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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 2016

HIGHLIGHTS

- Revenue for the year was approximately RMB810.0 million, representing a year-on-year decrease of 25.8% from approximately RMB1,091.2 million for the year ended 31 December 2015;
- Gross loss for the year was approximately RMB152.6 million for the year ended 31 December 2016, representing a year-on-year increase of 61.7% from RMB94.4 million for the year ended 31 December 2015;
- Gross loss margin for the year was approximately 18.8%, increased from 8.7% for the year ended 31 December 2015;
- Net loss for the year was approximately RMB1,007.1 million, increased from the net loss of RMB434.7 million for the year ended 31 December 2015;
- Net loss margin for the year was approximately 124.3%, comparing to 39.8% for the year ended 31 December 2015;
- Our loss per share for the year was RMB69.48 cents, comparing to the loss per share of RMB31.23 cents for the year ended 31 December 2015; and
- Achieved net cash inflow from operating activities of approximately RMB80.2 million and maintained cash and restricted cash balances of approximately RMB208.8 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 2016. Here are some financial and business highlights for the year:

- Revenue for the year was approximately RMB810.0 million, representing a year-on-year decrease of 25.8% from approximately RMB1,091.2 million for the year ended 31 December 2015;
- Gross loss for the year was approximately RMB152.6 million for the year ended 31 December 2016, representing a year-on-year increase of 61.7% from RMB94.4 million for the year ended 31 December 2015;
- Gross loss margin for the year was approximately 18.8%, increased from 8.7% for the year ended 31 December 2015;
- Net loss for the year was approximately RMB1,007.1 million, increased from the net loss of RMB434.7 million for the year ended 31 December 2015;
- Net loss margin for the year was approximately 124.3%, comparing to 39.8% for the year ended 31 December 2015;
- Our loss per share for the year was RMB69.48 cents, comparing to the loss per share of RMB31.23 cents for the year ended 31 December 2015; and
- Achieved net cash inflow from operating activities of approximately RMB80.2 million and maintained cash and restricted cash balances of approximately RMB208.8 million.

During the year ended 31 December 2016, the Group was under a process of restructuring to downsize the scale of manufacturing business and to expand to the downstream solar businesses which specifically focus on rooftop distributed generation projects on industrial, commercial and residential buildings.

On 30 December 2016 (after trading hours of the Stock Exchange), 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 Target Assets of Comtec Malaysia at the Total Consideration of RMB200 million.

Comtec Malaysia was established in 2013 by the Company to expand the Group's production capacity in its solar-grade monocrystalline silicon business. Comtec Malaysia was still at pilot running and testing stage during the year. Due to the unfavorable global macro-economic environment, the relatively small scale of operations, the lower production efficiency at the early stage of its pilot running and testing and that it took time to train the local production team, Comtec Malaysia has been loss making and has recorded cumulative operating loss of approximately RMB178.5 million since 2013. Although the Group has been striving to improve its operating efficiency and reduce its production cost per unit during the pilot running and testing process, Comtec Malaysia has not been 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 considers that it will be in the interest of the Company to exit its investment in the production facilities in Malaysia so that the Group can 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 is 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 Target Assets may fall even lower later.

As one or more of the applicable percentage ratios exceeds 25% but none of the applicable percentage ratios exceeds 75%, the asset transfer agreement and this transaction constitute a major transaction for the Company and are subject to the reporting and announcement and Shareholders' approval requirements as set out in Chapter 14 of the Listing Rules.

An EGM will be convened and held for the shareholders to consider and if thought fit, approve the asset transfer agreement. A circular containing, among others, further details about the asset transfer agreement together with a notice convening the EGM will be despatched to the Shareholders in the due course.

On 7 July 2016 (after trading hours of the Stock Exchange), the Company, Joy Boy HK Limited ("**Joy Boy**"), the original shareholders of Joy Boy entered into a sale and purchase agreement. The Company agreed to acquire the entire issued share capital of Joy Boy at a total maximum consideration of RMB130 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 Joy Boy under the Specific Mandate sought from the Shareholders (unless the Company opted to pay in cash with the consent of its original shareholders). In September 2016, the Group has completed the acquisition of Joy Boy, which marked the beginning of the Group's expansion into the business of downstream solar project development, which the Directors believe would fuel the growth of the Group. As such, the Group intends to explore further opportunities to expand into downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group's existing upstream solar business of the Group. The acquisition of Joy Boy represents an attractive opportunity for the Group to expand into the business of downstream solar project development.

On 14 November 2016 (after trading hours of the Stock Exchange), 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 (unless the Company opted to pay in cash with the consent of its original shareholders). In March, the Group has completed the acquisition of Forum (Asia). This acquisition represents an attractive opportunity for the Group to expand into the business of residential rooftop solar project.

From December 2016 onwards, we have made good progress on the downstream businesses. On 19 December 2016, the Group and Beijing Enterprises Clean Energy Group Limited (“**BECE**”) entered into a strategic cooperation agreement in relation to the solar power stations, pursuant to which the Group and BECE agreed to strengthen the overall strategic cooperation in relation to the development, construction and project acquisition of solar power stations. It is agreed that BECE would be entitled to purchase, subject to entering into definitive sales and purchase agreement, certain solar power stations from our Group in the next three years with a scale no less than 500MW.

On 10 January 2017, the Group entered into a strategic agreement with Luoyang Tourism Development Group Limited (“**Luoyang Tourism Development**”) in relation to the exclusive cooperation in the investment, establishment, development and operation of the smart energy charging facilities project in Luoyang.

On 12 January 2017, the Group entered into a strategic framework cooperation agreement with 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.

On 8 July 2016, the Company entered a subscription agreement with Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司) (the “**Subscriber**”), pursuant to which the Company has conditionally agreed to allot and issue 154,651,306 subscription shares at a subscription price of HK\$0.46 per Share to the Subscriber or its designated nominee. The subscription has been completed on 18 August 2016 with the 154,651,306 subscriptions shares allotted and issued to Harmony Gold Venture Corp, a wholly-owned subsidiary of the Subscriber, generating the net proceeds of approximately HK\$70.4 million, representing a net subscription price of HK\$0.45 per subscription share, which was expected to be used for any investment opportunity to be identified by the Group and as general working capital of the Group. As at the date of this announcement, a total amount of HK\$35.2 million has been used as working capital of the Group and it is expected that the remaining HK\$35.2 million will be used for any investment opportunity to be identified by the Group and as general working capital of the Group. Please refer to the announcements of the Company dated 8 July 2016 and 18 August 2016 for further details. 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.

