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

2018
Annual Report

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. John Yi Zhang *(Chairman)*
Mr. Zhang Zhen
Mr. Chau Kwok Keung

Non-executive Director

Mr. Wang Yixin

Independent non-executive Directors

Mr. Kang Sun
Mr. Leung Ming Shu
Mr. Xu Erming

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang
Mr. Chau Kwok Keung

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. Kang Sun
Mr. Xu Erming

NOMINATION COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Kang Sun
Mr. Leung Ming Shu
Mr. Xu Erming

REMUNERATION COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. John Yi Zhang
Mr. Kang Sun
Mr. Xu Erming

CORPORATE GOVERNANCE COMMITTEE

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

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Chau Kwok Keung

REGISTERED OFFICE

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

HEADQUARTERS

16 Yuan Di Road
Nanhui Industrial Zone
Shanghai 201314
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 8 & 14
88 Gloucester Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners
In Association with
Morgan, Lewis & Bockius

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 the Company, I am pleased to present the audited annual results of the Group for the Period. Here are some of our financial and business highlights for the year:

- Revenue for the Period was approximately RMB172.6 million, representing a year-on-year decrease of 64.7% from approximately RMB489.2 million for the year ended 31 December 2017;

- Gross loss for the Period was approximately RMB5.5 million, comparing to gross profit of approximately RMB8.0 million for the year ended 31 December 2017;

- Gross loss margin for the Period was approximately 3.2%, decreased from gross profit margin of 1.6% for the year ended 31 December 2017;

- Net losses attributable to the owners of the Company for the Period was approximately RMB179.9 million, increased from net losses of RMB140.3 million for the year ended 31 December 2017;

- Net loss margin attributable to owners of the Company for the Period was approximately 104.2%, comparing to net losses margin of 28.7% for the year ended 31 December 2017; and

- Our loss per share for the Period was RMB8.58 cents, comparing to the losses per share of RMB8.15 cents for the year ended 31 December 2017.

During the Period, certain new policies were launched by the Chinese government which have caused disruptions in the solar industry. Such new policies reduced solar installation quota and feed-in-tariffs in the PRC during the second half of 2018. Such new policies created uncertainties in the domestic solar market and negatively impacted industry demand and selling price of upstream products.

In order to remain flexible and rapidly adapt our business to the challenging market environment, we continued to reduce our fixed costs of operations and the level of our fixed assets in the manufacturing business segment. We focused on further strengthening our supply chain management, advanced technological capabilities, high quality product offerings, and premium customer bases to ensure our long-term competitiveness. We also actively looked for opportunities to out-source production procedures to third party processing agents whenever it is in our commercial interest. We believe out-sourcing our production procedures would be more cost effective when there are excess production capacities in the market. We continued to reduce head counts and to dispose of fixed assets which were low in utilization. We also rented out certain idle space in our factories. As our factory in Haian can accommodate all of our remaining manufacturing equipment, we would also consider to dispose our factory in Shanghai which has higher appraised value, if we receive an attractive offer from potential buyer. These measures are aligned with our overall strategy of improving our operating efficiencies.

Chairman's Statement

Throughout the Period, we were free from the impact of long term purchase agreements for polysilicon which led to substantial amount of losses of the Group in the last few years. The absence of commitment to such long term supply contracts gives the Group more flexibility in managing its supply chain to adapt to market situations and the benefit from decreasing spot prices of raw materials. We intend to continuously improve the cost competitiveness of our existing upstream solar manufacturing business as a solid foundation to support the development of our downstream solar businesses. We strive to create synergies among our existing upstream solar business and other new business initiatives in the renewable energies industry in order to create value for our shareholders. In addition, we concluded a re-negotiation with a long term supplier in December 2018 which enabled us to substantially realize the remaining amount of our prepayments made to that supplier in previous years. An amount of approximately USD5.1 million has been offset with the full amount of our purchase of polysilicon from the supplier throughout the first quarter of 2019.

We believe the industry demand will continue to grow in the long term as solar PV is becoming increasingly cost competitive and less dependent on government policies and subsidies. We remain confident in the long-term sustainable growth of the industry despite the impact by the recent solar PV policies issued by the Chinese government. We proactively design and execute various strategies to navigate this challenging period in the industry.

