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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 2014

HIGHLIGHTS

- Revenue for the year was approximately RMB906.6 million, representing a year-on-year decrease of 3.3% from approximately RMB937.5 million for the year ended 31 December 2013;
- Gross profit for the year was approximately RMB60.0 million, representing a year-on-year decrease of 20.0% from RMB75.0 million for the year ended 31 December 2013;
- Gross profit margin for the year was approximately 6.6%, decreased from 8.0% for the year ended 31 December 2013;
- Net loss for the year was approximately RMB90.5 million, decreased from the net loss of RMB133.1 million for the year ended 31 December 2013. The loss was mainly due to other losses, expenses and provision arising from the impairment losses on advance to suppliers and the stock compensation expenses;
- Net loss margin for the year was approximately 10.0%, decreased from 14.2% for the year ended 31 December 2013;
- Our loss per share for the year was RMB6.58 cents, decreased from the loss per share of RMB10.18 cents for the year ended 31 December 2013;
- Total wafer shipments for the year was approximately 372.7MW, decreased by 6.1% from 396.9MW in 2013;
- Maintained cash and restricted cash balances of approximately RMB223.3 million.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the audited annual results of the Group for the year ended 31 December 2014. During the year, lower PV system costs drove continuous market growth. We continued to diversify the customer base of our premium products “Super Mono Wafers”, to expand our production capacity and to maintain healthy financial position.

Here are some financial and business highlights for the year:

- Revenue for the year was approximately RMB906.6 million, representing a year-on-year decrease of 3.3% from approximately RMB937.5 million for the year ended 31 December 2013;
- Gross profit for the year was approximately RMB60.0 million, representing a year-on-year decrease of 20.0% from RMB75.0 million for the year ended 31 December 2013;
- Gross profit margin for the year was approximately 6.6%, decreased from 8.0% for the year ended 31 December 2013;
- Net loss for the year was approximately RMB90.5 million, decreased from the net loss of RMB133.1 million for the year ended 31 December 2013. The loss was mainly due to other losses, expenses and provision arising from the impairment losses on advance to suppliers and the stock compensation expenses;
- Net loss margin for the year was approximately 10.0%, decreased from 14.2% for the year ended 31 December 2013;
- Our loss per share for the year was RMB6.58 cents, decreased from the loss per share of RMB10.18 cents for the year ended 31 December 2013;
- Total wafer shipments for the year was approximately 372.7MW, decreased by 6.1% from 396.9MW in 2013;
- Maintained cash and restricted cash balances of approximately RMB223.3 million.

During the year, we commenced shipment to Mission Solar Energy LLC (“**Mission Solar**”) pursuant to the long term sales agreement which we signed in December 2013 in relation to our sales of “Super Mono Wafers” in 2014–2017 of approximately 500MW in terms of volume. Also, we kept working on the qualification process with potential customers in the U.S.A., Japan, Taiwan and PRC. We expect the shipments to new customers would keep increasing from 2015 onwards and we would continue to diversify our customer base. Our ability to manufacture more advanced and efficient products made us one of the few companies being qualified by worldwide leading solar cell companies to provide “Super Mono Wafers” in the industry. It differentiates us in the market and strengthens the barrier to entry to our business.

We are also in the process to ramp up production facilities of approximately 300MW in Malaysia which would enable the Group to lower production costs and to expand our scale of operation. Our production facilities in Malaysia have commenced production and are expected to substantially complete the ramp up during the first half of 2015. The strategy to expand production capacity in Malaysia not only enables us to lower our production cost and to increase production capacity, but also help our customers to mitigate their risks and costs in relation to international trade conflicts between PRC and overseas countries. We expect the uncertainties from potential trade conflicts would continue to exist. We are one of the few PRC-based companies with overseas production facilities and we would benefit from the pioneer advantages.

Further, we continued to execute our cost reduction strategy. Our continual efforts to improve technology, manufacturing process and conversion efficiency of our wafers enabled us to reduce our costs of production. We expect to see further costs reduction in the coming few quarters. Cost competitiveness driven by technical advancement would be crucial to the development of solar industry. We will focus on combining innovative products and manufacturing efficiency to respond to the fast growing and competitive landscape of solar industry. We would also leverage our advantages in wafer technology to reduce cost without compromising quality and to generate value for customers. This strategy enabled us to differentiate our Company in the market and would ensure our long term sustainability.