With the sounding track records of our N type Super Monocrystalline, the Group has signed a cooperation framework agreement with Jolywood (Taizhou) Sunwatt Co. Ltd. (“**Jolywood**”) on 21 December 2016, pursuant to which the Group and Jolywood agreed to strengthen strategic cooperation by promoting the large scale market application of N-type solar batteries through technological cooperation, product sharing and solar project sharing market integration, resources sharing, business innovation, and the introduction of advanced technology for solar power stations. Also, Jolywood will give priority to the Group in their procurement of N-type super monocrystalline wafers. It is expected that the Group will supply approximately 68 million pieces of A-grade N-type super monocrystalline wafers to Jolywood from January 2017 to December 2018 and Jolywood settled an advance payment of RMB20.4 million to the Group. It has secured a long term customer to support the remaining production facilities of the Group in China.

The Group also continued to execute our cost reduction strategy on the supply chain management. In prior years, in order to secure a stable supply of raw materials, the Group has entered into several non-cancellable purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed a “take or pay” obligation to purchase the minimum annual quantity of raw materials at pre-determined prices over the contractual periods up to 2018. In early 2016, the Group has reached into agreement with one of the major suppliers, of which one has unconditionally agreed to waive the terms relating to minimum annual quantity and pre-determined purchase price. The agreement with another major supplier also expired by end of 2016. It enables the Group, starting from 2017 onwards, to be free from the risks and costs related to the long term purchase agreements which led to the substantial operating losses in last few years. It would allow the Group to be more flexible in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials.

The Group intends to explore opportunities and to expand 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 and Forum (Asia) represent attractive opportunities for the Group to expand into the business of downstream solar project development.

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, 31 March 2017

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 2016, together with the comparative figures for the corresponding year in 2015. 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 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	3	810,045	1,091,200
Cost of sales		(962,626)	(1,185,615)
Gross loss		(152,581)	(94,415)
Other income		4,120	9,508
Other gains and losses, expenses and provision	4	(763,846)	(200,334)
Distribution and selling expenses		(15,276)	(20,199)
Administrative expenses		(71,094)	(114,893)
Finance costs		(9,112)	(14,762)
Loss before taxation	5	(1,007,789)	(435,095)
Taxation	6	719	381
Loss and total comprehensive expense for the year, attributable to the owners of the Company		(1,007,070)	(434,714)
		RMB cents	RMB cents
Loss per share			
— Basic	7	(69.48)	(31.23)
— Diluted	7	(69.48)	(31.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	<i>NOTES</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	8	208,314	1,018,072
Prepaid lease payments-non-current	9	22,510	26,179
Goodwill	10	60,256	–
Intangible assets	11	63,050	–
Deposits paid for acquisition of property, plant and equipment		1,106	31,370
Advance to suppliers	12	–	108,256
		355,236	1,183,877
Current assets			
Inventories	13	191,082	263,645
Trade and other receivables	14	151,585	251,832
Bills receivable	14	10,826	6,971
Advance to suppliers	12	117,131	2,920
Prepaid lease payments-current	9	551	600
Prepaid assignment fee	15	166,190	175,546
Short-term bank deposits		126,637	171,084
Bank balances and cash		82,130	49,715
		846,132	922,313
Assets classified as held for sale	16	160,638	19,129
		1,006,770	941,442
Current liabilities			
Trade and other payables	17	408,892	286,048
Customers' deposits received	18	237,668	178,676
Short-term bank loans		388,364	509,793
Tax liabilities		309	400
Deferred revenue-current		287	287
		1,035,520	975,204
Net current liabilities		(28,750)	(33,762)
Total assets less current liabilities		326,486	1,150,115

	<i>NOTES</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Capital and reserves			
Share capital		1,333	1,205
Reserves		208,738	1,135,707
Total equity		210,071	1,136,912
Non-current liabilities			
Deferred tax liabilities		18,283	8,620
Deferred revenue-non-current		4,297	4,583
Contingent consideration payables	19	93,835	–
		116,415	13,203
		326,486	1,150,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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**”), which is also the functional currency of the Company.

The Group experienced a net loss of RMB1,007 million in the year ended 31 December 2016 and had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB29 million although a net assets of RMB210 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.

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**”)

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 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2012–2014 Cycle</i>

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.

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 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle ⁵

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described as follows:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized 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 amortized 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 fair value through other comprehensive income. 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 recognized 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: Financial Instruments, Recognition and Measurement, 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 recognized.
- 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 anticipate that the adoption of IFRS 9 is not likely to have a material effect on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

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 recognize 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: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes 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.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the financial performance and position of the Group in the initial year of adoption, however, as currently the directors of the Company is still in the midst of assessing the financial impact of the application of IFRS 15 and any reasonable quantitative estimate of the full impact of the adoption will only be available once the detailed review is completed. As a result, the above preliminary assessment is subject to change. The directors of the Company do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under IAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately RMB989,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognize a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognized in the Group's consolidated financial statements and the directors of the Company are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

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:

	2016 RMB'000	2015 RMB'000
<u>Manufacturing and sales of solar products:</u>		
Monocrystalline solar wafers	306,567	620,990
Monocrystalline solar ingots	29,648	3,631
	<u>336,215</u>	<u>624,621</u>
Trading of solar products:		
Monocrystalline silicon	456,099	459,788
Others	15,942	224
	<u>472,041</u>	<u>460,012</u>
<u>Provision of processing services:</u>		
Processing service for solar products	1,789	6,567
	<u>1,789</u>	<u>6,567</u>
Total revenue	<u>810,045</u>	<u>1,091,200</u>

Revenue reported above represents revenue generated from external customers.

Revenue analysed by the locations of external customers

	2016 RMB'000	2015 RMB'000
PRC including Hong Kong SAR	536,671	418,088
Philippines and Malaysia	213,871	433,656
USA	39,590	137,884
Korea	13,971	10,880
Japan	2,968	25,368
Singapore	–	9,294
Other countries (<i>note</i>)	2,974	56,030
	<u>810,045</u>	<u>1,091,200</u>
Total revenue	<u>810,045</u>	<u>1,091,200</u>

Note: The customers located in other countries are mainly from other Asian countries and Canada.

Information about major customers

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

	2016 RMB'000	2015 RMB'000
Customer A	<u>209,672</u>	<u>433,657</u>

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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
PRC including Hong Kong SAR	347,117	647,450
Malaysia	8,119	536,427
	<u>355,236</u>	<u>1,183,877</u>

4. OTHER GAINS AND LOSSES, EXPENSES AND PROVISION

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net foreign exchange losses	(10,121)	(21,759)
Gain on fair value changes of Warrants	–	10,600
Gain on fair value change of contingent consideration payables (<i>Note 19</i>)	19,068	–
Gain on disposal of assets held for sale	81	–
Loss on disposal of property, plant and equipment	(1,548)	(35,617)
Allowance for trade and other receivables (<i>Note 14</i>)	(5,151)	–
Impairment losses reversed in respect of prepaid assignment fee	–	5,190
Impairment losses recognized in respect of property, plant and equipment (<i>Note 8</i>)	(276,470)	–
Impairment losses recognized in respect of advance to suppliers (<i>Note 12</i>)	(1,369)	(152,758)
Impairment losses recognized in respect of assets held for sale (<i>Note 16</i>)	(339,317)	–
Write off deposit paid for acquisition of equipment (<i>Note 16</i>)	(25,775)	–
Losses recognized in respect of provision for termination of Malaysian plant under construction (<i>Note 16</i>)	(88,269)	–
Losses recognized in respect of provision for compensation to a supplier (<i>Note</i>)	(34,975)	–
Other losses	–	(5,990)
	<u>(763,846)</u>	<u>(200,334)</u>

Note: In prior years, the Group entered into certain long term consumable purchase agreements with an independent supplier. During the year, 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.