In order to enhance our profit and profitability, the Group also made continuous efforts to develop and expand its new business initiatives. On 18 September 2017, Comtec Renewable Energy and Macquarie Capital entered into a shareholders' agreement, pursuant to which Comtec Renewable Energy and Macquarie Capital agreed to form Future Energy Capital for the purpose of developing and expanding the downstream solar business. Future Energy Capital specifically focuses on rooftop distributed generation projects on commercial and industrial buildings. It is owned as to 50% by Comtec Renewable Energy and 50% by Macquarie Capital, respectively, and the total subscription amount to be paid by each party for the transaction is up to a maximum of US$5.0 million. Future Energy Capital focuses on the development, project management and construction of distributed solar generated power projects in the PRC with an aggregate capacity of 30 to 40 MW. Throughout the Period, Future Energy Capital has established its investment platform in the PRC and was in the process to build up its own project portfolio. We believe the cooperation with Macquarie Capital will broaden the Group's strategic cooperation with international financial institutions, which strengthens and improves the financial resources of the Group.

As of 31 December 2018, the Group has transferred certain grid-connected downstream rooftop distributed generation projects of approximately 5.0 MW in aggregate to Future Energy Capital.

On 25 May 2017, Comtec Renewable Energy (Jiangsu) Limited* (卡姆丹克清潔能源(江蘇)有限公司) (as Comtec Clean Energy was then known as) ("Comtec Renewable (Jiangsu)"), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14.0 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represented an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marked the Group's continuous efforts in diversifying its business.

We expect the sound developments and growth prospects of the electric vehicle industry and the power storage industry would drive sustainable growth and profitability of Kexin. Throughout the Period, Kexin has achieved remarkable growth of business and it recorded revenue of approximately RMB65.6 million for the year, representing an increase of approximately 1,161.5%, from RMB5.2 million which was included in the consolidated revenue of the Group for the year ended 31 December 2017 since the completion of its acquisition in October 2017.

On 23 November 2018 (after trading hours), Comtec Clean Energy, Lu Ke Ya and Kexin entered into a capital injection agreement with ISDN in relation to the injection of capital by ISDN to the registered capital of Kexin. Pursuant to the same capital injection agreement, ISDN agreed to subscribe for 10% of the enlarged registered share capital of Kexin. ISDN contributed RMB4,444,444.0 in cash to the capital of Kexin in March 2019 and has been a registered shareholder of Kexin holding 10% equity interest in Kexin. Please refer to the announcement of the Company dated 23 November 2018 for further details.

The above progresses marked the Group's continuous efforts to develop and expand its new business initiatives in the renewable energy industry. It would fuel the growth of the Group and enhance our profitability in future.

Chairman's Statement

On 18 May 2018 (after trading hours), Putana Limited and the Company entered into a subscription agreement in respect of the issue of convertible bonds (the "Convertible Bonds") in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0%. The conversion price is HK$0.174 per share for a potential maximum amount of 451,137,931 conversion shares (the "Conversion Shares") to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as of 18 May 2018, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy Capital and other downstream projects, and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed on 27 July 2018. Please refer to the announcement of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position was and will be further strengthened after issuance of the Convertible Bonds. In addition, we implemented and will continue to implement a balanced financing plan to support our business operation.

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

John Yi Zhang
Chairman

Shanghai, 29 March 2019

Management Discussion and Analysis

BUSINESS REVIEW

Throughout the Period, the Group was still in a process to restructure its manufacturing business and to expand into the new business initiatives in the renewable industry.

During the Period, certain new policies were launched by the Chinese government which have caused disruptions in the solar industry. Such new policies reduced solar installation quota and feed-in-tariffs in the PRC during the second half of 2018. Such new policies created uncertainties in the domestic solar market and negatively impacted industry demand and selling price of upstream products.

In order to remain flexible and rapidly adapt our business to the challenging market environment, we continued to reduce our fixed costs of operations and the level of our fixed assets in the manufacturing business segment. We focused on further strengthening our supply chain management, advanced technological capabilities, high quality product offerings, and premium customer bases to ensure our long-term competitiveness. We also actively looked for opportunities to out-source production procedures to third party processing agents whenever it is in our commercial interest. We believe out-sourcing our production procedures would be more cost effective when there are excess production capacities in the market. We continued to reduce head counts and to dispose of fixed assets which were low in utilization. We also rented out certain idle space in our factories. As our factory in Haian can accommodate all of our remaining manufacturing equipment, we would also consider to dispose our factory in Shanghai, which has higher appraised value, if we receive an attractive offer from potential buyer. These measures are aligned with our overall strategy of improving our operating efficiencies.