With the continuous cost reduction and improvement of conversion efficiency, our customers increasingly realize the benefits of buying high efficient “Super Mono Wafers” to assist them to reduce the overall system costs and to maximize their investment returns. It would continuously strengthen the demand on our high efficient solar products. Based on the feedback from our major customer, the conversion efficiency of solar cell with our “Super Mono Wafers” reached approximately 25%. The thickness of such wafers is now reduced to below 150 micron. We expect specifications and cost competitiveness of "Super Mono Wafers" would further improve in the coming few years.

It is clear that strict financial discipline is essential to success and we believe diligence in financial matters will separate the winners from the rest. On 4 April 2014, Fonty Holdings Limited (“**Fonty**”), Mr. John Zhang, the Company and Sky Ville Investments Limited, ASM Connaught House Fund LP and ASM Hudson River Fund, (the “**Placees**”) entered into a placing and subscription agreement pursuant to which the Placees agreed to purchase 59,541,985 Shares (“**Placing Shares**”) from Fonty at the placing price of HK\$1.31 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of the Placing Shares at the subscription price of HK\$1.31 per Share. The subscription price for the subscription represented a discount of 7.5% to the closing price of HK\$1.42 per Share as stated in the Stock Exchange’s daily quotations sheet on 4 April 2014. The net placing price, after deduction of placing commission and all other fees and expenses, was HK\$1.30 per Share. Approximately HK\$77.0 million was raised from the subscription to fund any investment opportunities identified by the Group and as general working capital of the Group. Further details of these transactions are set out in the Company’s announcement dated 4 April 2014. We would implement a balanced financing plan to support the operation of our solar wafer business. We believe the support from the Placees who are respectable institutional investors is a clear sign of confidence in our long term growth potential.

During the year, there were further decreases in module and total system costs, which drove the growth of global demand. And the installation of PV systems is becoming increasingly affordable. The cost of solar power is now below user-paid rates for increasing number of markets and user categories. We believe that lower PV system costs will continuously drive the adoption of solar power and long-term market growth. While China, Japan and U.S.A. represent the leading end markets for solar energy, we see a ramping up in PV adoption and planning in emerging markets in South America, Australia, Africa, the Southeast Asia and the Middle East. We are also excited to see the increasing commitments on distributed generation projects from various emerging markets. We expect that it would further strengthen the barrier to entry to our business as few suppliers can meet the rigorous standards of product quality and reliabilities for such projects. Our deep commitments on research and development (“R&D”) and to delivering high conversion efficiency wafers ensure our leading position in the market. Going forward, we expect the Group will benefit from this trend of increasing demand for high efficiency products.

We are confident that our focus on technological innovations and delivering advance quality wafers would drive our growth in the expanding market. Looking ahead, we will further strengthen the competitive advantages of our core wafer business where we have demonstrated solid track records. We are also confident to capture enormous opportunities during the industry consolidation process and to drive continued and healthy growth for the Group in the future.

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

John Zhang
Chairman

Shanghai, 27 March 2015

ANNUAL RESULTS

The Board of Comtec Solar Systems Group Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2014, together with the comparative figures for the corresponding year in 2013. These results have been reviewed by the Company's audit committee, comprising all the independent non-executive Directors, one of whom chairs the audit committee and a non-executive Director.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	3	906,620	937,479
Cost of sales		(846,594)	(862,511)
Gross profit		60,026	74,968
Other income		8,358	7,452
Other gains and losses, expenses and provision	4	(63,612)	(136,536)
Distribution and selling expenses		(15,882)	(11,478)
Administrative expenses		(67,301)	(48,161)
Finance costs		(11,910)	(18,585)
Loss before taxation	5	(90,321)	(132,340)
Taxation	6	(170)	(737)
Loss and total comprehensive expense for the year, attributable to the owners of the Company		(90,491)	(133,077)
		RMB cents	RMB cents
Loss per share	7		
— Basic		(6.58)	(10.18)
— Diluted		(6.58)	(10.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	<i>NOTES</i>	2014 RMB'000	2013 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,071,163	828,609
Prepaid lease payments-non-current		27,175	28,496
Prepaid assignment fee-non-current	<i>11</i>	145,225	197,953
Deposits paid for acquisition of property, plant and equipment		37,004	154,167
Advance to suppliers		71,449	168,926
Deferred tax assets		638	638
Held-to-maturity investments		–	14,105
Other financial investments		–	38,673
		1,352,654	1,431,567
Current assets			
Inventories	<i>8</i>	537,815	383,626
Trade and other receivables	<i>9</i>	231,565	287,309
Bills receivable	<i>9</i>	15,964	63,412
Advance to suppliers		48,926	71,788
Prepaid lease payments-current		600	600
Prepaid assignment fee-current	<i>11</i>	52,067	15,438
Pledged bank deposits		171,188	1,019
Bank balances and cash		52,123	330,773
		1,110,248	1,153,965
Assets classified as held for sale		21,776	23,013
		1,132,024	1,176,978
Current liabilities			
Trade and other payables	<i>10</i>	207,281	322,437
Customers' deposits received	<i>11</i>	57,285	19,216
Short-term bank loans		524,113	436,067
Tax liabilities		275	270
Deferred revenue		287	287
		789,241	778,277
Liabilities associated with assets classified as held for sale		11	81
		789,252	778,358
Net current assets		342,772	398,620
Total assets less current liabilities		1,695,426	1,830,187