5. LOSS BEFORE TAXATION

	2016 RMB'000	2015 RMB'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (<i>note (i)</i>)	3,794	4,554
Other staff costs (<i>note (i)</i>)	57,934	55,231
Other staff's retirement benefits scheme contributions	9,641	8,407
Share-based payments expense for other staff (<i>note (i)</i>)	—	4,228
	<u>71,369</u>	<u>72,420</u>
Total staff costs		
Auditor's remuneration	2,000	1,800
	<u>2,000</u>	<u>1,800</u>
Cost of inventories recognized as expense (<i>note (ii)</i>)	962,626	1,185,615
Depreciation of property, plant and equipment	59,847	74,178
Release of prepaid lease payments	761	996
Research and development expenses	6,910	7,157
Operating lease rentals in respect of rented premises	3,154	1,513
	<u>3,154</u>	<u>1,513</u>

Notes

- i. During the year ended 31 December 2016, share-based payments expenses included in directors' remuneration of RMB62,000 (2015: RMB1,029,000), other staff costs of RMBNil (2015: RMB4,228,000) and expenses to independent consultants of RMB22,307,000 (2015: RMB51,830,000) which was recognized in administrative expenses in respect of share options of the Company recognized were approximately RMB22,369,000 (2015: RMB57,087,000).
- ii. Included in cost of inventories recognized as expense represented write-down of inventories of approximately RMB94,537,000 (2015: RMB112,667,000) to their net realisable values.

6. TAXATION

	2016 RMB'000	2015 RMB'000
Current tax:		
PRC Enterprise Income Tax		
— Current year	21	—
— Overprovision in prior years	—	(71)
	<u>21</u>	<u>(71)</u>
Deferred tax charge		
— Current year	(740)	(310)
	<u>(719)</u>	<u>(381)</u>

No Hong Kong Profits Tax was provided for the year ended 31 December 2016 and 31 December 2015 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 2016 and 31 December 2015, 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 from 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:

	2016 RMB’000	2015 <i>RMB’000</i>
Loss before taxation	<u>(1,007,789)</u>	<u>(435,095)</u>
Tax at domestic income tax rate (25%)	(251,947)	(108,774)
Tax effect of expenses not deductible for tax purpose	5,692	12,617
Tax effect of income not taxable for tax purpose	–	(3,587)
Tax effect of temporary difference not recognized	246,387	100,668
Utilization of temporary difference previously not recognized	(111)	(286)
Overprovision in prior years	–	(71)
Overprovision on withholding tax on undistributed dividends	<u>(740)</u>	<u>(948)</u>
Taxation for the year	<u><u>(719)</u></u>	<u><u>(381)</u></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:

	2016 RMB’000	2015 <i>RMB’000</i>
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	<u><u>(1,007,070)</u></u>	<u><u>(434,714)</u></u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>1,449,485,250</u></u>	<u><u>1,391,849,832</u></u>

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 2016 and 31 December 2015.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2015	253,770	852,913	1,735	3,824	415,666	1,527,908
Additions	–	1,044	197	119	69,212	70,572
Transfers	1,948	14,951	84	–	(16,983)	–
Disposals	–	(120,101)	–	(321)	–	(120,422)
At 31 December 2015	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	–	(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
DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	82,827	370,805	1,083	2,030	–	456,745
Provided for the year	12,918	60,718	123	419	–	74,178
Eliminated on disposals	–	(70,733)	–	(204)	–	(70,937)
At 31 December 2015	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	–	(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
CARRYING VALUES						
At 31 December 2016	142,065	54,657	70	198	11,324	208,314
At 31 December 2015	159,973	388,017	810	1,377	467,895	1,018,072

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	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

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

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 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 RMB276,400,000 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. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amount of value in use was 10.5%.

Recoverable amount of the Group's buildings

The Group's buildings as of 31 December 2016 were valued by an independent qualified professional valuer.

The fair value of buildings was determined using the weighted average of a fair value which is assessed by cost approach and income approach with weight coefficient. The cost approach is the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. The income approach explicitly recognizes that the current value of an asset is premised on the expected receipt of future economic benefits generated over its remaining life.

In estimating the fair value of buildings, the highest and best use of properties is their current use.

As at 31 December 2016, the Group pledged its buildings having net book values of approximately RMB137,800,000 (2015: RMB152,259,000) to banks to secure banking facilities granted to the Group.

9. PREPAID LEASE PAYMENTS

	2016 RMB'000	2015 <i>RMB'000</i>
Carrying values		
At 1 January	26,779	46,904
Additions	5,227	–
Released to profit or loss	(761)	(996)
Classified as assets held for sale	(8,184)	(19,129)
	<u>23,061</u>	<u>26,779</u>
At 31 December	23,061	26,779
Current portion	551	600
Non-current portion	22,510	26,179

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

As at 31 December 2016, prepaid lease payments with carrying amount of approximately RMB23,061,000 (2015: RMB19,640,000) was pledged to banks to secure banking facilities granted to the Group.

10. GOODWILL

	2016 RMB'000	2015 <i>RMB'000</i>
At 1 January	—	—
Acquired during the year	<u>60,256</u>	—
At 31 December	<u><u>60,256</u></u>	<u>—</u>

For the purposes of impairment testing, the net carrying amount of the goodwill, which arose from the acquisitions of a subsidiary, has been allocated to the cash generating unit relating to downstream solar service business.

The recoverable amount of the cash-generating unit was determined based on the value in use calculations covering a detailed five and half-year financial budget plan and the estimated terminal value at the end of the five and half-year financial budget plan period prepared by the Group's management. There are a number of key assumptions and estimates involved in the preparation of the cash flow projection for the period covered by the Group's management prepared financial budget plans and the estimated terminal value, as follows:

Revenue — The basis used to determine the value assigned to the budgeted revenue is based on contracts which have been concluded or under negotiation and are expected to finalise in the coming year, and adopted compound annual growth rate of revenue around 15% in the forecasted revenues in its five and half-year budget plan from 2017 to 2022.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is based on analysis of the related industries. The budgeted gross margin keeps from 70% to 80% in its five and half-year budget plan from 2017 to 2022.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant industry.

