities in the future, no dividend will be declared for the year ended 31 December 2017. The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (**www.hkex.com.hk**) and the Company (**www.comtecsolar.com**). The annual report for the year ended 31 December 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

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

Shanghai, the People's Republic of China, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. John Yi Zhang, Mr. Zhang Zhen and Mr. Chau Kwok Keung, the non-executive Director is Mr. Wang Yixin, and the independent non-executive Directors are Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Xu Erming.