	<i>NOTE</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Capital and reserves			
Share capital		1,205	1,157
Reserves		1,513,310	1,523,656
Total equity		1,514,515	1,524,813
Non-current liabilities			
Deferred tax liabilities		9,568	9,568
Customers' deposits received-non-current	<i>11</i>	145,225	197,953
Long-term bank loans		3,072	7,889
Provision for onerous contracts		7,576	39,107
Warrants		10,600	45,700
Deferred revenue		4,870	5,157
		180,911	305,374
		1,695,426	1,830,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a public limited company incorporated in the Cayman Island, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 October 2009. Its parent company and ultimate holding company is Fonty Holdings Limited (“Fonty”) incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Zhang (“Mr. Zhang”) who is the Chief Executive and director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are the manufacturing and sales of solar wafers and related products and provision of processing services for the solar products.

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

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

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

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 1	Disclosure Initiative ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle ⁶
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle ⁵
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁵
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 July 2014.

⁵ Effective for annual periods beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the adoption of IFRS 9 in the future may have an impact on the amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Other than discussed above, the Directors do not anticipate that the application of the new and amendments to IFRSs will have any significant impact on the Group’s financial results and financial position.

3. SEGMENT INFORMATION

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

Entity-wide disclosures

Revenue analysis

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

	2014 RMB'000	2013 <i>RMB'000</i>
<u>Manufacturing and sales of solar products:</u>		
Monocrystalline solar wafers	583,961	637,270
Monocrystalline solar ingots	5,959	2,420
	589,920	639,690
Others (<i>note</i>)	309,377	295,351
	899,297	935,041
<u>Provision of processing services:</u>		
Processing service for solar products	7,323	2,438
Total revenue	906,620	937,479

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

Revenue reported above represents revenue generated from external customers.

Information about the Group's revenue from external customer in presents

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PRC including Hong Kong SAR	318,812	285,405
Philippines and Malaysia	441,383	587,311
Japan	64,569	39,673
USA	46,859	1,354
Korea	24,880	193
Singapore	–	22,665
Other countries (<i>note</i>)	10,117	878
	<u>906,620</u>	<u>937,479</u>
Total revenue	<u>906,620</u>	<u>937,479</u>

Note: The customers located in other countries/places are mainly from other Asian countries and Switzerland.

Information about major customers

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Customer A	441,383	587,252
	<u>441,383</u>	<u>587,252</u>

Assets analysed by place of domicile of group entities

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PRC including Hong Kong SAR	1,019,579	1,326,359
Malaysia	332,437	104,570
	<u>1,352,016</u>	<u>1,430,929</u>

4. OTHER GAINS AND LOSSES, EXPENSES AND PROVISION

	2014 RMB'000	2013 RMB'000
Net foreign exchange losses	(6,039)	(3,269)
Settlement of other financial instruments	(2,126)	–
Loss on disposal of property, plant and equipment	(733)	(48)
Gain (loss) on fair value changes of warrants	35,100	(6,300)
Gain on fair value changes of other financial instruments	500	23,206
Impairment losses recognised in respect of prepaid assignment fee (Note 11)	(5,190)	–
Impairment losses recognised in respect of advance to suppliers	(114,460)	(126,781)
Reversal of provision for onerous contracts	31,531	–
Impairment losses recognised in respect to other receivables	–	(5,615)
Other provision (Note 10)	(2,144)	(4,084)
Impairment losses recognised in respect to value-added taxes recoverable	–	(13,645)
Loss on redemption of held-to-maturity investments	(51)	–
	<u>(63,612)</u>	<u>(136,536)</u>