Based on the impairment testing conducted, the directors of the Company are of the view that no impairment loss against the goodwill was considered necessary as at 31 December 2016.

11. INTANGIBLE ASSETS

The balance of intangible assets are analysed as follows:

	Cooperative agreement <i>RMB'000</i>	Non-compete agreement <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	—	—	—
Acquired during the year	<u>51,500</u>	<u>11,550</u>	<u>63,050</u>
At 31 December 2016	<u><u>51,500</u></u>	<u><u>11,550</u></u>	<u><u>63,050</u></u>

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

Cooperative agreement	4 years
Non-compete agreement	5 years

12. ADVANCE TO SUPPLIERS

In prior years, in order to secure a stable supply of raw materials, the Group has entered into several non-cancellable purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed a “take or pay” obligation to purchase the minimum annual quantity of raw materials, mainly polysilicon virgins (to be used in the manufacture of its products) at pre-determined prices over the contractual periods up to 2020. According to the terms of these agreements, the Group were required to made upfront advances to these suppliers. The advances are unsecured, interest-free and non-refundable but could be utilised to reduce the invoice amount of purchases up to those agreed minimum annual quantities. Therefore, at the end of each reporting period, the directors of the Company estimate the amount of advances that is expected to be settled by the offset of the purchases of the agreed contract quantity in the next twelve months and classify it as current asset at the end of each reporting period. The remaining balance is classified as non-current asset in the consolidated statement of financial position. In early 2016, the Group has reached into agreements with the two major suppliers, of which one has unconditionally agreed to waive the term relating to minimum annual quantity and pre-determined purchase price and the other has unconditionally agreed to reduce the pre-determined purchase price for the forthcoming purchases.

The Group has periodically performed an analysis of the sufficiency of impairment recognized in respect of advance to suppliers and provision for onerous contracts, due to volatility of the solar industry which the Group is engaged in. The analysis has made reference to the Group’s budgeted annualized production capacity, the Group’s product mix, recent market demand for the Group’s products, updated forecasted selling prices of the products that reflected current market assessments; and the Group’s committed delivery of solar products including terms governed the take or pay supply agreements referred above, etc. Based on such analysis, the Group recognized impairment provision/onerous contracts provision, which represented expected losses to be suffered or future payments that the Group is presently obliged to make under the above-mentioned non-cancellable take or pay agreements, after taking into account the revenue expected to be earned and costs to be incurred in production over the contractual periods, and the movement of which are as follow:

	Provision for impairment on advance to suppliers RMB'000	Provision for onerous contracts RMB'000	Total RMB'000
At 1 January 2015	174,521	7,576	182,097
Utilise*	(239,165)	–	(239,165)
Transfer	7,576	(7,576)	–
Provision	152,758	–	152,758
At 31 December 2015	95,690	–	95,690
Utilise*	(95,690)	–	(95,690)
Transfer	–	–	–
Provision	1,369	–	1,369
At 31 December 2016	1,369	–	1,369

* the provision was utilised as a reduction of cost of sales on disposal of the excessive polysilicon virgins which were purchased from the above suppliers and in turn resold to the free market.

The balance of advance to suppliers are analysed as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
Gross amounts	118,500	206,866
Provision	(1,369)	(95,690)
	117,131	111,176
Less: Amounts recoverable within one year shown under current assets	(117,131)	(2,920)
	–	108,256
Amounts shown under non-current assets	–	108,256

13. INVENTORIES

	2016 RMB'000	2015 <i>RMB'000</i>
Raw materials	99,084	127,061
Work-in-progress	58,277	46,311
Finished goods	33,721	90,273
	191,082	263,645

As at 31 December 2016, the carrying amount of the inventories disclosed above included inventory provision of RMB96,599,000 (2015: RMB114,729,000) and the movements of which are as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
At 1 January	114,729	15,181
Written off	(112,667)	(13,119)
Provision	94,537	112,667
	96,599	114,729
At 31 December	96,599	114,729

14. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2016 RMB'000	2015 <i>RMB'000</i>
Trade receivables	100,679	183,894
Write off of allowance	(4,260)	–
Less: allowance for doubtful debts	(5,151)	(4,260)
	91,268	179,634
Utility deposits	3,798	2,988
Value-added-tax recoverable	43,242	49,091
Other receivables and prepayments	13,277	20,119
	151,585	251,832
Bills receivable	10,826	6,971

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:

	2016 RMB'000	2015 <i>RMB'000</i>
Age		
0 to 30 days	21,872	41,402
31 to 60 days	3,189	40,043
61 to 90 days	810	29,849
91 to 180 days	2,556	54,294
Over 180 days	62,841	14,046
	91,268	179,634

Included in the trade receivables are debtors with an aggregate carrying amount of RMB62,841,000 (2015: RMB14,046,000) 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.

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

	2016 RMB'000	2015 <i>RMB'000</i>
<u>Overdue by:</u>		
61 to 90 days	–	6,400
91 to 180 days	–	7,543
Over 180 days	62,841	103
	62,841	14,046
Average overdue days	350	97

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

	2016 RMB'000	2015 <i>RMB'000</i>
<u>Age</u>		
0 to 30 days	2,126	5,800
31 to 60 days	4,250	871
61 to 90 days	3,450	–
91 to 180 days	1,000	300
	10,826	6,971

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:

	<i>RMB'000</i>
Balance at 1 January 2015 and 31 December 2015	4,260
Impairment losses recognized in profit or loss	5,151
Write-off of allowance	(4,260)
Balance at 31 December 2016	5,151

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:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other receivables denominated in USD	73,593	175,259
Trade and other receivables denominated in JPY	–	227

15. PREPAID ASSIGNMENT FEES

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. The remaining balance is classified as non-current liability in the consolidated statement of financial position. In early 2016, Comtec Solar HK has reached into an agreement with Mission under which neither parties under the Wafer Supply Agreement shall be bounded by the pre-determined delivery schedule and supply price terms for the forthcoming supply/purchase. As the revised delivery schedule has not been reached as to the date of these financial statements, the full amount of the deposit received from Mission is classified as current liabilities as of 31 December 2016 and 31 December 2015.

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. At 31 December 2016 and 31 December 2015, the directors of the Company estimate the amount of assignment fee that is expected to be released to the consolidated statement of profit or loss and other comprehensive income over the sales of the agreed contract quantity in the next twelve months and classify it as current asset. The remaining balance is classified as non-current asset in the consolidated statement of financial position.

16. ASSETS CLASSIFIED AS HELD FOR SALE

On 11 March 2016, Comtec SH has entered into a written agreement with an independent third party to dispose of the entire parcel of land it owns for a cash consideration of RMB19,210,000. Therefore, the prepaid lease payments for the parcel of land is classified as asset held for sale as of 31 December 2015. This disposal transaction was duly completed as of 31 December 2016.

