卡姆丹克太陽能系統集團有限公司

Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 712

Annual Report 2014

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Donald Huang

Independent non-executive Directors

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. John Zhang
Mr. Chau Kwok Keung

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. Daniel DeWitt Martin
Mr. Kang Sun
Mr. Donald Huang

NOMINATION COMMITTEE

Mr. John Zhang *(Chairman)*
Mr. Daniel DeWitt Martin
Mr. Kang Sun
Mr. Donald Huang
Mr. Leung Ming Shu

REMUNERATION COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. John Zhang
Mr. Kang Sun
Mr. Donald Huang
Mr. Daniel DeWitt Martin

CORPORATE GOVERNANCE COMMITTEE

Mr. John Zhang *(Chairman)*
Mr. Chau Kwok Keung
Mr. Leung Ming Shu
Mr. Donald Huang

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Zhang *(Chairman)*
Mr. Chau Kwok Keung
Mr. Donald Huang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER

16 Yuan Di Road
Nanhui Industrial Zone
Shanghai 201314
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 28
35/F Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

Chairman's Statement

Dear Shareholders,

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

Here are some financial and business highlights for the year:

- Revenue for the year was approximately RMB906.6 million, representing a year-on-year decrease of 3.3% from approximately RMB937.5 million for the year ended 31 December 2013;

- Gross profit for the year was approximately RMB60.0 million, representing a year-on-year decrease of 20.0% from RMB75.0 million for the year ended 31 December 2013;

- Gross profit margin for the year was approximately 6.6%, decreased from 8.0% for the year ended 31 December 2013;

- Net loss for the year was approximately RMB90.5 million, decreased from the net loss of RMB133.1 million for the year ended 31 December 2013. The loss was mainly due to other losses, expenses and provision arising from the impairment losses on advance to suppliers and the stock compensation expenses;

- Net loss margin for the year was approximately 10.0%, decreased from 14.2% for the year ended 31 December 2013;

- Our loss per share for the year was RMB6.58 cents, decreased from the loss per share of RMB10.18 cents for the year ended 31 December 2013;

- Total wafer shipments for the year was approximately 372.7MW, decreased by 6.1% from 396.9MW in 2013;

- Maintained cash and restricted cash balances of approximately RMB223.3 million.

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

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

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

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

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

Chairman's Statement

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

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

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

John Zhang
Chairman

Shanghai, 27 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

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

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

Sales of 125 mm by 125 mm monocrystalline solar wafers

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

Sales of 156 mm by 156 mm monocrystalline wafers

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

Processing services of monocrystalline solar wafers

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

Others

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

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

Cost of sales

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

Gross profit

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

Other income

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

Other gains and losses, expenses and provision

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

Distribution and selling expenses

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

Administrative and general expenses

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

Interest expenses

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

Loss before taxation

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

Taxation

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

Loss for the year

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

Inventory turnover days

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

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2014 totaled 57 days (2013: 68 days). For the year ended 31 December 2014, the Group has shifted the focus to “Super Mono Wafers” which were mainly sold to overseas customers. The credit period granted to overseas customers is approximately 60 days. The Group normally grants a credit period of 30 to 90 days to other customers. The average receivable turnover days were approximately 57 days which was within the credit periods of the Group grants to its customers.

Trade payable turnover days

The trade payable turnover days as at 31 December 2014 totaled 54 days (2013: 118 days). We mainly focused on the long term and high quality suppliers during the year ended 31 December 2014 and the credit terms offered by them were 60 days or less.

Liquidity and financial resources

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

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

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

Capital Commitments

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

Contingent liabilities

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

Related Party Transactions

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

Charges on Group Assets

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

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

Acquisition of subsidiary

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

Disposal of subsidiary

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

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

Use of Proceeds

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

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

Human resources

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

Details of the future investment plans for material investment

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

Exposure to fluctuations in exchange rates and any related hedges

The Group recognised net exchange losses of approximately RMB6.0 million, which mainly arose from monetary assets and liabilities of the group entities denominated in foreign currencies. Although the Group entered into foreign currency forward contracts, the Group currently does not have a foreign currency hedging policy but the management has been monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. John Zhang, aged 52, is as an executive Director, the chairman of the Board and the chief executive officer of the Company, responsible for the overall strategy and operation of our Group. Mr. John Zhang is also a director of each of the Group members. Mr. Zhang has accumulated over ten years of experience in the semiconductor and solar industries from both his founding and development of the Group and his prior professional experience. Prior to founding the Group, Mr. Zhang joined Silicon Systems Inc. which was a semiconductor technology company in California, U.S., in 1992 as an engineer and was responsible for developing and designing communication firmware used in silicon chips. Mr. Zhang graduated from 清華大學 (Tsinghua University) in July 1985 with a Bachelor's degree in Electrical Engineering and from Utah State University with a Master's degree in Electrical Engineering in August 1988.

Mr. Chau Kwok Keung, aged 38, is an executive Director, the chief financial officer of the Group and the company secretary of the Company, responsible for corporate financial and general management. He is also a director of Comtec Solar (Hong Kong) Limited and Comtec Semiconductor (Hong Kong) Limited, both of which are subsidiaries of the Group. He was also appointed as an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a listed company on the Stock Exchange (Stock Code: 6198), in May 2014. He acted as a member of supervisory board of RIB Software AG, a software company in Germany, which was listed in Frankfurt Stock Exchange, from May 2010 to June 2013. Prior to joining the Group, Mr. Chau served in various positions at China.com Inc., a company listed on the Stock Exchange (Stock Code: 8006) from October 2005 to October 2007, including vice president of the finance department, chief financial officer, company secretary and authorised representative. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1668) from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Material and Technology Co., Ltd. from June 2002 to August 2003. Mr. Chau Kwok Keung was employed by Andersen & Co. initially as an experienced staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Andersen & Co. in March 2002. Mr. Chau has been a fellow member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a Chartered Financial Analyst of CFA Institute since September 2003. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in May 1998.

Mr. Shi Cheng Qi, aged 71, is an executive Director and the chief technology officer of the Group, responsible for production, technology and research and development. He is in charge of the production technology and equipment design of the Group. Mr. Shi has over 30 years of experience in semiconductor, solar and materials engineering, which was accumulated from the multiple engineering and management positions held by Mr. Shi in the production, technology and research and development departments of 上海半導體材料廠 (Shanghai Semiconductor Materials Factory) in the PRC from 1969 to 2000. He was accredited by 上海市有色金屬總公司 (Shanghai Non-Ferrous Metals Company) as a senior engineer in March 1993 based on the review and evaluation of 高級評委委員會 (senior appraisal committee) of Shanghai Non-Ferrous Metals Company.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Donald Huang, aged 34, is a non-executive Director. He is an investor focused on investments in Greater China. Previously, he was with TPG Capital, executing private equity investments across the United States and Asia, and Goldman Sachs, focusing on mergers and acquisitions. Mr. Huang also served on the Board of Directors of HCP Packaging.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Ming Shu, aged 39, is an independent non-executive Director. Mr. Leung is currently the chief financial officer and company secretary of China ITS (Holdings) Co., Ltd. He is also an independent non-executive director of Cabbeen Fashion Limited, a listed company on the Stock Exchange (code: 2030). He acted as an independent non-executive director of 勝利油氣管道控股有限公司 (Shengli Oil & Gas Pipe Holdings Limited) , a company listed on the Stock Exchange (code: 1080) from January 2011 to April 2013. Mr. Leung is experienced in the areas of corporate finance and accounting from his various roles detailed below. From November 2006 to January 2008, Mr. Leung served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd, a subsidiary of Beijing Lingtu Software Co., Ltd, a PRC digital mapping and navigation software company. From February 2006 to October 2006, Mr. Leung served as the chief financial officer of Beijing Xinwei Telecom Technology Co., Ltd, a related party of 大唐電信科技股份有限公司 (Datang Telecom Technology Co., Ltd, a company listed on the Shanghai Stock Exchange) which is engaged in the development of a telecommunications standard and the manufacturer of telecommunications equipment. Prior to that, Mr. Leung spent approximately three years from February 2003 at CDC Corporation, a NASDAQ-listed company, as a senior manager in the mergers and acquisitions department, and as the chief financial officer of China.com Inc., a subsidiary of CDC Corporation and a company listed on the Stock Exchange. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong in auditing in 1998, and subsequently worked at the global corporate finance division of Arthur Andersen & Co. in Hong Kong, which subsequently merged with PricewaterhouseCoopers, until December 2000. From July 2001 to February 2003, he also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he advised companies on issues of strategy, organisation and operations. Mr. Leung obtained a First Class Honours Bachelor's degree in accountancy from the City University of Hong Kong in June 1998 and a Master's degree in accountancy from the Chinese University of Hong Kong in November 2001. He is a Fellow of the Association of Chartered Certified Accountants since February 2007 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since March 2006.

Mr. Daniel DeWitt Martin, aged 76, is an independent non-executive Director. Mr. Martin was the executive vice president of Semiconductor Equipment & Materials International from 1998 to January 2012. During such period, Mr. Matin was mainly responsible for the global standards development activity, and leading Semiconductor Equipment & Materials International into the photovoltaic industry. From July 1984 to March 1996, he worked in Siltec Corporation (Mitsubishi Silicon America) as the vice president of operations, mainly responsible for manufacturing, process engineering, facilities engineering, facilities and equipment maintenance,etc. Mr. Martin graduated from Washington State University in June 1961 and received a bachelor degree in Physical Metallurgy.

Biographical Details of Directors and Senior Management

Mr. Kang Sun, aged 60, is an independent non-executive Director. Mr. Sun is currently the president and chief executive officer of RayTracker Inc., Pasadena, California, USA and a venture partner of WI Harper Group, San Francisco, California USA. Prior to that, Mr. Sun worked from September 2007 to August 2008 as the president and chief operating officer of JA Solar Holding Ltd, China, a company listed on NASDAQ (Code: JASO), managing director of new business development at Applied Materials Inc., USA since 2005. Prior to that, in different periods of time between 1990 and 2005, he had served as the vice president of Microfabrica Inc., the vice president of Honeywell International Inc., USA and the general manager of Optical Devices Business, AlliedSignal Inc., USA, respectively. Mr. Sun received a Ph.D. degree in Materials Science from Brown University, USA in 1988, a M.S. degree in Physical Chemistry from University of Georgia, USA in 1983 and a B.S. degree in Polymer Chemistry from 南京大學 (Nanjing University), China in 1978.