5. LOSS BEFORE TAXATION

	2014 RMB'000	2013 RMB'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note (i))	9,066	4,857
Other staff costs	51,929	46,845
Other staff's retirement benefits scheme contributions	7,410	6,883
Share-based payments expense for other staff and consultants (note (i))	12,127	2,543
Total staff costs	<u>80,532</u>	<u>61,128</u>
Auditor's remuneration	<u>1,800</u>	<u>1,753</u>
Cost of inventories recognised as expense (note (ii))	846,594	862,511
Depreciation of property, plant and equipment	79,862	82,231
Release of prepaid lease payments	925	854
Research and development expenses	7,163	8,082
Operating lease rentals in respect of rented premises	<u>1,936</u>	<u>1,440</u>

Notes

- During the year ended 31 December 2014, share-based payments expenses included in directors' remuneration, other staff costs and expenses to consultants which was recognised in administrative expenses in respect of share options of the Company recognised were approximately RMB17,670,000 (2013: RMB3,875,000).
- Included in cost of inventories recognised as expense represented write-down of inventories of approximately RMB11,178,000 (2013: RMB948,000) to their net realisable values.

6. TAXATION

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax		
— Current year	752	738
— Overprovision in prior years	(582)	—
	170	738
Deferred tax credit:		
— Current year	—	(1)
	170	737

No Hong Kong Profits Tax was provided for the year ended 31 December 2014 and 31 December 2013 as the group entities either had no relevant assessable profits or incurred tax losses.

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 2014 and 31 December 2013, 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.

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 PRC entities 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 realised or the liability is settled.

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

	2014 RMB'000	2013 RMB'000
Loss before taxation	<u>(90,321)</u>	<u>(132,340)</u>
Tax at domestic income tax rate (25%)	(22,580)	(33,085)
Tax effect of expenses not deductible for tax purpose	5,942	4,802
Tax effect of income not taxable for tax purpose	(14,733)	(3,192)
Tax effect of temporary difference not recognised	34,252	33,351
Utilisation of temporary difference previously not recognised	(1,282)	(1,063)
Effect of tax exemptions granted to a PRC subsidiary	(847)	(75)
Withholding income tax provision on dividends from the PRC	–	(1)
Overprovision in prior years	<u>(582)</u>	<u>–</u>
Taxation for the year	<u>170</u>	<u>737</u>

7. 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:

	2014 RMB'000	2013 RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	<u>(90,491)</u>	<u>(133,077)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,374,285,091</u>	<u>1,307,582,742</u>

The Company's outstanding 2012 Warrants did not have a dilutive effect on the Company's loss per share for years ended 31 December 2014 and 31 December 2013 since their potential conversion to ordinary shares would incur or decrease loss per share.

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's loss per share for the year ended 31 December 2014 and 31 December 2013 as their exercise prices were higher than the average market prices of the Company or they will decrease the loss per share of the Company.

8. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	266,833	219,080
Work-in-progress	127,399	77,532
Finished goods	<u>143,583</u>	<u>87,014</u>
	<u>537,815</u>	<u>383,626</u>

9. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2014 RMB'000	2013 RMB'000
Trade receivables	141,297	174,411
Utility deposits	3,320	3,489
Value-added-tax recoverable	53,259	82,612
Other receivables and prepayments	33,689	26,797
	<u>231,565</u>	<u>287,309</u>
Bills receivable	<u>15,964</u>	<u>63,412</u>

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

	2014 RMB'000	2013 RMB'000
Age		
0 to 30 days	55,748	62,024
31 to 60 days	55,604	74,290
61 to 90 days	26,015	34,810
91 to 180 days	2,827	84
Over 180 days	1,103	3,203
	<u>141,297</u>	<u>174,411</u>

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately RMB1,103,000 (2013: RMB3,203,000) which are past due as at the reporting date for which the Group has not provided for impairment losses as it has been substantially settled subsequent to 31 December 2014. The Group did not hold collateral over these balances. The average age of these receivables is 64 days. Majority of the balances are settled after the reporting period.