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. The directors of the Company expect that the disposal of such assets will be completed within 2017. Therefore, such assets to be disposed are classified as assets held for sale as of 31 December 2016.

As the Group will terminate its Malaysian plant under construction, a provision of approximately RMB88,269,000 in respect of retrenchment expenses to lay off Malaysian staffing and compensations to two utility suppliers is 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 is of a review that this deposit is no longer recoverable giving the adverse changes and market sentiment in the relevant industry.

	Property, plant and equipment RMB'000	Prepaid lease payments RMB'000	Total RMB'000
At 1 January 2015	–	–	–
Reclassified from prepaid lease payments	–	19,129	19,129
At 31 December 2015	–	19,129	19,129
Disposal	–	(19,129)	(19,129)
Reclassified from property, plant and equipment (<i>Note 8</i>)	491,771	–	491,771
Reclassified from prepaid lease payments (<i>Note 9</i>)	–	8,184	8,184
Impairment	(337,833)	(1,484)	(339,317)
At 31 December 2016	<u>153,938</u>	<u>6,700</u>	<u>160,638</u>

17. TRADE AND OTHER PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	255,509	202,450
Payables for acquisition of property, plant and equipment	31,927	52,720
Provision for termination costs for termination of Malaysia plant under construction	88,269	–
Other payables and accrued charges	33,187	30,878
	<u>408,892</u>	<u>286,048</u>

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<u>Age</u>		
0 to 30 days	63,548	47,758
31 to 60 days	28,767	21,952
61 to 90 days	14,752	16,119
91 to 180 days	16,910	34,667
Over 180 days	131,532	81,954
	<u>255,509</u>	<u>202,450</u>

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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade and other payables denominated in:		
MYR	597	217
USD	176,585	164,806
JPY	2,618	4,486
EUR	2,883	–

18. CUSTOMERS' DEPOSITS RECEIVED

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

	2016 RMB'000	2015 RMB'000
Mission	166,190	175,546
Other customers	71,478	3,130
	237,668	178,676

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

19. CONTINGENT CONSIDERATION PAYABLES

The balances of the contingent consideration payables are analysed as:

	2016 RMB'000	2015 RMB'000
At 1 January	—	—
Initial recognition	112,903	—
Fair value change through profit or loss	(19,068)	—
At 31 December	93,835	—
Analysed as:		
Current portion	—	—
Non-current portion	93,835	—
	93,835	—

The contingent consideration arose from the issue of ordinary shares of the Company on earn-out basis in relation to a business acquisition. 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 2016 are based on the valuation performed by an independent qualified professional valuer.

20. BUSINESS COMBINATIONS

On 7 July 2016, the Group entered into a sale and purchase agreement with independent third parties not related to the Group, pursuant to which the Group agreed to acquire 100% of the entire issued share capital of Joy Boy HK Limited (subsequently renamed as Comtec Renewable Energy Group Limited) and its subsidiaries (collectively referred to “**Joy Boy Group**”) at a total maximum consideration of RMB130 million (“**Maximum Consideration**”). Joy Boy Group is principally engaged in the provision of project development services and the development of downstream solar power projects. The Group intends to expand into downstream solar business through Joy Boy Group.

The maximum consideration payable by the Group shall be calculated by reference to the targeted consolidated profit before taxation of Joy Boy Group (“**Profit Before Tax**”). The consideration is to be satisfied by the Company by allotting and issuing new shares to the vendors as follows:

First Instalment	$\text{Maximum Consideration} \times (\text{Profit Before Tax for the twelve-month period ending 30 June 2017}) \div \text{RMB80,000,000}$
Second Instalment	$\text{Maximum Consideration} \times (\text{Profit Before Tax for the twenty-four month period ending 30 June 2018}) \div \text{RMB80,000,000} - \text{the First Instalment}$
Third Instalment	$\text{Maximum Consideration} \times (\text{Profit Before Tax for the thirty six-month period ending 30 June 2019}) \div \text{RMB80,000,000} - \text{the First Instalment} - \text{the Second Instalment}$

The total numbers of the Company’s shares to be issued to satisfy the Maximum Consideration is 328,118,768, which is determined HK\$0.46 per share at pre-determined exchange rate of RMB0.8613=HK\$1.0.

The acquisition was completed on 9 September 2016. Full details of this acquisition is disclosed in a circular of the Company dated 9 August 2016.

The provisional fair values of the identifiable assets and liabilities of Joy Boy Group as at the date of acquisition were as follows:

	<i>RMB’000</i>
Cash	1,000
Goodwill	60,256
Cooperative agreement	51,500
Non-compete agreement	11,550
Deferred tax liability	(10,403)
Total identifiable assets and liabilities	113,903
Satisfied by:	
Contingent consideration payables, represents issue of ordinary shares of the Company on earn-out basis	112,903
Cash	1,000
	113,903

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 December 2016, the Group was under a process of restructuring to downsize the scale of manufacturing business and to expand to the downstream solar businesses which specifically focus on rooftop distributed generation projects on industrial, commercial and residential buildings.

On 30 December 2016 (after trading hours of the Stock Exchange), 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 Target Assets of Comtec Malaysia at the Total Consideration of RMB200 million.

Comtec Malaysia was established in 2013 by the Company to expand the Group's production capacity in its solar-grade monocrystalline silicon business. Comtec Malaysia was still at pilot running and testing stage during the year. Due to the unfavorable global macro-economic environment, the relatively small scale of operations, the lower production efficiency at the early stage of its pilot running and testing and that it took time to train the local production team, Comtec Malaysia has been loss making and has recorded cumulative operating loss of approximately RMB178.5 million since 2013. Although the Group has been striving to improve its operating efficiency and reduce its production cost per unit during the pilot running and testing process, Comtec Malaysia has not been 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 considers that it will be in the interest of the Company to exit its investment in the production facilities in Malaysia so that the Group can 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 is 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 Target Assets may fall even lower later.

As one or more of the applicable percentage ratios exceeds 25% but none of the applicable percentage ratios exceeds 75%, the asset transfer agreement and this transaction constitute a major transaction for the Company and are subject to the reporting and announcement and Shareholders' approval requirements as set out in Chapter 14 of the Listing Rules.

An EGM will be convened and held for the shareholders to consider and if thought fit, approve the asset transfer agreement. A circular containing, among others, further details about the asset transfer agreement together with a notice convening the EGM will be despatched to the Shareholders in due course.

On 7 July 2016 (after trading hours of the Stock Exchange), the Company, Joy Boy, the original shareholders of Joy Boy entered into a sale and purchase agreement. The Company agreed to acquire the entire issued share capital of Joy Boy at a total maximum consideration of RMB130 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 Joy Boy under the Specific Mandate sought from the Shareholders (unless the Company opted to pay in cash with the consent of its original shareholders). In September 2016, the Group has completed the acquisition of Joy Boy, which marked the beginning of the Group's expansion into the business of downstream solar project development, which the Directors believe would fuel the growth of the Group. As such, the Group intends to explore further opportunities to expand into downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group's existing upstream solar business of the Group. The acquisition of Joy Boy represents an attractive opportunity for the Group to expand into the business of downstream solar project development.