SENIOR MANAGEMENT

Mr. Wu Cheng Xian, aged 67, is the vice general manager and the head of the manufacturing department of the Group. He is mainly responsible for stipulating and implementing manufacturing plan, supervising quality control, coordinating manufacturing and the operations of the other departments in our Group. He joined the Group in October 2008. Mr. Wu has approximately 40 years of experience in the related industry. Prior to joining the Group, Mr. Wu worked as the vice general manager in 麥斯克電子材料有限公司 (MCL Electronic Materials Co. Ltd.) from October 1999 to September 2008, responsible for daily manufacturing and sales, quality control and human resources management. He worked in 洛陽單晶硅廠 (Luoyang Monocrystalline Silicon Factory), which is now 洛陽單晶硅有限責任公司 (Luoyang Monocrystalline Silicon Co., Ltd.) from August 1968 to September 2008, as the manufacturing department head and then promoted to vice general manager in February 1994, responsible for daily manufacturing and sales of semiconductor materials, quality control and human resources management. Mr. Wu studied in 建德冶金工業學校 (Jiande Metallurgy Industrial School), which is now 嘉興學院 (Jiaxing Institute) since September 1963, majoring in Statistics and graduated in August 1968 with a secondary technical school degree. Mr. Wu received a junior college degree in Statistics in December 1988 by National self-taught examination. Mr. Wu was appraised as the senior economist in November 2006 by 中國有色金屬工業協會 (China Nonferrous Metals Industry Committee) according to nonferrous metals industry credential requirements.

Ms. Yi Xin, aged 39, is the head of the import and export department of the Group. She is mainly in charge of importing and exporting and keeping communication documents with customers. She joined us in July 2002. Ms. Yi has over five years of experience in the trading industry and she is in charge of our imports and exports. Prior to joining the Group, Ms. Yi Xin worked in the marketing department of 上海智率醫療器械有限公司 (Shanghai Intelligent Medical Apparatus Company Limited) responsible for market survey and analysis from February 2000 to July 2002. Ms. Yi received a junior college degree in economy and trading from 上海冶金高等專科學校 (Shanghai College of Metallurgy), which is now 上海應用技術學院 (Shanghai Institute of Technology) in July 1997.

Mr. Cheng Yu Wei, aged 63, is the head of the equipment department of the Group. He is mainly responsible for daily operation of electromechanical department and equipment maintenance. He joined us in October 2000. Mr. Cheng has approximately 15 years of experience in the electrical engineering industry. Prior to joining the Group, he worked in 中南地質勘查局實業公司 (Zhongnan Geological Prospecting Bureau Industrial Company) as an electrical engineer in 1992 and as a vice chief engineer in 1993. From June 1994 to December 1996, Mr. Cheng worked as an engineer in 中南金剛石工業公司 (Zhongnan Diamond Industry Co., Ltd.). Mr. Cheng majored in electrical engineering of 湖北廣播電視大學 (Hubei TV & Radio University) and graduated in July 1987.

COMPANY SECRETARY

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

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2014 are set out in note 36 to the consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 46 to 127 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the audited consolidated statement of comprehensive income.

The Board resolved that since the Company plans to reserve the cash for working capital requirement and any potential investment opportunities in the future, no dividend will be declared for the year ended 31 December 2014. The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

RESERVES

Details of movements in reserves of the Group and the Company for the year ended 31 December 2014 are set out in the consolidated statement of changes in equity and note 30 to the financial statement, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,203,643,000. The amount of approximately RMB1,203,643,000 represents the Company's share premium account of approximately RMB1,316,968,000 which is offsetted by accumulated losses of approximately RMB113,325,000 in aggregate as at 31 December 2014, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2014 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

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

DIRECTORS

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

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

Non-Executive Director
Mr. Donald Huang

Independent Non-Executive Directors
Mr. Daniel DeWitt Martin
Mr. Kang Sun
Mr. Leung Ming Shu

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 14 to 17 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2014.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

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

As at 31 December 2014, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Company:

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and interest of children under 18	628,513,550	45.16%
Mr. Chau Kwok Keung[2]	Beneficial owner	13,228,000	0.95%
Mr. Shi Chengqi[3]	Beneficial owner	300,000	0.02%
Mr. Kang Sun[4]	Beneficial owner	549,574	0.04%
Mr. Daniel DeWitt Martin[5]	Beneficial owner	499,659	0.04%
Mr. Leung Ming Shu[6]	Beneficial owner	362,787	0.03%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 575,683,844 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.

(2) The Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 13,228,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012 and on 31 March 2014 under the Share Option Scheme (as defined below).

(3) The 300,000 Shares in which Mr. Shi Cheng Qi is deemed to be interested represent 300,000 Shares which may be issued to him upon the exercise of the Share Options granted to him on 24 May 2010 under the Share Option Scheme.

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

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

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

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2014, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and interest of children under 18	628,513,550	45.16%
Fonty Holdings Limited	Beneficial owner	575,683,844	41.36%
Ms. Carrie Wang[2]	Spouse interest	628,513,550	45.16%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 575,683,844 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.

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

Save as disclosed above, as at 31 December 2014, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

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

Details of the exercise of the share options granted under the Pre-IPO Share Option Scheme as at 31 December 2014 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2014	Exercised during 2014	Balance as at 31 December 2014
Director					
Kang Sun	3 August 2009	HK$2.51	249,574	–	249,574
Daniel DeWitt Martin	3 August 2009	HK$2.51	199,659	–	199,659
Leung Ming Shu	3 August 2009	HK$2.51	62,787	–	62,787
Total			512,020	–	512,020

Saved as disclosed above, no Pre-IPO Share Options were granted, lapsed or cancelled for the year ended 31 December 2014.

Share Option Scheme

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

Upon adoption, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 100,000,000 Shares.

On 30 May 2014, the scheme mandate limit under the Share Option Scheme was refreshed. As at the date of this annual report, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company is 139,156,175 Shares, being 10% of the Shares in issue as at 30 May 2014.

No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

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

(a) the nominal value of a Share;

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

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

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

Details of the share options granted, exercised and lapsed under the Share Option Scheme during the year ended 31 December 2014 are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2014	Share options granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2014
Director							
Mr. Chau Kwok Keung	31 March 2014	HK$1.39	–	13,000,000	–	–	13,000,000
Other participants in aggregate	31 March 2014	HK$1.39	–	23,650,000	–	(1,000,000)	22,650,000
Other participants in aggregate	30 September 2013	HK$1.87	4,020,000	–	–	–	4,020,000
Director							
Mr. Kang Sun	27 December 2012	HK$1.26	300,000	–	–	–	300,000
Mr. Daniel DeWitt Martin	27 December 2012	HK$1.26	300,000	–	–	–	300,000
Mr. Leung Ming Shu	27 December 2012	HK$1.26	300,000	–	–	–	300,000
Other participants in aggregate	27 December 2012	HK$1.26	6,638,000	–	–	–	6,638,000
Director							
Mr. John Zhang	28 June 2012	HK$0.98	5,000,000	–	–	–	5,000,000
Mr. Chau Kwok Keung	28 June 2012	HK$0.98	228,000	–	–	–	228,000
Mr. Shi Cheng Qi	28 June 2012	HK$0.98	210,000	–	(210,000)	–	–
Other participants in aggregate	28 June 2012	HK$0.98	4,246,000	–	(490,000)	–	3,756,000
Director							
Mr. Shi Cheng Qi	24 May 2010	HK$1.49	300,000	–	–	–	300,000
Other participants in aggregate	24 May 2010	HK$1.49	1,940,000	–	–	–	1,940,000
			23,482,000	36,650,000	(700,000)	(1,000,000)	58,432,000

Notes:

(1) Share options granted under the Share Option Scheme on 24 May 2010 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
24 May 2010	50% of the total number of Share Options granted
30 June 2011	50% of the total number of Share Options granted

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

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

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

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

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

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

(5) Share options granted under the Share Option Scheme on 31 March 2014 vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

The 30,800,000 share options (including the Share Option granted to Mr. Chau Kwok Keung) shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
On or after 31 March 2014	50% of the total number of Share Options granted
On or after 30 June 2014	12.5% of the total number of Share Options granted
On or after 30 September 2014	12.5% of the total number of Share Options granted
On or after 31 December 2014	12.5% of the total number of Share Options granted
On or after 31 March 2015	12.5% of the total number of Share Options granted

The remaining 5,850,000 share options shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
On or after 31 March 2014	1/3 of the total number of options granted
On or after 30 June 2014	1/12 of the total number of options granted
On or after 30 September 2014	1/12 of the total number of options granted
On or after 31 December 2014	1/12 of the total number of options granted
On or after 31 March 2015	1/12 of the total number of options granted
On or after 30 June 2015	1/12 of the total number of options granted
On or after 30 September 2015	1/12 of the total number of options granted
On or after 31 December 2015	1/12 of the total number of options granted
On or after 31 March 2016	1/12 of the total number of options granted

During the year ended 31 December 2014, save as disclosed above, no Share Options were granted, exercised or cancelled or lapsed under the Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 29 to the financial statements.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

During the year of 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS

Apart from the capital raising activity mentioned below, the Company has not conducted any equity fund raising activities during the year ended 31 December 2014.

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

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2014.

NON-COMPETE UNDERTAKINGS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014 and up to and including the date of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year of 2014.

CONNECTED TRANSACTION

The Company has not entered into connected transactions during the year ended 31 December 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Except for the deviations from code provision A.2.1 of Corporate Governance Code, during the year 31 December 2014, the Company has complied with the Corporate Governance Code. The Group's principal corporate governance practices are set out on pages 33 to 43 of the annual report.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

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

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

None of the directors waived any emoluments during the year ended 31 December 2014.