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

	2014 RMB'000	2013 RMB'000
Age		
0 to 30 days	10,604	180
31 to 60 days	2,710	7,600
61 to 90 days	2,500	11,693
91 to 180 days	150	40,939
Over 180 days	—	3,000
	<u>15,964</u>	<u>63,412</u>

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

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

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

	<i>RMB'000</i>
Balance at 1 January 2013	–
Impairment losses recognised in profit or loss	19,260
Balance at 31 December 2013 and 31 December 2014	19,260

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

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

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade and other receivables denominated in USD	127,846	163,495
Trade and other receivables denominated in JPY	2,511	8,543

10. TRADE AND OTHER PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables	124,591	278,805
Payables for acquisition of property, plant and equipment	60,222	23,973
Other payables and accrued charges	22,468	19,659
	207,281	322,437

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

	2014 RMB'000	2013 <i>RMB'000</i>
Age		
0 to 30 days	51,987	123,180
31 to 60 days	19,275	71,727
61 to 90 days	3,820	51,294
91 to 180 days	4,422	31,107
Over 180 days	45,087	1,497
	124,591	278,805

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

	2014 RMB'000	2013 <i>RMB'000</i>
Trade and other payables denominated in:		
MYR	49,735	14,203
USD	86,726	219,558
JPY	275	1,125

During the year ended 31 December 2013, a lawsuit arose from an independent third party (the "Counterparty") against the Group for failing to execute in full the obligations of delivery of solar products to the Counterparty in accordance with the relevant sale and purchase agreement. The amount of the proposed claim was estimated to be approximately RMB4,000,000. The Directors made full provision in relation to the amount claimed, together with estimated further legal costs of RMB84,000 to be incurred. During the year ended 31 December 2014, the lawsuit was concluded and the Group suffered further loss amounted to approximately RMB2,144,000.

11. MAJOR CONTRACTS

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

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

Carrying amounts of customers' deposits received:

	2014 RMB'000	2013 <i>RMB'000</i>
Within one year	57,257	15,438
One to two years	78,736	51,996
More than two years, but not exceeding five years	66,489	145,957
	202,482	213,391
Less: Amounts due within one year shown under current liabilities	(57,257)	(15,438)
Amounts shown under non-current liabilities	145,225	197,953

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

The Group recognised such prepaid assignment fee in the consolidated statement of financial position. At 31 December 2014 and 31 December 2013, the Directors estimate the amount of assignment fee that is expected to be released to the consolidated statement of profit or loss and other comprehensive income over the sales of the agreed contract quantity in the next twelve months and classify it as current asset. The remaining balance is classified as non-current asset in the consolidated statement of financial position.

Carrying amounts of prepaid assignment fee:

	2014 RMB'000	2013 <i>RMB'000</i>
Current portion	52,067	15,438
Non-current portion	145,225	197,953
	197,292	213,391

The Directors assessed provision for onerous contract in relation to the Wafer Supply Agreement and prepaid assignment fee on regular basis.

The Group recognised impairment losses in respect of prepaid assignment fee of approximately RMB5,190,000 during the year ended 31 December 2014 (2013: nil).

Movement in the allowance for prepaid assignment fee:

	<i>RMB'000</i>
Balance at 1 January 2013, 31 December 2013 and 1 January 2014	–
Impairment losses recognised in profit or loss	5,190
Balance at 31 December 2014	5,190

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year, uncertainties from international trade conflicts between PRC and overseas countries intensified and the international business environment for PRC-based solar manufacturing companies became more challenging. Despite the challenges faced by the market, our strategy to build production facilities of approximately 300MW in Malaysia enabled us to mitigate risks and costs arising out of these conflicts and any changes in trade policies. We are now one of the few PRC-based solar companies with overseas production facilities, which would strengthen our competitive advantages to yield increasing demand from customers and to benefit from the pioneer advantages. In addition, our production facilities in Malaysia have commenced production and are expected to substantially complete the ramp up during the first half of 2015. It would enable the Group to lower production costs and to expand our scale of operation.

Since the beginning of 2014, our major customers have indicated to us their plans to expand production capacities and we expect the demand from them would continue to increase. In additions, we have commenced shipments to Mission Solar pursuant to the long term sales agreement we signed in December 2013 in relation to our sales of “Super Mono Wafers” in 2014–2017 of approximately 500MW in terms of volume. Furthermore, we kept working on the qualification process with potential customers located in the U.S.A., Japan, Taiwan and PRC. Therefore, we expect our wafer shipments to our customers would continue to increase from 2015 onwards and we would continue to diversify our customer bases. Our ability to manufacture more advanced and efficient products made us one of the few companies being qualified by worldwide leading solar cell companies to provide “Super Mono Wafers” in the industry. It differentiates us in the market and strengthens the barrier to entry to our business.