On 14 November 2016 (after trading hours of the Stock Exchange), 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 (unless the Company opted to pay in cash with the consent of its original shareholders). In March, the Group has completed the acquisition of Forum (Asia). This acquisition represents an attractive opportunity for the Group to expand into the business of residential rooftop solar project.

From December 2016 onwards, we have made good progress on the downstream businesses. On 19 December 2016, the Group and BECE entered into a strategic cooperation agreement in relation to the solar power stations, pursuant to which the Group and BECE agreed to strengthen the overall strategic cooperation in relation to the development, construction and project acquisition of solar power stations. It is agreed that BECE would be entitled to purchase, subject to entering into definitive sales and purchase agreement, certain solar power stations from our Group in the next three years with a scale no less than 500MW.

On 10 January 2017, the Group entered into a strategic agreement with Luoyang Tourism Development in relation to the exclusive cooperation in the investment, establishment, development and operation of the smart energy charging facilities project in Luoyang.

On 12 January 2017, the Group entered into a strategic framework cooperation agreement with 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.

On 8 July 2016, the Company entered a subscription agreement with Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司) (i.e. the Subscriber), pursuant to which the Company has conditionally agreed to allot and issue 154,651,306 subscription shares at a subscription price of HK\$0.46 per Share to the Subscriber or its designated nominee. The subscription has been completed on 18 August 2016 with the 154,651,306 subscriptions shares allotted and issued to Harmony Gold Venture Corp, a wholly-owned subsidiary of the Subscriber, generating the net proceeds of approximately HK\$70.4 million, representing a net subscription price of HK\$0.45 per subscription share, which was expected to be used for any investment opportunity to be identified by the Group and as general working capital of the Group. As at the date of this announcement, a total amount of HK\$35.2 million has been used as working capital of the Group and it is expected that the remaining HK\$35.2 million will be used for any investment opportunity to be identified by the Group and as general working capital of the Group. Please refer to the announcements of the Company dated 8 July 2016 and 18 August 2016 for further details. 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.

With the sounding track records of our N type Super Monocrystalline, the Group has signed a cooperation framework agreement with Jolywood on 21 December 2016, pursuant to which the Group and Jolywood agreed to strengthen strategic cooperation by promoting the large scale market application of N-type solar batteries through technological cooperation, product sharing and solar project sharing market integration, resources sharing, business innovation, and the introduction of advanced technology for solar power stations. Also, Jolywood will give priority to the Group in their procurement of N-type super monocrystalline wafers. It is expected that the Group will supply approximately 68 million pieces of A-grade N-type super monocrystalline wafers to Jolywood from January 2017 to December 2018 and Jolywood settled an advance payment of RMB20.4 million to the Group. It has secured a long term customer to support the remaining production facilities of the Group in China.

The Group also continued to execute our cost reduction strategy on the supply chain management. In prior years, in order to secure a stable supply of raw materials, the Group has entered into several non-cancellable purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed a “take or pay” obligation to purchase the minimum annual quantity of raw materials at pre-determined prices over the contractual periods up to 2018. In early 2016, the Group has reached into agreement with one of the major suppliers, of which has unconditionally agreed to waive the terms relating to minimum annual quantity and pre-determined purchase price. The agreement with another major supplier also expired by end of 2016. It enables the Group, starting from 2017 onwards, to be free from the risks and costs related to the long term purchase agreements which led to the substantial operating losses in last few years. It would allow the Group to be more flexible in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials.

Revenues from our top five customers in 2016 represented approximately 44.5% of our total revenues, compared to approximately 63.2% in the last year. The sales to our largest customer in Philippines with the high quality “Super Mono Wafers” accounted for approximately 25.9% of our total revenues in 2016 as compared to approximately 39.7% in 2015. The remaining of our sales in 2016 was mainly shipped to PRC (including Hong Kong), Japan, U.S.A. and Korea.

The Group intends to explore opportunities and to expand 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 and Forum (Asia) represent attractive opportunities for the Group to expand into the business of downstream solar project development. 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 downstream solar businesses, we are confident to capture enormous opportunities and to drive continuous growth for the Group in the future.

Financial Review

Revenue

Revenue decreased by RMB281.2 million, or 25.8%, from RMB1,091.2 million for the year ended 31 December 2015 to RMB810.0 million for the year ended 31 December 2016, primarily as a result of the decrease in shipment volume of monocrystalline solar wafers as well as the decrease in average selling prices.

Sales of 125 mm by 125 mm monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB236.2 million, or 52.3%, from RMB451.2 million for the year ended 31 December 2015 to RMB215.0 million for the year ended 31 December 2016, 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 of approximately 131.8MW, or 43.5%, from 303.1MW for the year ended 31 December 2015 to 171.3MW for the year ended 31 December 2016 and was primarily due to the industry landscape for the monocrystalline silicon business deteriorated in the second half of 2016, with certain major players who use monocrystalline silicon wafers scaling back or even shutting down their production. The average selling price decreased by RMB0.24, 16.1%, from RMB1.49 per watt for the year ended 31 December 2015 to RMB1.25 per watt for the year ended 31 December 2016 due to the competitive market environment.

Sales of 156 mm by 156 mm monocrystalline wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers decreased by RMB78.2 million, or 46.1%, from RMB169.8 million for the year ended 31 December 2015 to RMB91.6 million for the year ended 31 December 2016, primarily as a result of the decrease in sales volume and average selling price. The sales volume decreased by 21.5MW, or 21.2% from 101.3MW for the year ended 31 December 2015 to 79.8MW for the year ended 31 December 2016. It was mainly due to the was primarily due to the industry landscape for the monocrystalline silicon business deteriorated in the second half of 2016, with certain major players who use monocrystalline silicon wafers scaling back or even shutting down their production. The average selling price decreased by RMB0.53, 31.5%, from RMB1.68 per watt for the year ended 31 December 2015 to RMB1.15 per watt for the year ended 31 December 2016 due to the competitive market environment.

Others

The remaining revenues, mainly composed of revenues from the sales of excess inventory of polysilicon, sales of ingots and other solar products. Other revenues increased by RMB33.2 million, or 7.1% from RMB470.2 million for the year ended 31 December 2015 to RMB503.4 million for the year ended 31 December 2016. The increases of other revenues were mainly due to the increase in sales volume of ingots and other solar products in 2016 while it was partially mitigated by the decrease of average selling price of the ingots.

Substantial amount of other revenues were derived from the sales of excess inventory of polysilicon. It was approximately RMB456.1 million for the year ended 31 December 2016 and there was no material differences from the amount of approximately RMB459.8 million recorded for the year ended 31 December 2015. The excess inventories were purchased under the long term agreements with our major polysilicon suppliers.