RETIREMENT BENEFITS SCHEMES

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers during the year of 2014 were 48.7% and 70.4% of the Group's total sales respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers during the year of 2014 were 51% and 84.9% of the Group's total purchases respectively.

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

AUDITOR

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

REVIEW OF THE FINANCIAL STATEMENTS

The audit committee of the Company had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the period from the Listing Date to 31 December 2014.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2014 are set out in note 25 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2014 is set out on page 128 of this annual report.

On behalf of the Board
John Zhang
Chairman

Shanghai, PRC, 27 March 2015

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

Except for the following deviations from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the Corporate Governance Code for the year ended 31 December 2014.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. John Zhang is the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

BOARD OF DIRECTORS

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

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

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

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

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

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

Board Diversity Policy

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

Model Code

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

Independent Non-Executive Directors

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

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

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

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the New Code on continuous professional development for the year ended 31 December 2014:

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

Directors' and Officers' Insurance

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

Meetings

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

The individual attendance record of each Director at the meetings of the Board and the general meetings during the year ended 31 December 2014 is set out below:

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

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

Appointments, Re-election and removal of Directors

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

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

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

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

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

Board Committees

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

Audit Committee

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

The Group's unaudited financial data for the three months ended 31 March 2014, unaudited interim results for the six months ended 30 June 2014, unaudited financial data for the three months ended 30 September 2014 and the audited annual results for the year ended 31 December 2014 have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the unaudited quarterly financials and the internal control of the Group during the year of 2014.

During the year ended 31 December 2014, four meetings were held by the audit committee. The individual record of each member of the audit committee at the meetings of the audit committee is set out below:

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

Remuneration Committee

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

During the year ended 31 December 2014, the remuneration Committee reviewed the remuneration packages of the Directors and the senior management.

During the year ended 31 December 2014, one meeting was held by the remuneration committee. The individual record of each member of the remuneration committee at the meeting of the remuneration committee is set out below:

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

Nomination Committee

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

The nomination committee reviewed the structure, size and composition of the Board, during the year of 2014.

During the year ended 31 December 2014, one meeting was held by the nomination committee. The individual record of each member of the nomination committee at the meeting of the nomination committee is set out below:

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

Corporate Governance Committee

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

During the year of 2014, the corporate governance committee reviewed the Company's policies and practices on corporate governance and; reviewed the training and continuous professional development of the Directors and senior management of the Group; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; reviewed the compliance manual applicable to employees of the Group and the Directors; and reviewed the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

During the year ended 31 December 2014, two meetings were held by the corporate governance committee. The individual record of each member of the corporate governance committee at the meeting of the corporate governance committee is set out below:

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

Company Secretary

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

FINANCIAL REPORTING

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

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

Auditor's Remuneration

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages Deloitte Touche Tohmatsu as its external auditors. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year ended 31 December 2014 are as follows.

	RMB'000
Audit services	1,200
Non-audit services	600
	1,800

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

INTERNAL CONTROLS

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

During the year of 2014, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

SHAREHOLDERS' RIGHTS

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

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

Procedures by which enquiries may be put to the Board

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

Constitutional documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2014.

Communications with Shareholders

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

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

Deloitte.
德勤

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

We have audited the consolidated financial statements of Comtec Solar Systems Group Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 127, which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	NOTES	2014	2013
		RMB'000	*RMB'000*
Revenue	6	906,620	937,479
Cost of sales		(846,594)	(862,511)
Gross profit		60,026	74,968
Other income	7	8,358	7,452
Other gains and losses, expenses and provision	8	(63,612)	(136,536)
Distribution and selling expenses		(15,882)	(11,478)
Administrative expenses		(67,301)	(48,161)
Finance costs	9	(11,910)	(18,585)
Loss before taxation	10	(90,321)	(132,340)
Taxation	12	(170)	(737)
Loss and total comprehensive expense for the year, attributable to the owners of the Company		(90,491)	(133,077)
		RMB cents	*RMB cents*
Loss per share	14		
— Basic		(6.58)	(10.18)
— Diluted		(6.58)	(10.18)

Consolidated Statement of Financial Position

at 31 December 2014

	NOTES	2014	2013
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	15	1,071,163	828,609
Prepaid lease payments-non-current	16	27,175	28,496
Prepaid assignment fee-non-current	35	145,225	197,953
Deposits paid for acquisition of property, plant and equipment		37,004	154,167
Advance to suppliers	17	71,449	168,926
Deferred tax assets	18	638	638
Held-to-maturity investments	21(D)	–	14,105
Other financial investments	21(C)	–	38,673
		1,352,654	1,431,567
Current assets			
Inventories	19	537,815	383,626
Trade and other receivables	20	231,565	287,309
Bills receivable	20	15,964	63,412
Advance to suppliers	17	48,926	71,788
Prepaid lease payments-current	16	600	600
Prepaid assignment fee-current	35	52,067	15,438
Pledged bank deposits	21(A)	171,188	1,019
Bank balances and cash	21(B)	52,123	330,773
		1,110,248	1,153,965
Assets classified as held for sale	22	21,776	23,013
		1,132,024	1,176,978
Current liabilities			
Trade and other payables	23	207,281	322,437
Customers' deposits received	24	57,285	19,216
Short-term bank loans	25	524,113	436,067
Tax liabilities		275	270
Deferred revenue	27	287	287
		789,241	778,277
Liabilities associated with assets classified as held for sale	22	11	81
		789,252	778,358
Net current assets		342,772	398,620
Total assets less current liabilities		1,695,426	1,830,187

Consolidated Statement of Financial Position

at 31 December 2014

	NOTES	2014	2013
		RMB'000	*RMB'000*
Capital and reserves			
Share capital	28	1,205	1,157
Reserves		1,513,310	1,523,656
Total equity		1,514,515	1,524,813
Non-current liabilities			
Deferred tax liabilities	18	9,568	9,568
Customers' deposits received-non-current	35	145,225	197,953
Long-term bank loans	25	3,072	7,889
Provision for onerous contracts	17	7,576	39,107
Warrants	26	10,600	45,700
Deferred revenue	27	4,870	5,157
		180,911	305,374
		1,695,426	1,830,187

The consolidated financial statements on pages 46 to 127 were approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000 (note a)	Special reserve RMB'000 (note b)	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2013	1,039	1,050,798	22,080	11,012	84,583	295,174	1,464,686
Loss and total comprehensive expense for the year	–	–	–	–	–	(133,077)	(133,077)
Issue of ordinary shares	97	168,907	–	–	–	–	169,004
Transaction costs attributable to issue of shares	–	(3,900)	–	–	–	–	(3,900)
Recognition of equity-settled share-based payments	–	–	3,875	–	–	–	3,875
Exercise of share options	21	38,420	(14,216)	–	–	–	24,225
At 31 December 2013	1,157	1,254,225	11,739	11,012	84,583	162,097	1,524,813
Loss and total comprehensive expense for the year	–	–	–	–	–	(90,491)	(90,491)
Issue of ordinary shares	47	62,126	–	–	–	–	62,173
Transaction costs attributable to issue of shares	–	(192)	–	–	–	–	(192)
Recognition of equity-settled share-based payments	–	–	17,670	–	–	–	17,670
Exercise of share options	1	809	(268)	–	–	–	542
At 31 December 2014	1,205	1,316,968	29,141	11,012	84,583	71,606	1,514,515

Notes:

a. Special reserve

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

b. Statutory surplus reserve

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

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
Operating activities		
Loss before taxation	(90,321)	(132,340)
Adjustments for:		
Allowance for inventories	11,178	948
Interest income	(6,491)	(7,093)
Interest expenses	11,910	18,585
Loss on disposal of property, plant and equipment	733	48
Impairment loss recognised in respect to prepaid assignment fee	5,190	–
Loss on redemption of held-to-maturity investments	51	–
Other provision	2,144	4,084
(Gain) loss on fair value change of 2012 Warrants	(35,100)	6,300
Depreciation of property, plant and equipment	79,862	82,231
Share-based payment expenses	17,670	3,875
Impairment losses recognised in respect of advance to suppliers	114,460	126,781
Release of prepaid lease payments	925	854
Reversal of provision for onerous contracts	(31,531)	–
Release of deferred revenue	(287)	(287)
Gain on fair value changes of other financial instruments	(500)	(23,206)
Impairment loss recognised in respect to other receivables, value-added taxes recoverable and other provision	–	23,344
Operating cash flows before movements in working capital	79,893	104,124
Increase in inventories	(165,367)	(88,710)
Decrease (increase) in trade and other receivables	55,746	(10,220)
Decrease (increase) in bills receivable	47,448	(34,604)
Decrease in advance to suppliers	5,879	57,828
Decrease (increase) in prepaid assignment fee	10,909	(213,391)
(Decrease) increase in trade and other payables	(153,621)	25,798
(Decrease) increase in customers' deposits received	(14,659)	214,801
Cash (used in) generated from operations	(133,772)	55,626
Tax paid	(164)	–
Tax refunded	–	3,222
Net cash (used in) from operating activities	(133,936)	58,848

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
Investing activities		
Interest received	6,491	7,093
Proceeds from disposal of other financial assets	39,173	–
Proceeds from disposals of property, plant and equipment	190	15,204
Proceeds from disposal of held-to-maturity investments	14,054	–
Placement of pledged bank deposits	(171,188)	(1,019)
Withdrawal of pledge bank deposits	1,019	172,866
Deposits paid and purchase of property, plant and equipment	(37,004)	(154,167)
Purchase of property, plant and equipment	(132,922)	(119,695)
Additions of prepaid lease payments	–	(8,936)
Purchase of held-to-maturity investments	–	(14,105)
Net cash used in investing activities	(280,187)	(102,759)
Financing activities		
Proceeds from issue of new shares	62,715	193,229
Expenses on issue of shares	(192)	(3,900)
Bank loans raised	771,262	613,612
Interest paid	(11,910)	(18,585)
Repayment of bank loans	(688,034)	(652,868)
Payment for redemption of convertible bonds and cancellation of warrants	–	(100,008)
Net cash from financing activities	133,841	31,480
Decrease in cash and cash equivalents	(280,282)	(12,431)
Cash and cash equivalents at beginning of the year	333,478	345,909
Cash and cash equivalents at end of the year, represented by bank balances and cash	53,196	333,478

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 details of the Company's subsidiaries are set out in note 36.