Throughout the Period, we were free from the impact of long term purchase agreements for polysilicon which led to substantial amount of losses of the Group in the last few years. The absence of commitment to such long term supply contracts gives the Group more flexibility in managing its supply chain to adapt to market situations and the benefit from decreasing spot prices of raw materials. We intend to continuously improve the cost competitiveness of our existing upstream solar manufacturing business as a solid foundation to support the development of our downstream solar businesses. We strive to create synergies among our existing upstream solar business and other new business initiatives in the renewable energies industry in order to create value for our shareholders. In addition, we concluded a re-negotiation with a long term supplier in December 2018 which enabled us to substantially realize the remaining amount of our prepayments made to that supplier in previous years. An amount of approximately USD5.1 million has been offset with the full amount of our purchase of polysilicon from the supplier throughout the first quarter of 2019.

We believe the industry demand will continue to grow in the long term as solar PV is becoming increasingly cost competitive and less dependent on government policies and subsidies. We remain confident in the long-term sustainable growth of the industry despite the impact by the recent solar PV policies issued by the Chinese government. We proactively design and execute various strategies to navigate this challenging period in the industry.

In order to enhance our profit and profitability, the Group also made continuous efforts to develop and expand its new business initiatives. On 18 September 2017, Comtec Renewable Energy and Macquarie Capital entered into a shareholders' agreement, pursuant to which Comtec Renewable Energy and Macquarie Capital agreed to form Future Energy Capital for the purpose of developing and expanding the downstream solar business. Future Energy Capital specifically focuses on rooftop distributed generation projects on commercial and industrial buildings. It is owned as to 50% by Comtec Renewable Energy and 50% by Macquarie Capital, respectively, and the total subscription amount to be paid by each party for the transaction is up to a maximum of US$5.0 million. Future Energy Capital focuses on the development, project management and construction of distributed solar generated power projects in the PRC with an aggregate capacity of 30 to 40 MW. Throughout the Period, Future Energy Capital has established its investment platform in the PRC and was in the process to build up its own project portfolio. We believe the cooperation with Macquarie Capital will broaden the Group's strategic cooperation with international financial institutions, which strengthens and improves the financial resources of the Group.

As of 31 December 2018, the Group has transferred certain grid-connected downstream rooftop distributed generation projects of approximately 5.0 MW in aggregate to Future Energy Capital.

On 25 May 2017, Comtec Renewable (Jiangsu), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14.0 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represented an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marked the Group's continuous efforts in diversifying its business.

We expect the sound developments and growth prospects of the electric vehicle industry and the power storage industry would drive sustainable growth and profitability of Kexin. Throughout the Period, Kexin has achieved remarkable growth of business and it recorded revenue of approximately RMB65.6 million for the year, increasing of approximately 1,161.5%, from RMB5.2 million which was included in the consolidated revenue of the Group for the year ended 31 December 2017 since completion of its acquisition in October 2017.

On 23 November 2018 (after trading hours), Comtec Clean Energy, Lu Ke Ya and Kexin entered into a capital injection agreement with ISDN in relation to the injection of capital by ISDN to the registered capital of Kexin. Pursuant to the same capital injection agreement, ISDN agreed to subscribe for 10% of the enlarged registered share capital of Kexin. ISDN contributed RMB4,444,444.0 in cash to the capital of Kexin in March 2019 and has been a registered shareholder of Kexin holding 10% equity interest in Kexin. Please refer to the announcement of the Company dated 23 November 2018 for further details.

The above progress marked the Group's continuous efforts to develop and expand its new business initiatives in the renewable energy industry. It would fuel the growth of the Group and enhance our profitability in future.

On 18 May 2018 (after trading hours), Putana Limited and the Company entered into a subscription agreement in respect of the issue of the Convertible Bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0%. The conversion price is HK$0.174 per share for a potential maximum amount of the Conversion Shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as of 18 May 2018, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy Capital and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed on 27 July 2018. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position was and will be further strengthened after issuance of the Convertible Bonds. In addition, we implemented and will continue to implement a balanced financing plan to support our business operation.

Revenues from our top five customers for the Period represented approximately 66.2% of our total revenues, compared to approximately 46.2% for the year ended 31 December 2017. The sales to our largest customer accounted for approximately 33.6% of our total revenues for the Period, as compared to approximately 17.3% for the year ended 31 December 2017.