Revenues from our top five customers in 2014 represented approximately 70.4% of our total revenues, compared to approximately 75.9% in the last year. The sales to our largest customer in Philippines and Malaysia with the high quality “Super Mono Wafers” accounted for approximately 48.7% of our total revenues in 2014 as compared to approximately 62.6% in 2013. The remaining of our sales in 2014 was mainly shipped to PRC (including Hong Kong), Japan, U.S.A. and Korea.

During the year, we continued to execute our cost reduction strategy. We have achieved continuous cost saving from our improvements in technology, manufacturing process and conversion efficiency of our wafers. We expect to see further cost reductions in the coming quarters. Based on the feedback from our major customer, the conversion efficiency of solar cell with our “Super Mono Wafers” reached approximately 25%. The thickness of “Super Mono Wafers” was reduced to approximately 145 micron. Our target is to reduce the thickness to below 120 micron. The accumulated experiences from massive production of “Super Mono Wafers” as well as our strategic research and development cooperation with existing customers continued to drive down our production costs by technology advancements. After our 300MW facilities in Malaysia are fully ramped up, we expect our production cost would be further reduced. We would leverage our advantages in wafer technology to reduce cost without compromising quality and to generate higher value for our customers.

It is clear that strict financial discipline is essential to success and we believe diligence in financial matters will separate the winners from the rest. On 4 April 2014, Fonty, Mr. John Zhang, the Company, and the Placees entered into a placing and subscription agreement, pursuant to which the Placees agreed to purchase 59,541,985 Shares from Fonty at the placing price of HK\$1.31 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of the Placing Shares at the subscription price of HK\$1.31 per Share. The subscription price for the subscription represented a discount of 7.5% to the closing price of HK\$1.42 per Share as stated in the Stock Exchange's daily quotations sheet on 4 April 2014. The net placing price, after deduction of placing commission and all other fees and expenses, was HK\$1.30 per Share. Approximately HK\$77.0 million was raised from the subscription to fund any investment opportunities identified by the Group and as general working capital of the Group. Further details of these transactions are set out in the Company's announcement dated 4 April 2014. We would implement a balanced financing plan to support the operation of our solar wafer business. We believe the support from the Placees who are respectable institutional investors is a clear sign of their confidence in our long term growth potential.

During the year, there were further decreases in module and total system costs, which drove the growth of global demand. And the installation of PV systems is becoming increasingly affordable. The cost of solar power is now below user-paid rates for increasing number of markets and user categories. We believe that lower PV system costs will continuously drive the adoption of solar power and long-term market growth. In 2015, we are optimistic that solar PV demand would continue to be strong and expect China, Japan and U.S.A. as well as the broader Asia Pacific region, with South America and the Middle East to be key drivers of this increasing demand. We are also excited to see the increasing commitments on distributed/rooftop projects from various markets which would be more demanding for product quality and reliability. Our deep commitments on R&D and to delivering high conversion efficiency wafers ensure our leading position in the market. Going forward, we expect that the Group will benefit from this trend of increasing demand for high-efficiency products.

Due to the estimated growth in demand from our existing customers and potential new customers, the Group plans to further expand the production capacity in Malaysia from 300MW to 600MW. It would enable us to lower the production costs and to increase the scale of operation. We expect the demand on "Super Mono Wafers" would continue to increase strongly in coming few years. We are in the process of evaluating various opportunities for purchasing low-cost equipments for our expansion which can maximize our advantages from the industry consolidation process.

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

Financial Review

Revenue

Revenue decreased by RMB30.9 million, or 3.3%, from RMB937.5 million for the year ended 31 December 2013 to RMB906.6 million for the year ended 31 December 2014, primarily as a result of slight decrease in shipment volume.

Sales of 125 mm by 125 mm monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB127.5 million, or 20.4%, from RMB624.5 million for the year ended 31 December 2013 to RMB497.0 million for the year ended 31 December 2014, primarily due to a decrease in our average unit price for this product by 7.5% from RMB1.86 per watt for the year ended 31 December 2013 to RMB1.72 per watt for the year ended 31 December 2014 as well as our sales volume of 125 mm by 125 mm monocrystalline wafers decreased by 14.0% from 336.6MW for the year ended 31 December 2013 to 289.5MW for the year ended 31 December 2014 due to allocation of the Group's certain production capacities to our 156 mm by 156 mm "Super Mono Wafers" for our new customers.