In relation to the analysis of our revenue by geographical market, approximately 66.3% of total revenue for the year ended 31 December 2016 was generated from our PRC customers (2015: 38.3%). Remaining portion was mainly generated from our Philippines customer which represented approximately 25.9% of total revenue (2015: 39.7%).

Cost of sales

Cost of sales for the year ended 31 December 2016 was approximately RMB962.6 million, representing a decrease of RMB223.0 million or 18.8% from RMB1,185.6 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in shipment volume of wafers and average purchase costs of polysilicons during the year ended 31 December 2016 while it was partially offset by the write-down of inventory and the increase of costs of production due to the ramp up for production capacity in Malaysia as well as the decrease in production volumes of wafers.

The shipment volumes 125 mm by 125 mm monocrystalline solar wafers, 156 mm by 156 mm monocrystalline solar wafers as well as of the excess inventory of polysilicon decreased by 43.5%, 21.2% and 6.1% respectively for the year ended 31 December 2016 when compared with that of the year ended 31 December 2015. The average purchase costs of poly silicon also decreased by 7.8% for the year ended 31 December 2016, comparing to the same period in 2015.

The write-down of inventory were approximately RMB94.5 million for the year ended 31 December 2016 while the write-down of inventory were RMB112.7 million for the year ended 31 December 2015. 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 of inventories in that year. During the year ended 31 December 2016, 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 16.1% and 31.5% respectively. Also, certain recycle polysilicons generated during the pilot running and testing process would be obsolete after the disposal of assets and properties of Comtec Malaysia as they are not allowed to be imported to China and we have not yet identified any potential buyers for remaining amount of recycle materials. In addition, there were negative impacts on production yield during the ramp up

period of the production facilities in Malaysia which resulted in higher production and inventory costs. Thus, there was an increase in amount of inventories which have net realizable values that are lower than their carrying amounts, resulting in the write-down of inventory for the year ended 31 December 2016.

The negative impacts on production yield, as mentioned above, during the ramp up period the production facilities in Malaysia also increased the inventory costs and hence cost of sales when the inventories were sold and charged to profits and losses account during the year.

Gross losses

The Company recorded gross losses of RMB152.6 million for the year ended 31 December 2016, comparing to gross losses of approximately RMB94.4 million for the year ended 31 December 2015.

The gross losses was mainly attributable to the decrease in revenue by RMB281.2 million or 25.8% which was mainly due to the decrease of sales volume and average selling prices of monocrystalline wafers as mentioned above. Nonetheless, the cost of sales only decreased by RMB223.0 million or 18.8% which was mainly due to the write-down of inventory of approximately RMB94.5 million and the increase of costs of production due to the ramp up for production capacity in Malaysia as well as the decrease in production volumes of wafers.

As a result of the foregoing, the Company recorded gross losses of RMB152.6 million for the year ended 31 December 2016, comparing to gross losses of approximately RMB94.4 million for the year ended 31 December 2015.

Other income

Other income for the year ended 31 December 2016 was approximately RMB4.1 million, representing a decrease of approximately RMB5.4 million, or 56.8%, from RMB9.5 million for the year ended 31 December 2015, mainly due to the decrease of interest income caused by the decrease in bank balances in 2016 and there was compensation from local government for removal from a leased factory in Shanghai recorded in 2015.

Other gains and losses, expenses and provision

Other losses increased by RMB563.5 million from RMB200.3 million for the year ended 31 December 2015 to RMB763.8 million for the year ended 31 December 2016. 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. For the year ended 31 December 2015, the amount of other losses mainly included (i) impairment losses on advance to equipment supplier of approximately RMB152.8 million and (ii) losses on disposal of fixed assets of approximately RMB35.6 million.

(i) Losses from disposal of assets and properties of our Comtec Malaysia

Reference is made to the announcement of the Company dated 3 January 2017. On 30 December 2016 (after trading hours of the Stock Exchange), 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 Target Assets of Comtec Malaysia at the Total Consideration of RMB200.0 million. The net book value of the disposed assets and properties were approximately RMB500.0 million as at 31 December 2016. And there was an agreed rectification expenses of approximately RMB35.0 million upon the assets and properties for disposal. Thus the losses from the disposal were approximately RMB339.3 million, including the stamp duties of approximately RMB4.3 million to be incurred in relation to the disposal.

(ii) 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 be arose.

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 the Group, scaling back or even shutting down their production. 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 comprise 125mm x 125mm and 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 solar wafer manufacturing business in which the Group is engaging. Accordingly, impairment losses of RMB276.5 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.

(iii) Accrued expenses for termination of our Malaysian plant under construction as a result of the disposal of major assets and properties of Comtec Malaysia and downsize of manufacturing business

Due to the disposal of major assets and properties of Comtec Malaysia, we are in discussion with the electricity and gas suppliers to terminate the long term agreement which would incur certain termination expenses per the signed agreements or the agreed settlement arrangements. It was expected the termination expenses of power purchase agreement and gas supply agreements would be approximately RMB45.0 million and RMB24.0 millions respectively. The amount of retrenchment expenses to lay off staffs of Comtec Malaysia was expected to be approximately RMB2.9 million which was based on the years of services of the staffs to Comtec Malaysia, their existing salaries amount and unclaimed leaves as well as the local employment rules and regulations in Malaysia etc. In addition, Comtec Malaysia was expected to incur expenses of approximately RMB16.3 million for its actual consumption volume to be less than the minimum take or pay obligations in the power purchase agreement and gas supply agreements before the termination of the agreements. In March 2016, we have entered into an agreement to change the expiry date of a long term consumable purchase agreement from March 2027 to December 2017. Due to the downsizing of our manufacturing business, the Group expected that it would not be able to fulfill the agreed purchase amount and would incur penalties of approximately RMB35.0 million. In addition, it is expected that certain prepayments of approximately RMB25.8 million in relation to production equipments would not be recoverable due to our plan to downsizing the scale of manufacturing business and the material drop of equipment prices in the market.

Distribution and selling expenses

The distribution and selling expenses accounted for approximately 1.9% of the revenue for the year ended 31 December 2016 which was same as the percentage recorded for the year ended 31 December 2015. The distribution and selling expenses decreased by approximately RMB4.9 million, or 24.3%, from RMB20.2 million for the year ended 31 December 2015 to RMB15.3 million for the year ended 31 December 2016. The decrease was in line with the decrease in shipment volume during 2016.

Administrative and general expenses

Administrative and general expenses decreased by RMB43.8 million, or 38.1%, from RMB114.9 million for the year ended 31 December 2015 to RMB71.1 million for the year ended 31 December 2016. It was mainly due to the decrease in the stock compensation expenses of approximately RMB34.7 million incurred for the share options newly grant during the year ended 31 December 2016 and the efforts to reduce operating expenses during the year.