We intend to explore further opportunities and make further expansion into the new business initiatives in the renewable energy industry to fuel the growth of our business. To leverage on our advanced technological capabilities, high quality product offerings, premium customer bases and the strategic partnership with reputable institutional investors, we are confident to capture enormous opportunities in the renewable industry and to drive continued and healthy growth for the Group in the future.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB316.6 million, or 64.7%, from RMB489.2 million for the year ended 31 December 2017 to RMB172.6 million for the year ended 31 December 2018, primarily as a result of the decrease in both selling price and sales volume of most of our upstream solar products, although such decrease was partially mitigated by the increase in revenue from our lithium batteries system and power storage system business acquired in October 2017. Throughout the Period, excess production capacity in market continued and negative policies were issued by the Chinese government. This industry environment created uncertainties in the domestic solar market and negatively impacted industry demand and selling price of upstream products.

Management Discussion and Analysis

Revenue from sales of wafers decreased by RMB190.7 million, or 76.4%, from RMB249.5 million for the year ended 31 December 2017 to RMB58.8 million for the Period. It was primarily due to the decrease in both sales volume and average selling price of 156 mm x 156 mm monocrystalline solar wafers by approximately 61.0% and 26.5%, respectively, as compared to their respective sales for the year ended 31 December 2017. The revenue from 156 mm x 156 mm monocrystalline solar wafers dropped by approximately RMB147.8 million, or 71.5%, from RMB206.6 million for the year ended 31 December 2017. Furthermore, we did not record any shipment of 125 mm x 125 mm monocrystalline solar wafers to the overseas customer for the Period which was primarily due to the major market demand focused on larger-size monocrystalline silicon wafers instead of smaller ones. The revenue from shipment of 125 mm x 125 mm monocrystalline solar wafers was approximately RMB42.9 million for the year ended 31 December 2017.

Revenue from sales of ingots decreased by RMB22.8 million, or 50.1%, from RMB45.5 million for the year ended 31 December 2017 to RMB22.7 million for the Period, mainly due to the decrease of sales volume by approximately 29.9% and the decrease of average selling price by approximately 25.0%. Throughout the Period, we mainly sold the ingots to PRC and Japan-based customer.

Revenue from trading of excess inventory of polysilicon as well as trading of solar cells and modules were approximately RMB4.6 million and RMB4.6 million for the Period, respectively, decreased by approximately RMB60.7 million, or 93.0%, and RMB67.7 million, or 93.6%, respectively, from RMB65.3 million and RMB72.3 million, respectively, for the year ended 31 December 2017. It was mainly due to the decrease of our excess inventory of polysilicons after we ceased to have contractual obligations to purchase further polysilicons and our strategy to minimize exposures to trading solar commodities during the volatile market environments.

Revenue from our downstream solar business mainly included solar project development service income and power generation income. Such incomes decreased by approximately RMB31.4 million, or 66.5%, from RMB47.2 million for the year ended 31 December 2017 to RMB15.8 million for the Period. Such revenues decreased as we focused on developing our own projects instead of providing project development services to third parties during the year. The completed projects can be sold to long term institutional investors in future. As of 31 December 2018, the Group has completed downstream projects with book value of approximately RMB61.2 million in our Consolidated Statement of Financial Positions.

The decreases of revenue from our solar businesses were partially mitigated by the revenue from the lithium batteries and power storage system business which we acquired in October 2017. That business mainly engages in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. It recorded revenue of approximately RMB65.6 million, representing an increase of approximately 1,161.5%, from RMB5.2 million which was included in the consolidated revenue of the Group for the year ended 31 December 2017 since completion of its acquisition in October 2017.

Revenue by geographical market

In relation to the geographical analysis of our revenue, approximately 92.9% (year ended 31 December 2017: 87.2%) of total revenue for the year was generated from our sales in the PRC. The remaining portion was mainly generated from our sales to the Japan and Malaysia-based customers.

Cost of sales and services

Cost of sales and services decreased by RMB303.1 million, or 63.0%, from RMB481.2 million for the year ended 31 December 2017 to RMB178.1 million for the Period, which was in line with the decrease of revenue during the year. The decrease in cost of sales and services was primarily due to the decrease in sales volume of our upstream solar businesses, including sales of wafers, ingots, trading of excess inventory of polysilicon as well as trading of solar cells and modules which also resulted in decrease in total revenue of approximately RMB316.6 million, or 64.7%, during the Period. The industry landscape for upstream solar manufacturing business deteriorated during the Period and the new policies issued by the Chinese government have negatively impacted industry demand and selling price of upstream products.