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 July 2014.
[5] Effective for annual periods beginning on or after 1 January 2016.
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

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

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

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

IFRS 9 Financial Instruments *(continued)*

Key requirements of IFRS 9 are described as follows: *(continued)*

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 15 Revenue from Contracts with Customers *(continued)*

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance which for the Track Record Period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to the Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

Property, plant and equipment

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

Leasing

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

The Group as lessee

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

Prepaid lease payments

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

Non-current assets held for sale

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale *(continued)*

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

Government grants

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

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

Foreign currencies

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

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

Borrowing costs

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

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

Retirement benefit costs

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment losses

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

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

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

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

Inventories

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

Research and development expenditure

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Research and development expenditure *(continued)*

— the ability to use or sell the intangible asset;

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

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

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

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

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

Financial instruments

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

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

Financial assets

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group comprise those designated as at FVTPL upon initial recognition.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Held-to-maturity investments

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

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

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

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities at FVTPL

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Effective interest method (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL *(continued)*

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

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

Financial liabilities at amortised cost

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

Effective interest method

Warrants

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

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

Equity instruments

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

Derecognition

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Derecognition (continued)

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

Provision

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

Provision for onerous contract

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to the directors and employees of the Company

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions (continued)

Share options granted to the directors and employees of the Company (continued)

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

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

Share options granted to consultants

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(a) Impairment of property, plant and equipment

In assessing the impairment of property, plant and equipment, the Group requires to estimate the recoverable amount of the cash-generating units or the underlying assets. The recoverable amount, which is determined by the value-in-use calculation, requires the Group to estimate the future cash flows expected to arise from the cash-generating units or the underlying assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment losses were considered necessary during the year ended 31 December 2014 and 2013 after the Group reviewed its analysis performed.

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

As detailed in note 17, the Group makes non-refundable advance payments to raw material suppliers under non-cancellable long-term and short-term purchase agreements which are to be offset against future purchases. As detailed in note 35, the Group had paid to an independent third party to enjoy rights and assume obligations as seller for a long-term wafer supply agreement to a new customer.

In the event when the economic benefits expected to be received under these purchase agreements are less than the unavoidable costs of meeting the contractual obligations; or the financial conditions of these suppliers deteriorate, the Group would impair advance payments to these suppliers and contract assignor and make necessary provision for the present obligation under the agreements. The Group does not require collateral or other security against its advance to suppliers or prepaid assignment fees. The Group performs ongoing evaluation of impairment of advance to suppliers and prepaid assignment fees and provision for commitment that may become onerous due to a change of market conditions and the financial conditions of its suppliers. The evaluation takes into account the projected revenue, related expenses, capital spending and other costs. When the advance or prepaid assignment fee would not be settled as expected, the Group would impair the advance to suppliers and prepaid assignment fee and make necessary provision for the present obligation under the agreements.

As discussed in note 17, during the year ended 31 December 2014, the Group recognised an impairment loss in respect of advance payments to suppliers in relation to the long-term purchase agreements and wafer supply agreement of approximately RMB114,460,000 (2013: RMB126,781,000) in profit or loss while provision for onerous contracts of approximately RMB31,531,000 was reversed (2013: nil) during the year ended 31 December 2014. As at 31 December 2014, the carrying amount of advance to suppliers amounted to approximately RMB120,375,000 (2013: RMB240,714,000).

As discussed in note 35, during the year ended 31 December 2014, the Group recognised an impairment loss in respect of prepaid assignment fee of approximately RMB5,190,000 (2013:nil) in profit or loss. As at 31 December 2014, the carrying amount of prepaid assignment fee amounted to approximately RMB197,292,000 (2013: RMB213,391,000).

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

(c) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. The Group inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down of inventories in that year. During the year ended 31 December 2014, write-down of inventories to net realisable value of approximately RMB11,178,000 (2013: RMB948,000) was recognised.

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

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

At 31 December 2014, the carrying amount of property, plant and equipment amounted to approximately RMB1,071,163,000 (2013: RMB828,609,000).

5. FINANCIAL INSTRUMENTS

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

5. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

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

	2014 RMB'000	2013 RMB'000
Financial assets		
Trade and other receivables	141,297	174,441
Bills receivable	15,964	63,412
Pledged bank deposits	171,188	1,019
Bank balances and cash	52,123	333,478
Total loans and receivables	380,572	572,350
Other financial instruments	–	38,673
Held-to-maturity investments	–	14,105
Financial liabilities		
Trade and other payables	184,813	302,767
Short-term bank loans	524,113	436,067
Long-term bank loans	3,072	7,889
Total liabilities measured at amortised costs	711,998	746,723
FVTPL	10,600	45,700

Currency risk

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

Details of the Group's other financial assets, pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables and bank loans that are denominated in foreign currencies, mainly in Hong Kong dollars ("HK$"), United States dollars ("USD"), Japanese yen ("JPY"), Malaysian Ringgit ("MYR") and European dollars ("Euro") as at 31 December 2014 and 31 December 2013 are set out in respective notes.

5. FINANCIAL INSTRUMENTS *(continued)*

Currency risk *(continued)*

The Group had foreign currency denominated monetary assets and monetary liabilities amounting to approximately RMB158,539,000 and RMB433,922,000, respectively (31 December 2013: RMB290,126,000 and RMB485,542,000) as at 31 December 2014.

Sensitivity analysis

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

	2014 *RMB'000*	2013 *RMB'000*
Euro impact		
— Euro strengthens against RMB	1,286	1,658
— Euro weakens against RMB	(1,286)	(1,658)
HK$ impact		
— HK$ strengthens against RMB	(201)	(755)
— HK$ weakens against RMB	201	755
USD impact		
— USD strengthens against RMB	7,618	11,213
— USD weakens against RMB	(7,618)	(11,213)
MYR impact		
— MYR strengthens against RMB	1,811	479
— MYR weakens against RMB	(1,811)	(479)
JPY impact		
— JPY strengthens against RMB	(187)	(529)
— JPY weakens against RMB	187	529

5. FINANCIAL INSTRUMENTS *(continued)*

Sensitivity analysis *(continued)*

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
USD impact		
— if USD strengthens against RMB	–	(3,172)
— if USD weakens against RMB	–	3,172

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank loans (see notes 21(B) and 25 for details of these bank balances and bank loans) and variable-rate composite of other financial instruments (see note 21(C) for details of other financial instruments). The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

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

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

5. FINANCIAL INSTRUMENTS *(continued)*

Sensitivity analysis *(continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Decrease in post-tax loss for the year	167	253

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

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

	2014	2013
	RMB'000	*RMB'000*
Increase in post-tax loss for the year	(1,935)	(2,020)

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

Credit risk

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

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

5. FINANCIAL INSTRUMENTS *(continued)*

Credit risk *(continued)*

There is concentration of credit risk on bank balances, pledged bank deposits, held-to-maturity investments and other financial instruments for the Company as at 31 December 2014 and 31 December 2013. As at 31 December 2014 and 2013, balances with one largest bank accounted for 84% (2013: 55%) of aggregate balance of bank balances, pledged bank deposits and other financial assets bank balances of the Group. The credit risk on liquid funds is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

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

The credit risk of the Group is concentrated on trade receivables from one of the Group's customers, which was the Group's major customers engaged in the sales and manufacturing of solar cells and modules in Malaysia and Philippines at 31 December 2014 and 31 December 2013 which amounted to approximately RMB92,577,000 (2013: RMB162,098,000) and accounted for 65.5% (2013: 92.9%) of the Group's total trade receivables. This has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In addition, the Group's credit risk on bills receivable was concentrated on counterparties which were reputable banks in the PRC. In order to minimise the credit risk, the Directors continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers and banks to ensure that prompt actions will be taken to lower exposure.

Liquidity risk management

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

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

5. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk management *(continued)*

	Weighted average effective interest rate	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014							
Financial liabilities							
Non-interest bearing instruments	–	139,726	45,087	–	–	184,813	184,813
Fixed interest bearing instruments	5.80	136,554	146,006	–	–	282,560	269,162
Variable interest bearing instruments	1.42	192,405	63,745	12,993	7,260	276,403	258,023
		468,685	254,838	12,993	7,260	743,776	711,998
At 31 December 2013							
Financial liabilities							
Non-interest bearing instruments	–	293,869	8,898	–	–	302,767	302,767
Fixed interest bearing instruments	3.84	137,573	144,726	–	–	282,299	268,907
Variable interest bearing instruments	2.26	104,041	63,888	5,168	3,421	176,518	175,049
		535,483	217,512	5,168	3,421	761,584	746,723

Note: At 31 December 2014 and 31 December 2013, the weighted average effective interest rates were based on the variable interest rates of the bank loans outstanding at the end of each reporting period.

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

In addition, the management did not estimate the cash inflows, if any, to be derived from the warrants of the Company as at 31 December 2014 and 31 December 2013 which would be valid till 16 June 2016 as the cash flows were not predictable with reference to interest rates and other input parameters.

Fair value measurements

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

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements *(continued)*

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 31/12/2014	Fair value as at 31/12/2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
(1) Foreign currency forward contracts classified as other financial instruments in the consolidated statement of financial position	N/A	Assets — RMB12,182,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at rates that reflected the credit risk of various counterparties.	N/A	N/A
(2) Principal-protected unsecured deposits classified as other financial assets in the consolidated statement of financial position	N/A	Assets — RMB26,491,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflected the credit risk of the counterparty.	N/A	N/A
(3) Warrants classified as derivative financial instruments in the consolidated statement of financial position	Liabilities — RMB10,600,000	Liabilities — RMB45,700,000	Level 3	Binomial Model with parameters of the Company's shares, including share prices, expected volatility, dividend yield, etc, at the end of the reporting period and expected life of the warrants, discounted at a rate that reflected credit risk of the Company.	Expected volatility of the warrants, which is made reference to the historical volatility to the share prices of the Company	The higher of the expected volatility, the higher fair value of the warrants.