Sales of 156 mm by 156 mm monocrystalline wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB74.2 million, or 579.7%, from RMB12.8 million for the year ended 31 December 2013 to RMB87.0 million for the year ended 31 December 2014, primarily as a result of an increase of sales volume from 6.6MW for the year ended 31 December 2013 to 51.8MW for the year ended 31 December 2014. It was mainly due to the purchase from new customers on our 156 mm by 156 mm "Super Mono Wafers".

Processing services of monocrystalline solar wafers

Revenue from processing fees on monocrystalline solar wafers was approximately RMB7.3 million for the year ended 31 December 2014, increased from approximately RMB2.4 million in the corresponding period in 2013.

Others

The remaining revenue of RMB315.3 million for the year ended 31 December 2014 was mainly generated from the sales of polysilicon.

In relation to the analysis of our revenue by geographical market, approximately 48.7% of total revenue for the year ended 31 December 2014 was generated from our Philippines and Malaysia customer (2013: 62.6%). Remaining portion was mainly generated from our sales in PRC (including Hong Kong), Japan, U.S.A. and Korea.

Cost of sales

Cost of sales for the year ended 31 December 2014 was approximately RMB846.6 million, which remained stable compared to the corresponding period in 2013. There were no material changes on the shipment volumes of wafers for the year ended 31 December 2013 and 2014. Also, the increase of purchase costs of polysilicon was offset by the reduction in processing costs achieved by the Company.

Gross profit

Gross profit decreased by RMB15.0 million, or 20.0%, from RMB75.0 million for the year ended 31 December 2013 to RMB60.0 million for the year ended 31 December 2014, primarily as a result of the above.

Other income

Other income for the year ended 31 December 2014 was approximately RMB8.4 million, representing an increase of approximately RMB0.9 million, or 12.0%, from RMB7.5 million for the year ended 31 December 2013, mainly due to government grant received in 2014.

Other gains and losses, expenses and provision

Other losses decreased by RMB72.9 million from RMB136.5 million for the year ended 31 December 2013 to RMB63.6 million for the year ended 31 December 2014. It was mainly due to the decrease in impairment losses on advance to suppliers and the gain from fair value changes of the outstanding warrants recorded for the year ended 31 December 2014.

Distribution and selling expenses

The distribution and selling expenses accounted for approximately 1.8% to the revenue and increased by RMB4.4 million, or 38.3%, from RMB11.5 million for the year ended 31 December 2013 to RMB15.9 million for the year ended 31 December 2014, mainly due to the increase in export sales of “Super Mono Wafers” to new overseas customers.

Administrative and general expenses

Administrative and general expenses increased by RMB19.1 million, or 39.6%, from RMB48.2 million for the year ended 31 December 2013 to RMB67.3 million for the year ended 31 December 2014. It was mainly due to the set up of factory in Malaysia and the stock compensation expenses incurred for the share options newly grant in 2014.

Interest expenses

Interest expenses were approximately RMB11.9 million for the year ended 31 December 2014, representing a decrease by RMB6.7 million from RMB18.6 million for the year ended 31 December 2013, which was mainly due to interest capitalization of RMB8.7 million for the construction in Malaysia in 2014.

Loss before taxation

Loss before taxation of RMB90.3 million for the year ended 31 December 2014, decreased from the loss before taxation of RMB132.3 million for the year ended 31 December 2013, as a result of the foregoing.

Taxation

The Group did not incur significant tax expenses for the year 31 December 2014 and corresponding period in 2013 since no assessable profits were derived or tax losses were incurred from the Group entities.

Loss for the year

The Group recorded a loss of RMB90.5 million, decreased from the loss of RMB133.1 million for the year ended 31 December 2013, as a result of the foregoing. Net loss margin of 10.0% for the year ended 31 December 2014, decreased from the net loss margin of 14.2% for the year ended 31 December 2013.

Inventory turnover days

The inventories of the Group mainly comprised of raw materials (namely polysilicon, crucibles and other auxiliary materials) for production requirements. There was an increase in inventories balance of 40.2% from RMB383.6 million for the year ended 31 December 2013 to RMB537.8 million for the year ended 31 December 2014. The increase was mainly due to the expansion and ramp up of production capacity which require larger amount of inventory to support the increasing scale of operation. The inventory turnover days as at 31 December 2014 were 232 days in total (2013: 162 days).