Interest expenses

Interest expenses were approximately RMB9.1 million for the year ended 31 December 2016, representing a decrease by RMB5.7 million from RMB14.8 million for the year ended 31 December 2015, which was mainly due to reduction of bank borrowings during the year ended 31 December 2016.

Loss before taxation

Loss before taxation of RMB1,007.8 million for the year ended 31 December 2016, increased from the loss before taxation of RMB435.1 million for the year ended 31 December 2015, as a result of the foregoing.

Taxation

The Group did not incur significant tax expenses for the year 31 December 2016 and corresponding period in 2015 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 RMB1,007.1 million, increased from the loss of RMB434.7 million for the year ended 31 December 2015, as a result of the foregoing. Net loss margin of 124.3% for the year ended 31 December 2016, comparing to the net loss margin of 39.8% for the year ended 31 December 2015.

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 27.5% from RMB263.6 million for the year ended 31 December 2015 to RMB191.1 million for the year ended 31 December 2016. The decrease was mainly due to the efforts to improve inventory turnover and to reduce inventory balances. The inventory turnover days as at 31 December 2016 were 72 days in total (2015: 81 days).

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2016 totaled 41 days (2015: 60 days). For the year ended 31 December 2016, 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 41 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 2016 totaled 97 days (2015: 62 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 cash flow from operating activities, bank borrowings and the proceeds from the share placements. As at 31 December 2016, the Group's current ratio (current assets divided by current liabilities) was 1.0 (31 December 2015: 1.0) and it was in a net debt position of approximately RMB168.8 million (2015: approximately RMB282.0 million). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB28.8 million as of 31 December 2016. However, the Group still maintained net assets of approximately RMB210.1 million as of 31 December 2016 and has recorded net cash inflow from operating activities of approximately RMB80.2 million during 2016. 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. The Group has also adopted strict control of operating and investing activities.

On 8 July 2016, the Company entered a subscription agreement with Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司) (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to allot and issue 154,651,306 subscription shares at a subscription price of HK\$0.46 per Share to the Subscriber or its designated nominee. The subscription has been completed on 18 August 2016 with the 154,651,306 subscriptions shares allotted and issued to Harmony Gold Venture Corp, a wholly-owned subsidiary of the Subscriber, generating the net proceeds of approximately HK\$70.4 million, representing a net subscription price of HK\$0.45 per subscription share, which was expected to be used for any investment opportunity to be identified by the Group and as general working capital of the Group. As at the date of this announcement, a total amount of HK\$35.2 million has been used as working capital of the Group and it is expected that the remaining HK\$35.2 million will be used for any investment opportunity to be identified by the Group and as general working capital of the Group. Please refer to the announcements of the Company dated 8 July 2016 and 18 August 2016 for further details.

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 2016, the Group determined not to further expand its production capacity of manufacturing business. In addition, the Group has yet to make any capital commitments for its downstream solar business which would depend on and subject to the market conditions and opportunities. (2015: RMB205.2 million).

Contingent liabilities

As at 31 December 2016, other than the balance of contingent consideration payables of approximately RMB93.8 million (2015: Nil), the Group had no other contingent liabilities.

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 2016.

Charges on Group Assets

As at 31 December 2016, other than the short term bank deposits of approximately RMB126.6 million (31 December 2015: RMB171.1 million), the Group pledged its buildings and prepaid lease payments having net book values of approximately RMB137.8 million (31 December 2015: RMB152.3 million) and approximately RMB23.1 million (31 December 2015: RMB19.6 million), respectively, to banks to secure banking facilities granted to the Group.

Save as disclosed above, as at 31 December 2016, no Group asset was under charge to any financial institution.

Acquisition of subsidiary

Reference is made to the announcement of the Company dated 7 July 2016. On 7 July 2016 (after trading hours of the Stock Exchange), the Company, Joy Boy HK Limited (“**Joy Boy**”), the original shareholders of Joy Boy entered into a sale and purchase agreement. The Company agreed to acquire the entire issued share capital of Joy Boy at a total maximum consideration of RMB130 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 Joy Boy under the Specific Mandate sought from the Shareholders (unless the Company opted to pay in cash with the consent of its original shareholders). In September 2016, the Group has completed the acquisition of Joy Boy, which marked the beginning of the Group’s expansion into the business of downstream solar project development, which the Directors believe would fuel the growth of the Group. As such, the Group intends to explore further opportunities to expand into downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group’s existing upstream solar business of the Group. The acquisition of Joy Boy represents an attractive opportunity for the Group to expand into the business of downstream solar project development.

Reference is made to the announcement of the Company dated 14 November 2016. On 14 November 2016 (after trading hours of the Stock Exchange), 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 (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). This acquisition represents an attractive opportunity for the Group to expand into the business of residential rooftop solar project.

Disposal of subsidiary

Reference is made to the announcement of the Company dated 3 January 2017. On 30 December 2016 (after trading hours of the Stock Exchange), 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 Target Assets of Comtec Malaysia at the 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. Comtec Malaysia was still at pilot running and testing stage during the year. Due to the unfavorable global macro-economic environment, the relatively small scale of operations, the lower production efficiency at the early stage of its pilot running and testing and that it took time to train the local production team, Comtec Malaysia has been loss making and has recorded cumulative operating loss of approximately RMB178.5 million since 2013. Although the Group has been striving to improve its operating efficiency and reduce its production cost per unit during the pilot running and testing process, Comtec Malaysia has not been 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 considers that it will be in the interest of the Company to exit its investment in the production facilities in Malaysia so that the Group can 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 is 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 Target Assets may fall even lower later.

As one or more of the applicable percentage ratios exceeds 25% but none of the applicable percentage ratios exceeds 75%, the asset transfer agreement and this transaction constitute a major transaction for the Company and are subject to the reporting and announcement and Shareholders’ approval requirements as set out in Chapter 14 of the Listing Rules.

An EGM will be convened and held for the shareholders to consider and if thought fit, approve the asset transfer agreement. A circular containing, among others, further details about the asset transfer agreement together with a notice convening the EGM will be despatched to the Shareholders in due course.

Human resources

As at 31 December 2016, the Group had 482 (2015: 1,140) 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 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 RMB10.1 million (2015: approximately RMB21.8 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 2016, 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, two non-executive Directors 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 2016.

AUDIT COMMITTEE

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

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practice adopted by the Group.

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

During the year ended 31 December 2016, 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 2016.

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 2016. 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 2016 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 2016 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.

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

Shanghai, the People's Republic of China, 31 March 2017

As at the date of this announcement, the executive Directors are Mr. John Yi Zhang, Mr. Chau Kwok Keung and Mr. Zheng Zhen, the non-executive Directors are Mr. Donald Huang and Mr. Wang Yixin, and the independent non-executive Directors are Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Daniel DeWitt Martin.