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

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements *(continued)*

Reconciliation of Level 3 fair value measurements of warrants

	RMB'000
At 1 January 2013	39,400
Loss on fair value change	6,300
At 31 December 2013	45,700
Gain on fair value change	(35,100)
At 31 December 2014	10,600

Fair value gain on warrants of approximately RMB35,100,000 (2013: fair value loss on warrants RMB6,300,000) are included in other gains and losses for the year ended 31 December 2014.

There were no transfers between Level 1 and Level 2 in the year ended 31 December 2014 and 31 December 2013.

Fair value measurements and valuation processes

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

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

Capital risk management

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

5. FINANCIAL INSTRUMENTS *(continued)*

Capital risk management *(continued)*

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

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

6. SEGMENT INFORMATION

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

Entity-wide disclosures

Revenue analysis

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

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

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

Revenue reported above represents revenue generated from external customers.

6. SEGMENT INFORMATION *(continued)*

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

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

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

Information about major customers

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

	2014 *RMB'000*	2013 *RMB'000*
Customer A	441,383	587,252

Assets analysed by place of domicile of group entities

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

	2014 *RMB'000*	2013 *RMB'000*
PRC including Hongkong SAR	1,019,579	1,326,359
Malaysia	332,437	104,570
	1,352,016	1,430,929

7. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Government grant *(Note)*	1,867	359
Interest income	6,491	7,093
	8,358	7,452

Note: The government grant for the year ended 31 December 2014 and 31 December 2013 mainly represented the amount received from the local government by an operating subsidiary of the Group to encourage activities carried out by the Group in solar business and high-technology advancement. No specific conditions were attached to the grant.

8. OTHER GAINS AND LOSSES, EXPENSES AND PROVISION

	2014	2013
	RMB'000	*RMB'000*
Net foreign exchange losses	(6,039)	(3,269)
Settlement of other financial instruments *(note 21(C))*	(2,126)	–
Loss on disposal of property, plant and equipment	(733)	(48)
Gain (loss) on fair value changes of 2012 Warrants (defined in note 26)	35,100	(6,300)
Gain on fair value changes of other financial instruments *(note 21(A))*	500	23,206
Impairment losses recognised in respect of prepaid assignment fee *(note 35)*	(5,190)	–
Impairment losses recognised in respect of advance to suppliers *(note 17)*	(114,460)	(126,781)
Reversal of provision for onerous contracts *(note 17)*	31,531	–
Impairment losses recognised in respect to other receivables	–	(5,615)
Other provision *(note 23)*	(2,144)	(4,084)
Impairment losses recognised in respect to value-added taxes recoverable	–	(13,645)
Loss on redemption of held-to-maturity investments *(note 21(D))*	(51)	–
	(63,612)	(136,536)

9. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expense in relation to:		
— bank loans wholly repayable within five years	20,588	16,929
— arrangement of forward contracts	–	1,656
Total borrowing costs	20,588	18,585
Less: amounts capitalised in the cost of qualifying assets	(8,678)	–
	11,910	18,585

10. LOSS BEFORE TAXATION

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

10. LOSS BEFORE TAXATION *(continued)*

Notes:

i: During the year ended 31 December 2014, share-based payments expenses included in directors' remuneration, other staff costs and expenses to consultants which was recognised in administrative expenses in respect of share options of the Company recognised were approximately RMB17,670,000 (2013: RMB3,875,000). Details of transactions are set out in note 29.

ii. Included in cost of inventories recognised as expense represented write-down of inventories of approximately RMB11,178,000 (2013: RMB948,000) to their net realisable values.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2014 *RMB'000*	2013 *RMB'000*
Non-executive directors		
— fees	–	–
— basic salaries and allowance	–	–
Independent non-executive directors		
— fees	816	820
— basic salaries and allowance	–	–
— share-based payments expense in relation to share options vested	–	246
Executive directors		
— fees	–	–
— basic salaries and allowance	2,689	2,693
— share-based payments expense in relation to share options	5,543	1,086
— Retirement benefits scheme contributions	18	12
	9,066	4,857

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

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

	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2014					
Executive directors:					
Mr. John Zhang ("Mr. Zhang")	–	600	–	–	600
Mr. Chau Kwok Keung ("Mr. Chau")	–	1,920	5,543	18	7,481
Mr. Shi Cheng Qi ("Mr. Shi")	–	169	–	–	169
Independent non-executive directors:					
Mr. Leung Ming Shu ("Mr. Leung")	200	–	–	–	200
Mr. Daniel DeWitt Martin ("Mr. DeWitt")	308	–	–	–	308
Mr. Kang Sun ("Mr. Kang")	308	–	–	–	308
	816	2,689	5,543	18	9,066
For the year ended 31 December 2013					
Executive directors:					
Mr. Zhang	–	600	478	–	1,078
Mr. Chau	–	1,920	574	12	2,506
Mr. Shi	–	173	34	–	207
Independent non-executive directors:					
Mr. Leung	200	–	82	–	282
Mr. DeWitt	310	–	82	–	392
Mr. Kang	310	–	82	–	392
	820	2,693	1,332	12	4,857

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

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

The five highest paid individuals included one (2013: three) directors and the Chief Executive of the Company for the year ended 31 December 2014, details of whose emoluments are set out above. The emoluments of the remaining three (2013: one) individuals during the years are as follows:

	2014	2013
	RMB'000	*RMB'000*
Employees		
— basic salaries and allowance	1,210	350
— share-based payments expense	1,237	34
	2,447	384

Among the emoluments of the five highest paid individuals, the emoluments of the remaining three (2013: one) individuals during the years were within the following bands:

	2014	2013
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	1	–

During the year ended 31 December 2014 and 31 December 2013, no discretionary bonus was paid or payable to the Directors, neither the Chief Executive nor the other five highest paid individuals.

During the year ended 31 December 2014 and 31 December 2013, no emoluments were paid by the Group to the Directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the Chief Executive nor any of the directors waived any emoluments during the year ended 31 December 2014 and 31 December 2013.

12. TAXATION

	2014	2013
	RMB'000	*RMB'000*
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax		
— Current year	752	738
— Overprovision in prior years	(582)	–
	170	738
Deferred tax charge *(note 18)*:		
— Current year	–	(1)
	170	737

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

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

During the year ended 31 December 2014 and 31 December 2013, the applicable tax rate of Shanghai Comtec Solar Technology Co., Ltd. ("Comtec Solar") was 15% as it was qualified as a New High-Tech enterprise.

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

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

12. TAXATION *(continued)*

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

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

13. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2014 and 31 December 2013.

The Directors do not recommend the payment of a final dividend.

14. LOSS PER SHARE

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

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

The Company's outstanding 2012 Warrants (defined in note 26) did not have a dilutive effect on the Company's loss per share for years ended 31 December 2014 and 31 December 2013 since their potential conversion to ordinary shares would incur or decrease loss per share.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2013	253,289	828,200	1,814	4,101	11,055	1,098,459
Additions	–	2,730	5	951	126,494	130,180
Transfers	892	19,498	–	–	(20,390)	–
Disposals	–	(17,614)	–	(1,689)	(283)	(19,586)
At 31 December 2013	254,181	832,814	1,819	3,363	116,876	1,209,053
Additions	–	860	93	599	321,787	323,339
Transfers	221	22,187	15	173	(22,596)	–
Disposals	(632)	(2,948)	(192)	(311)	(401)	(4,484)
At 31 December 2014	253,770	852,913	1,735	3,824	415,666	1,527,908
DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	57,602	241,146	1,003	2,513	–	302,264
Provided for the year	12,907	68,646	134	544	–	82,231
Eliminated on disposals	–	(2,754)	–	(1,297)	–	(4,051)
At 31 December 2013	70,509	307,038	1,137	1,760	–	380,444
Provided for the year	12,887	66,318	118	539	–	79,862
Eliminated on disposals	(569)	(2,551)	(172)	(269)	–	(3,561)
At 31 December 2014	82,827	370,805	1,083	2,030	–	456,745
CARRYING VALUES						
At 31 December 2014	170,943	482,108	652	1,794	415,666	1,071,163
At 31 December 2013	183,672	525,776	682	1,603	116,876	828,609

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

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

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

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

As at 31 December 2014, the Group pledged its buildings having net book values of approximately RMB82,804,000 (2013: RMB87,727,000) to banks to secure banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

	2014 *RMB'000*	2013 *RMB'000*
Carrying values		
At beginning of the year	**47,829**	40,143
Additions during the year	**–**	8,540
Released to profit or loss	**(925)**	(854)
At end of the year	**46,904**	47,829
Reclassified as held for sale *(note 22)*	**(19,129)**	(19,129)
Less: Amount to be amortised within one year	**(600)**	(600)
Non-current portion	**27,175**	28,496

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

As at 31 December 2014, prepaid lease payments with carrying amount of approximately RMB13,919,000 (2013: RMB14,242,000) was pledged to banks to secure banking facilities granted to the Group.

17. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS

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

In prior years, the Group entered into several purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed to purchase a minimum quantity of raw materials, mainly polysilicon virgins (to be used in the manufacture of its products) each year during the period from 1 January 2008 to 31 December 2018, when the Group has discretion to extend supply in certain years to 2021 (the "Supply Period") at pre-determined prices. According to the terms of the agreements, the Group made advances to these suppliers during the year ended 31 December 2014 and 31 December 2013. At 31 December 2014 and 31 December 2013, the Group had outstanding aggregate advance payments, net of allowance, of approximately RMB113,211,000 and RMB239,996,000, respectively, with these suppliers. The advances are unsecured, interest-free and will be offset with part of the invoiced amounts in the manner as discussed below, on an annual basis before expiry of the agreements at the end of the Supply Period.

Pursuant to the terms of the agreements, during each year of the Supply Period, the amount of advances made in respect of the agreed contract quantity in that particular year would be utilised to reduce the invoice amount of purchases up to those annual agreed quantities. The total minimum amount of raw materials to be purchased by the Group from the two major suppliers during the Supply Period is approximately RMB6,357,501,000 (2013: 6,357,501,000).