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2014 totaled 57 days (2013: 68 days). For the year ended 31 December 2014, the Group has shifted the focus to “Super Mono Wafers” which were mainly sold to overseas customers. The credit period granted to overseas customers is approximately 60 days. The Group normally grants a credit period of 30 to 90 days to other customers. The average receivable turnover days were approximately 57 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 2014 totaled 54 days (2013: 118 days). We mainly focused on the long term and high quality suppliers during the year ended 31 December 2014 and the credit terms offered by them were 60 days or less.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from the share placings. As at 31 December 2014, the Group's current ratio (current assets divided by current liabilities) was 1.4 (31 December 2013: 1.5) and it was in a net debt position of approximately RMB286.8 million (2013: net cash of approximately RMB6.7 million). The Group's financial position remains healthy.

On 4 April 2014, Fonty, Mr. John Zhang, the Company and the Placees entered into a placing and subscription agreement pursuant to which the Placees agreed to purchase 59,541,985 Shares from Fonty at the placing price of HK\$1.31 per Share, and Fonty conditionally agreed to subscribe, and the Company agreed to allot and issue to Fonty for such number of subscription shares which is equivalent to the number of the Placing Shares at the subscription price of HK\$1.31 per Share. The subscription price for the subscription represented a discount of 7.5% to the closing price of HK\$1.42 per Share as stated in the Stock Exchange's daily quotations sheet on 4 April 2014. The net placing price, after deduction of placing commission and all other fees and expenses, was HK\$1.30 per Share. Approximately HK\$77.0 million was raised from the subscription to fund any investment opportunities identified by the Group and as general working capital of the Group. Further details of these transactions are set out in the Company's announcement dated 4 April 2014.

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

Capital Commitments

As at 31 December 2014, the Group had capital commitments of approximately RMB216.9 million (2013: RMB119.6 million). The increase is mainly due to the plan to expand production capacity of the Group in Malaysia.

Contingent liabilities

As at 31 December 2014, there was no material contingent liability (2013: Nil).

Related Party Transactions

Other than remuneration that the Group paid to the Directors and key management, the Group did not have any related party transactions for the year ended 31 December 2014.

Charges on Group Assets

As at 31 December 2014, other than the restricted cash of approximately RMB171.2 million (31 December 2013: RMB1.0 million), the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB82.8 million (31 December 2013: RMB87.7 million) and approximately RMB13.9 million (31 December 2013: RMB14.2 million), respectively, to banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 31 December 2014, no Group asset was under charge to any financial institution.

Acquisition of subsidiary

No subsidiary of the Company was acquired during the year ended 31 December 2014.

Disposal of subsidiary

No subsidiary of the Company was disposed during the year ended 31 December 2014.

Reference is made to the announcement of the Company dated 26 January 2015 in relation to the disposal of Comtec New Energy (Shanghai) Limited* (卡姆丹克新能源科技(上海)有限公司), it is expected that the disposal will be completed during the second quarter of 2015.

Use of Proceeds

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

Date of initial announcement	Capital raising activity	Use of net proceeds	Intended use of net proceeds not yet utilised
4 April 2014	Placing of 59,541,985 Shares at the placing price of HK\$1.31 per Share (net price equals to HK\$1.3 per Share)	The net proceeds from the Subscription were approximately HK\$77 million and the Directors intended to use the net proceeds for any investment opportunity to be identified by the Group and as general working capital of the Group	N/A

Human resources

As at 31 December 2014, the Group had 1,067 (2013: 864) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

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

Exposure to fluctuations in exchange rates and any related hedges

The Group recognised net exchange losses of approximately RMB6.0 million, which mainly arose from monetary assets and liabilities of the group entities denominated in foreign currencies. Although the Group entered into foreign currency forward contracts, the Group currently does not have a foreign currency hedging policy but the management 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 2014, the Company has complied with the Corporate Governance Code.

Under provision A.2.1 of both the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2014.

AUDIT COMMITTEE

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

The audit committee has reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practice adopted by the Group.

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

During the year of 2014, 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 2014.

DIVIDEND

The Board resolved 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 2014. The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.comtecsolar.com>). The annual report for the year ended 31 December 2014 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Comtec Solar Systems Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.A.”	the United States of America
“%”	per cent.

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

Shanghai, the People’s Republic of China, 27 March 2015

As at the date of this announcement, the executive Directors are Mr. John ZHANG, Mr. CHAU Kwok Keung and Mr. SHI Cheng Qi; the non-executive Director is Mr. Donald HUANG; and the independent non-executive Directors are Mr. Daniel DeWitt MARTIN, Mr. Kang SUN and Mr. LEUNG Ming Shu.