For the arrangement with one of the major suppliers, if the minimum purchase requirement is not met in a particular year, the advance made to that supplier in relation to the minimum purchase commitment would be forfeited. In addition, pursuant to terms of this purchase agreement, the Group granted to this supplier a continuing security interest in the raw materials supplied by such supplier and the proceeds of sale or insurance of such raw materials with the entire purchase of such raw materials and if applicable, all late payments, interest and expenses necessary to enforce such security interest. The supplier has the right to take all necessary measures to create, perfect, preserve and enforce the security interest. At 31 December 2014 and 31 December 2013, the Group did not have outstanding trade payables with this supplier.

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

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

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

Year ending 31 December	Amount equivalent to
	RMB'000
2015	624,099
2016	914,773
2017	277,269
2018	382,275
2019	382,275
2020	382,275
2021	382,275
	3,345,241

At the end of each reporting period, the Directors 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.

Movement in the allowance for advance to suppliers:

	RMB'000
Balance at 1 January 2013	7,149
Impairment losses recognised in profit or loss	126,781
Balance at 31 December 2013	133,930
Impairment losses recognised in profit or loss	114,460
Balance at 31 December 2014	248,390

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

Movement in the provision for onerous contract:

	RMB'000
Balance at 1 January 2013, 31 December 2013 and 1 January, 2014	39,107
Reversal of provision reversed in profit and loss	(31,531)
Balance at 31 December 2014	7,576

During the year ended 31 December 2014 and 31 December 2013, the Group performed an analysis of the sufficiency of impairment losses recognised in respect of advance to suppliers and provision for onerous contracts, due to volatility of the solar industry which the Group is engaged in, with reference to the Group's budgeted annualised production capacity, the Group's product mix, recent market demand for the Group's products, updated forecasted selling prices of the products that reflected current market assessments, the Group's committed delivery of solar products (including terms governed under the Wafer Supply Agreement (defined in note 35), etc. The Group recognised impairment losses in respect of advances to the two major suppliers of approximately RMB114,460,000 (2013:RMB126,781,000).

In prior years, the Group made provision of approximately RMB39,107,000 on onerous contracts. Reversal of provision of approximately RMB31,531,000 was made during the year ended 31 December 2014 due to fulfilment of purchases by the Group.

18. DEFERRED TAX

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

	Write-down of inventories *RMB'000*	Allowance for doubtful debts *RMB'000*	Withholding tax on undistributed dividends *RMB'000*	Total *RMB'000*
At 1 January 2013	86	552	(9,568)	(8,930)
Charge to profit or loss	–	–	–	–
At 31 December 2013 and 31 December 2014	86	552	(9,568)	(8,930)

18. DEFERRED TAX *(continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Deferred tax assets	638	638
Deferred tax liabilities	(9,568)	(9,568)
	(8,930)	(8,930)

At 31 December 2014 and 31 December 2013, except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately RMB97.3 million and RMB97.3 million, respectively, deferred tax liabilities have not been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of the PRC operating subsidiaries of approximately RMB355.9 million and RMB309.7 million, respectively, as the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse nor be subject to withholding tax in the foreseeable future.

At the end of the reporting period, the Group has unrecognised deductible temporary differences of approximately RMB386,334,000 (2013: RMB294,777,000), representing allowance of property, plant and equipment, allowance of inventories, provision of onerous contracts and impairment losses recognised in respect to advance to suppliers and prepaid assignment fee.

19. INVENTORIES

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

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) Pledged bank deposits

Pledged bank deposits of the Group represent deposits placed in banks for the purposes to arrange general banking facilities of the Group as mentioned below.

Long-term contract

In 2012, the Group entered into an arrangement with a commercial bank in Hong Kong pursuant to which the Group would buy USD with RMB at exchange rate of 6.3205 from this bank for a contractual period of three years at principal amount of approximately USD63,444,000 (equivalent to approximately RMB401,000,000). The contract would be settled net upon maturity date in 2015.

On 29 January 2014, the Group and the bank mutually agreed to terminate this arrangement. Upon termination of the arrangement, the Group received USD2,080,000 (equivalent to approximately RMB12,800,000) from the bank, on net basis, and resulted in a gain of approximately USD81,000 (equivalent to approximately RMB500,000) as other gains and losses in the consolidated statement of profit or loss and other comprehensive income (2013: loss on fair value change of approximately RMB23,206,000). At 31 December 2013, the contract was recognised as other financial assets of approximately RMB12,182,000 in the consolidated statement of financial position.

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

(A) Pledged bank deposits *(continued)*

Short-term contracts

As at 31 December 2014, the Group pledged its bank deposits of approximately RMB170,279,000 (2013: nil) as security for short-term borrowings and the pledged bank deposits carry variable interests at rates ranging from 2.35% to 2.75% per annum. The pledged bank deposits will be released upon the settlement of relevant short-term borrowings.

(B) Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.10% to 0.50% per annum and 0.10% to 0.50% per annum at 31 December 2014 and 31 December 2013, respectively.

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

	2014 *RMB'000*	2013 *RMB'000*
Bank balances and cash denominated in:		
Euro	425	1,716
HK$	2,472	20,143
USD	18,211	42,719
JPY	2,740	15,229
MYR	299	1,421

Certain bank balances and cash of approximately RMB27,976,000 and RMB249,545,000 at 31 December 2014 and 31 December 2013, respectively, were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

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

(continued)

(C) Other financial instruments

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

Notional amount	Start date	Deposit end date	Interest rate	Fair value as at 31 December 2014	Fair value as at 31 December 2013
				RMB'000	*RMB'000*
USD4,000,000	18 July 2011	17 July 2016	variable	–	26,491

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

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

Index referred to portfolio of financial instruments, related to forward and spot exchange rates of USD and HKD and interest rates, and could be extracted from Bloomberg. The deposit was denominated in USD.

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

On 28 January 2014, the Group agreed with the bank to withdraw the deposit with an account of USD3,960,000 (equivalent to approximately RMB24,365,000), which resulted in an interest expense of approximately RMB2,126,000 recognised in the consolidated statement of profit or loss and other comprehensive income.

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

(continued)

(D) Held-to-maturity investments

During the year ended 31 December 2013, the Group purchased principal-guaranteed bonds listed in Hong Kong which carry interest at 10% per annum and mature in 2015 and classified it as held to maturity investment based on the intension of the Group made then.

During the year ended 31 December 2014, the Group redeemed the held-to-maturity investment. The investments were settled in amount of RMB14,054,000, which resulted in a loss of approximately RMB51,000 recognised in the consolidated statement of profit on loss and other comprehensive income.

22. ASSETS CLASSIFIED AS HELD FOR SALE

In 2012, the Group entered into an agreement with an independent third party (the "Original Buyer") to dispose of the entire equity interests in a subsidiary, Comtec New Energy (Shanghai) Limited, which principal asset is the prepaid lease payments for a parcel of land at a cash consideration of RMB28,500,000 (the "Original Transaction").

The Original Transaction was not completed during the year ended 31 December 2014 due to unexpected time spent for the group restructuring before disposal of the entity.

On 26 January 2015, the Group entered into an agreement with the Original Buyer to terminate the Original Transaction and entered another share transfer agreement with another independent third party (the "New Buyer") entire equity interests with a consideration of RMB28,500,000 (the "New Transaction"). The estimated costs of the New Transaction is approximately RMB3,300,000. In the opinion of the Directors, the New Transaction will be completed in the year ending 31 December 2015.

	2014	2013
	RMB'000	*RMB'000*
Prepaid lease payments *(Note 1)*	**19,129**	19,129
Other assets *(Note 2)*	**2,647**	3,884
	21,776	23,013
Liabilities directly associated with assets classified as held for sale	**(11)**	(81)

22. ASSETS CLASSIFIED AS HELD FOR SALE *(continued)*

Notes:

(1) In the opinion of the Directors, no impairment loss was recognised on the land as held for sale as at 31 December 2014 and 31 December 2013 as its carrying amount is less than the estimated fair value less cost to sell.

(2) The major classes of assets held by the disposing subsidiary at 31 December 2014 are property, plant and equipment and cash and bank balances with carrying amounts of approximately RMB1,574,000 and RMB1,073,000, respectively (2013: property, plant and equipment and cash and bank balances with carrying amounts of approximately RMB1,179,000 and RMB2,705,000, respectively).

23. TRADE AND OTHER PAYABLES

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

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

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

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

23. TRADE AND OTHER PAYABLES *(continued)*

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

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

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

24. CUSTOMERS' DEPOSITS RECEIVED

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

25. BANK LOANS

	2014	2013
	RMB'000	*RMB'000*
Bank loans		
— secured	435,599	130,308
— unsecured	91,586	313,648
	527,185	443,956
Carrying amounts repayable:		
Within one year	524,113	436,067
One to two years	3,072	4,829
More than two years, but not exceeding five years	–	3,060
	527,185	443,956
Less: Amounts due within one year shown under current liabilities	(524,113)	(436,067)
Amounts shown under non-current liabilities	3,072	7,889

The loans as at 31 December 2014 and 31 December 2013 carried interest at variable market rates benchmark to the interest rates of the People's Bank of China or London Interbank Offer Rate.

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

	2014	2013
	RMB'000	*RMB'000*
Fixed rate borrowings:		
Within one year	269,162	268,907

25. BANK LOANS *(continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Effective interest rate:		
Fixed-rate	**2.67% to 6.52%**	1.72% to 6.56%
Variable-rate	**0.78% to 2.84%**	0.78% to 2.82%

The Group's bank loans that were denominated in USD and Euro, foreign currencies of the relevant group entities, were re-translated in RMB and stated for financial reporting purposes as:

	2014	2013
	RMB'000	*RMB'000*
Denominated in USD	**262,468**	159,044
Denominated in Euro	**34,716**	45,912

26. WARRANTS

In 2012, the Company and an independent third party not related to the Group (the "Investor") entered into a warrant subscription agreement, pursuant to which the Company agreed to issue the Investor detachable and transferrable warrants ("2012 Warrants"), exercisable for a period of four years from the date of issue, to the Investor who was entitled to subscribe for up to 94,354,839 shares at a price of HK$1.24 per share.

Details of the 2012 Warrants are set out in the Company's annual report for 2012.

The movement of the fair value of the 2012 Warrants was set out below:

	RMB'000
Carrying amount at 1 January 2013	39,400
Loss on fair value change recognised in profit or loss	6,300
Carrying amount at 31 December 2013	45,700
Gain on fair value change recognised in profit or loss	(35,100)
Carrying amount at 31 December 2014	10,600

26. WARRANTS *(continued)*

The fair values of the 2012 Warrants of the Company at 31 December 2014 and 31 December 2013 were calculated using the Binomial pricing model. The inputs into the model were as follows:

	2014	2013
	RMB'000	*RMB'000*
Share price	HK$1.03	HK$1.46
Exercise price	HK$1.24	HK$1.24
Warrant volatility	47.46%	67.19%
Warrant life	1.20 years	2.2 years
Risk-free interest rate	0.228%	0.409%

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

27. DEFERRED REVENUE

	2014	2013
	RMB'000	*RMB'000*
Government grants	5,157	5,444
Analysed for reporting purpose as:		
Current liabilities	287	287
Non-current liabilities	4,870	5,157
	5,157	5,444

In 2012, the Group received certain government subsidies which was related to compensation of acquisition of plant and equipment. The amount was treated as deferred revenue and amortised to income over the useful lives of related assets upon such assets were ready for their intended use and depreciation commenced. During the year ended 31 December 2014, RMB 287,000 (2013: RMB287,000) was recognised.

28. SHARE CAPITAL

The share capital of the Group represented the issued and fully paid share capital of the Company.

Authorised:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HKD0.001 each at 1 January 2013, 31 December 2013 and 31 December 2014	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount
		HK$'000
Ordinary shares		
Ordinary shares of HK$0.001 each at 1 January 2013	1,183,890,000	1,184
Issue of shares *(note 1)*	121,351,765	122
Exercise of share options *(note 2)*	26,348,000	26
Ordinary shares of HK$0.001 each at 31 December 2013	1,331,589,765	1,332
Issue of shares *(note 3)*	59,541,985	60
Exercise of share options *(note 4)*	700,000	1
Ordinary shares of HK$0.001 each at 31 December 2014	1,391,831,750	1,393

	2014	2013
	RMB'000	*RMB'000*
Presented as RMB:		
Ordinary shares	**1,205**	1,157

28. SHARE CAPITAL *(continued)*

Notes:

(1) In January 2013, the Company issued 120,000,000 ordinary shares of HK$0.001 each for a consideration of HK$1.74 per share. The allotment was in the form of a private placement with shares subscribed by independent third parties not related to the Group. In July 2013, the Company issued 1,351,765 ordinary shares of HK$0.001 each at nil consideration to third party consultants who provided consultancy services to the Group.

(2) During the year ended 31 December 2013, the Company issued 150,000, 9,836,000 and 16,362,000 new shares upon exercise of share options at the exercise price of HK$1.49 per share, HK$0.98 per share and HK$1.26 per share, respectively.

(3) In April 2014, the Company issued 59,541,985 ordinary shares of HK$0.001 each for a consideration of HK$1.31 per share. The allotment was in the form of a private placement with shares subscribed by independent third parties not related to the Group.

(4) During the year ended 31 December 2014, the Company issued 700,000 new shares upon exercise of share options at the exercise price of HK$0.98 per share.

All the shares issued by the Company during the year ended 31 December 2014 and 31 December 2013 ranked pari passu with the then existing shares in all respects.

29. SHARE-BASED COMPENSATION

(a) Pre-IPO Share Option Scheme

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

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

29. SHARE-BASED COMPENSATION *(continued)*

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

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

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

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

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

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

Set out below are details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2014 and 31 December 2013:

	Number of options				
	Outstanding as at 1 January 2013, 31 December 2013 and 1 January 2014	Issue during the year	Exercised during the year	Forfeited in the year	Outstanding as at 31 December 2014
Directors:					
Mr. Leung	62,787	–	–	–	62,787
Mr. DeWitt	199,659	–	–	–	199,659
Mr. Kang	249,574	–	–	–	249,574
	512,020	–	–	–	512,020
Exercisable at the end of the year	512,020				512,020
Weighted average exercise price (HK$)	2.51	N/A	N/A	N/A	2.51

At 31 December 2014, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (2013: 512,020), representing 0.04% (2013: 0.04%) of the shares of the Company in issue at that date.

The Company did not recognise any expense in relation to the share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2014 and 31 December 2013 since the share options were fully vested in the prior periods.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the year ended 31 December 2014 and 31 December 2013:

Granted on 24 May 2010

For the year ended 31 December 2014:

	Number of options				
	Outstanding as at 1 January 2014	Exercised during the year	Forfeited during the year	Lapsed in the year	Outstanding as at 31 December 2014
Director:					
Mr. Shi	300,000	–	–	–	300,000
Employees	1,940,000	–	–	–	1,940,000
	2,240,000	–	–	–	2,240,000
Exercisable at the end of the year	2,240,000				2,240,000
Weighted average exercise price (HK$)	1.49	N/A	N/A	N/A	1.49

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 24 May 2010 (continued)

For the year ended 31 December 2013:

	Number of options				
	Outstanding as at 1 January 2013	Exercised during the year	Forfeited during the year	Lapsed in the year	Outstanding as at 31 December 2013
Director:					
Mr. Shi	300,000	–	–	–	300,000
Employees	2,090,000	(150,000)	–	–	1,940,000
	2,390,000	(150,000)	–	–	2,240,000
Exercisable at the end of the year	2,390,000				2,240,000
Weighted average exercise price (HK$)	1.49	N/A	N/A	N/A	1.49

At 31 December 2014, the number of shares in respect of which options granted on 24 May 2010 under the Share Option Scheme remained outstanding was 2,240,000 (31 December 2013: 2,240,000), representing 0.16% (31 December 2013: 0.16%) of the shares of the Company in issue at that date.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 28 June 2012

For the year ended 31 December 2014:

	Number of options				
	Outstanding as at 1 January 2014	Issue during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2014
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau	228,000	–	–	–	228,000
Mr. Shi	210,000	–	(210,000)	–	–
Employees	4,196,000	–	(490,000)	–	3,706,000
Consultants	50,000	–	–	–	50,000
	9,684,000	–	(700,000)	–	8,984,000
Exercisable at the end of the year	9,684,000				8,984,000
Weighted average exercise price (HK$)	0.98	N/A	N/A	N/A	0.98

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 28 June 2012 (continued)

For the year ended 31 December 2013:

	Number of options				
	Outstanding as at 1 January 2013	Issue during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2013
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau	6,000,000	–	(5,772,000)	–	228,000
Mr. Shi	360,000	–	(150,000)	–	210,000
Employees	7,810,000	–	(3,614,000)	–	4,196,000
Consultants	350,000	–	(300,000)	–	50,000
	19,520,000	–	(9,836,000)	–	9,684,000
Exercisable at the end of the year	19,520,000				9,684,000
Weighted average exercise price (HK$)	0.98	N/A	N/A	N/A	0.98

At 31 December 2014, the number of shares in respect of which options granted on 28 June 2012 under the Share Option Scheme remained outstanding was 8,984,000 (31 December 2013: 9,684,000), representing 0.66% (31 December 2013: 0.87%) of the shares of the Company in issue at that date.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 27 December 2012

For the year ended 31 December 2014:

	Number of options				
	Outstanding as at 1 January 2014	Issue during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2014
Director:					
Mr. Leung	300,000	–	–	–	300,000
Mr. DeWitt	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	600,000	–	–	–	600,000
Consultants	6,038,000	–	–	–	6,038,000
	7,538,000	–	–	–	7,538,000
Exercisable at the end of the year	7,538,000				7,538,000
Weighted average exercise price (HK$)	1.26	N/A	N/A	N/A	1.26

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 27 December 2012 (continued)

For the year ended 31 December 2013:

	Number of options				
	Outstanding as at 1 January 2013	Issue during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2013
Director:					
Mr. Leung	300,000	–	–	–	300,000
Mr. DeWitt	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	600,000	–	–	–	600,000
Consultants	22,400,000	–	(16,362,000)	–	6,038,000
	23,900,000	–	(16,362,000)	–	7,538,000
Exercisable at the end of the year	23,900,000				7,538,000
Weighted average exercise price (HK$)	1.26	N/A	N/A	N/A	1.26

At 31 December 2014, the number of shares in respect of which options granted on 27 December 2012 under the Share Option Scheme remained outstanding was 7,538,000 (31 December 2013: 23,900,000), representing 0.54% (31 December 2013: 1.82%) of the shares of the Company in issue at that date.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 30 September 2013

For the year ended 31 December 2014:

	Number of options				
	Outstanding as at 1 January 2013, 31 December 2013 and 1 January 2014	Issue during the year	Exercised during the year	Forfeited during in the year	Outstanding as at 31 31 December 2014
Consultants	4,020,000	–	–	–	4,020,000
	4,020,000	–	–	–	4,020,000
Exercisable at the end of the year	4,020,000				4,020,000
Weighted average exercise price (HK$)	1.87	N/A	N/A	N/A	1.87

At 31 December 2014, the number of shares in respect of which options granted on 30 September 2013 under the Share Option Scheme remained outstanding was 4,020,000, (2013: 4,020,000), representing 0.29% (2013:0.29%) of the shares of the Company in issue at that date.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 31 March 2014

Pursuant to a board resolution dated 31 March 2014, the Company granted 36,650,000, representing 2.63% of the shares of the Company in issue at the date, share options to a director, certain employees and consultants of the Company under the Share Option Scheme. Set out below were details of the outstanding options granted under the Share Option Scheme on 31 March 2014:

(1) Options granted on 31 March 2014 were at an exercise price of HK$1.39 per share.

Except for the expenses in relation to share options granted to certain consultants which are fully charged to profit or loss upon their grant,

(a) holders of 5,850,000 options granted on 31 March 2014 might only exercise their options in the following manner:

(i) One-third of the share options vested and exercisable on date of grant; and

(ii) The remaining share options will have one-twelfth to be vested every three months since 31 March 2014.

(b) holders of 30,800,000 options granted on 31 March 2014 might only exercise their options in the following manner:

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

(ii) The remaining share options will have one-eighth to be vested every three months since 31 March 2014.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 31 March 2014 (continued)

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

Set out below are details of movements of the outstanding options granted under the Share Option Scheme on 31 March 2014 during the year ended 31 December 2014:

For the year ended 31 December 2014:

	Number of options				
	Outstanding as at 1 January 2014	Issue during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2014
Director:					
Mr. Chau	–	13,000,000	–	–	13,000,000
Employees	–	5,850,000	–	(1,000,000)	4,850,000
Consultants	–	17,800,000	–	–	17,800,000
	–	36,650,000	–	(1,000,000)	35,650,000
Exercisable at the end of the year	–				29,487,500
Weighted average exercise price (HK$)	1.39	N/A	N/A	N/A	1.39

At 31 December 2014, the number of shares in respect of which options granted on 31 March 2014 under the Share Option Scheme remained outstanding was 35,650,000, representing 2.56% of the shares of the Company.

29. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 31 March 2014 (continued)

The estimated fair value of share options granted on 31 March 2014 was approximately RMB19 million. The fair value was calculated using the Binomial model. The inputs into the model are as follows:

Share price	HK$1.35
Exercise price	HK$1.39
Expected volatility	65.10%
Expected life	2.0 years
Risk-free interest rate	2.29%

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

The Group recognised the total expense of approximately RMB17,670,000 (2013: RMB3,875,000) for the year ended 31 December 2014 in relation to share options granted by the Company under the Share Option Scheme.

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

	2014	2013
	RMB'000	*RMB'000*
Non-current assets		
Held-to-maturity investments	–	14,105
Investments in subsidiaries and amounts due from subsidiaries	1,225,707	1,158,892
	1,225,707	1,172,997
Current assets		
Other receivables	2,994	156
Amounts due from subsidiaries	4,424	3,950
Bank balances and cash	167,104	240
	174,522	4,346
Current liabilities		
Other payables	866	639
Short-term borrowings	151,702	–
	152,568	639
Net current assets	21,954	3,707
Total assets less current liabilities	1,247,661	1,176,704
Capital and reserves		
Share capital (see note 28)	1,205	1,157
Reserves *(note)*	1,232,784	1,129,847
Total equity	1,233,989	1,131,004
Non-current liabilities		
Warrants *(note 26)*	10,600	45,700
Long-term borrowings	3,072	–
	13,672	45,700
Equity and non-current liabilities	1,247,661	1,176,704

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

Note: Reserves

	The Company			
	Share premium *RMB'000*	Share options reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2013	1,050,798	22,080	(111,801)	961,077
Loss and total comprehensive expense for the year	–	–	(24,316)	(24,316)
Issue of ordinary shares	168,907	–	–	168,907
Transaction costs attributable to issue new shares	(3,900)	–	–	(3,900)
Exercise of share options	38,420	(14,216)	–	24,204
Recognition of equity-settled share-based payments	–	3,875	–	3,875
At 31 December 2013	1,254,225	11,739	(136,117)	1,129,847
Profit and total comprehensive expense for the year	–	–	22,792	22,792
Issue of ordinary shares	62,126	–	–	62,126
Transaction costs attributable to issue new shares	(192)	–	–	(192)
Exercise of share options	809	(268)	–	541
Recognition of equity-settled share-based payments	–	17,670	–	17,670
At 31 December 2014	1,316,968	29,141	(113,325)	1,232,784

31. OPERATING LEASE COMMITMENTS

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

	2014	2013
	RMB'000	*RMB'000*
Within one year	537	785
In the second to fifth year inclusive	2	1,989
After five years	–	1,756
	539	4,530

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

During the year ended 31 December 2014, the Group terminated certain lease arrangements. This resulted in reduction of operating lease commitment as at 31 December 2014.

32. CAPITAL COMMITMENTS

	2014	2013
	RMB'000	*RMB'000*
Capital expenditure in the consolidated financial statements in respect of the acquisition of property, plant and equipment		
— Contracted for but not provided	16,877	119,585
— Authorised but not contracted for	200,000	–
	216,877	119,585

33. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme in Hong Kong which was established under the Mandatory Provident Fund Ordnance in December 2000 (the "MPF Scheme"). The assets of the schemes are held separately from those of the Group and are invested in funds under the control of independent trustees. For members of the MPF Scheme, the Group contributes 5%, with maximum of HK$1,500 per person of relevant payroll costs to the MPF Scheme since June, 2014 (HK$1,250 per person before), which contribution is matched by employees.

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

34. RELATED PARTY TRANSACTIONS

The Group did not have any outstanding balances with related parties at 31 December 2014 and 31 December 2013.

Compensation of key management personnel

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

	2014	2013
	RMB'000	*RMB'000*
Basic salaries and allowances	5,635	4,451
Retirement benefits scheme contributions	168	156
Share-based payments expense	6,780	1,437
	12,583	6,044

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

35. MAJOR CONTRACTS

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

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

Carrying amounts of customers' deposits received from Mission:

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

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

35. MAJOR CONTRACTS *(continued)*

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

Carrying amounts of prepaid assignment fee:

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

The Directors assessed provision for onerous contract in relation to the Wafer Supply Agreement and prepaid assignment fee on regular basis. Details of parameters of analysis are set out in note 17.

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

Movement in the allowance for prepaid assignment fee:

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

36. SUBSIDIARIES

Details of the Company's subsidiaries, which are all wholly-owned, at 31 December 2014 and 31 December 2013 are as follows:

Name of company	Place and date of incorporation/ establishment/operations	Issued and fully paid share capital/ registered capital at the date of this report	Principal activities
Comtec Semiconductor (Cayman) Limited*	Cayman Islands 23 April 2007	US$2 *(Note 1)*	Investment holding
Comtec Semiconductor (Hong Kong) Limited	Hong Kong 12 October 2007	HK$2 *(Note 1)*	Investment holding
Comtec Solar (Cayman) Limited*	Cayman Islands 23 April 2007	US$2 *(Note 1)*	Investment holding
Comtec Solar (HK)	Hong Kong 12 October 2007	HK$2 *(Note 1)*	Investment holding, provision of sourcing, invoicing and support services for group companies
Comtec Solar International Limited	BVI 2 January 2013	US$50,000 *(Note 1)*	Investment holding
Comtec Solar International (M) Sdn Bhd	Malaysia 7 February 2013	MYR 5,000,000 *(Note 1)*	Manufacturing and sales of semiconductors, solar wafers and related products
Comtec Solar Trading Limited	Hong Kong 4 December 2013	HK$2 *(Note 1)*	Investment holding
Comtec Solar (China) Investment Holdings Limited	Hong Kong 4 December 2013	HK$2 *(Note 1)*	Investment holding
Comtec New Energy China Holdings Limited	Hong Kong 25 November 2013	HK$10,000 *(Note 1)*	Investment holding

36. SUBSIDIARIES *(continued)*

Name of company	Place and date of incorporation/ establishment/operations	Issued and fully paid share capital/ registered capital at the date of this report	Principal activities
Comtec Solar Systems Limited	BVI 18 March 2014	USD $50,000 *(Note 2)*	Investment holding
Comtec Solar Systems China Limited	BVI 20 March 2014	USD $50,000 *(Note 2)*	Investment holding
Comtec Solar Systems International Limited	BVI 20 March 2014	USD $50,000 *(Note 2)*	Investment holding
Comtec Solar Systems HK Limited	Hong Kong 2 May 2014	HK$1 *(Note 2)*	Investment holding
Comtec Solar (Jiangxi) #	PRC 22 March 2006	US$6,064,000 *(Note 1)*	Inactive
Comtec Semi #	PRC 21 December 1999	US$4,040,000 *(Note 1)*	Manufacturing and sales of semiconductors, solar wafers and related products
Comtec Solar #	PRC 5 July 2005	US$18,500,000 *(Note 1)*	Manufacturing and sales of solar wafers and related products
Comtec New Energy (Shanghai) Limited#	PRC 7 January 2012	US$16,000,000 *(Note 1)*	Manufacturing and sales of solar wafers and elated products
Comtec Solar (Jiangsu) Co., Limited #	PRC 11 February 2012	US$63,500,000 *(Note 1)*	Manufacturing and sales of solar wafers and related products

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

Notes:

1. The issued and fully paid share capital of the entity remained unchanged as at 31 December 2014 and 31 December 2013.

2. The entity was newly established in 2014.

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

Five Years Summary

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
Results	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Turnover	1,021,371	1,016,746	1,025,615	937,479	**906,620**
(Loss) Profit before interest expenses and taxation	270,492	20,597	(124,793)	(113,755)	**(78,411)**
Interest expense	(7,401)	(38,596)	(39,036)	(18,585)	**(11,910)**
(Loss) Profit before taxation	263,091	(17,999)	(163,829)	(132,340)	**(90,321)**
Taxation	(40,151)	(28,328)	(1,220)	(737)	**(170)**
(Loss) Profit and total comprehensive income for the year, attributable to the owners of the Company	222,940	(46,327)	(165,049)	(133,077)	**(90,491)**

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
Assets and liabilities	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	1,912,392	2,654,773	2,440,099	2,608,545	**2,484,678**
Total liabilities	(401,049)	(1,000,996)	(975,413)	(1,083,732)	**(970,163)**
Net assets	1,511,343	1,653,777	1,464,686	1,524,813	**1,514,515**

Definitions

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

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Controlling Shareholders"	the controlling shareholders (as defined in the Listing Rules) of the Company, namely Mr. John Zhang and Fonty
"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Fonty"	Fonty Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 5 September 2007
"Global Offering" or "IPO"	the listing of the Shares on the Stock Exchange on 30 October 2009
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange
"Model Code"	model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 19 October 2009

Definitions

"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S.A."	the United States of America
"%"	per cent.