Inventory provision of approximately RMB2.6 million was recorded for the Period and was included in the cost of sales and services. Overall, the year-on-year decrease in costs of sales and services of approximately 63.0% was similar to the year-on-year decrease in revenue of approximately 64.7%.

Gross (loss)/profit

The Group recorded gross loss of approximately RMB5.5 million for the Period, representing a turnaround from the gross profits of RMB8.0 million for the year ended 31 December 2017. It was primarily due to the decrease of average selling price and sales volume as well as the inventory provision recorded in the Period.

Other income

Other income for the Period was approximately RMB14.4 million, representing a decrease of approximately RMB14.6 million, or 50.3%, from RMB29.0 million for the year ended 31 December 2017, which was mainly due to the decrease in government subsidy incomes received in the Period.

Other gains and losses and impairment losses

Other losses and impairment losses were approximately RMB81.2 million for the Period, increased by RMB27.7 million, or 51.8%, from RMB53.5 million for the year ended 31 December 2017. For the Period, the amount of other losses and impairment losses mainly included: (i) the impairments on goodwill and intangible assets of approximately RMB87.7 million which was partially offset by the gain on fair value change of contingent consideration payables of approximately RMB46.0 million, (ii) bad debt provisions of approximately RMB17.1 million, (iii) impairment on advance to suppliers of approximately RMB8.9 million, and (iv) net foreign exchanges losses of approximately RMB8.8 million. For the year ended 31 December 2017, the amount of other losses and impairment losses mainly included (i) losses on disposal of fixed assets of approximately RMB14.8 million and (ii) the impairment losses recognized in respect of property, plant and equipment of approximately RMB36.9 million.

Impairments on goodwill and intangible assets

For the purposes of impairment testing, the net carrying amount of the goodwill, which arose from the acquisitions of subsidiaries, has been allocated to the cash generating unit relating to downstream solar service business. The recoverable amounts of the above cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those in relation to the discount rates, growth rates and expected changes to selling prices and direct costs during the Period. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has made negative impact on installation quotas of distributed generation projects in the foreseeable future, the goodwill arising from the acquisition of Comtec (Asia) Limited of approximately RMB39.0 million was fully impaired during the Period as the actual performance in the Period did not meet the expectation and reach the business forecast. Our directors are of the view that it could not be recovered from the relevant cash generating unit related to the distributed generation projects and was thus fully impaired. For the same reason, the intangible assets in the carrying amount of RMB32,187,000 arising from the signed cooperative agreements in the acquisition of Comtec Renewable Energy was fully impaired for the Period as well.

At the same time, the intangible assets arising from the non-compete agreement in the acquisition of Comtec Renewable Energy and Comtec (Asia) Limited was fully impaired in the amount of RMB14,984,000 during the Period as the actual performance in the Period did not meet the expectation and reach the business forecast.

Gain on fair value change of contingent consideration payables

The contingent consideration arose from the issue of ordinary shares of the Company on earn-out basis in relation to business acquisitions. The contingent consideration is classified as a financial instrument (financial liability at fair value through profit or loss) and recognised in the consolidated statement of financial position at fair value. The fair value of the contingent consideration at the date of initial recognition and as of 31 December 2018 are based on the calculation on the business performance of the acquired companies and the change of stock price and exchange rate of HKD/RMB. The gain on fair value changes of contingent consideration payables was mainly due to the decrease of share price of the Company during the Period.

For the same reasons relating to new governmental policy discussed above and these negative impact on installation quotas of distributed generation projects in the foreseeable future, especially for Comtec (Asia) Limited, the actual performance in the Period did not meet the expectation and reach the business forecast, and the contingent consideration payable relating to the acquisition was almost fully reversed during the Period.

Bad debt provisions and impairment on advance to suppliers and prepayment on property, plant and equipment

The Group performs impairment assessment under ECL model upon application of IFRS 9 since 1 January 2018 on trade receivables individually or based on provision matrix, as for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances and cash, the loss allowances are measured on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. During the year ended 31 December 2018, an additional loss allowance in the amount of RMB17.1 million was provided which was primarily based on the individually assessment on the debtors with significant balances.

For the Period, impairment of approximately RMB8.9 million was made to advance to suppliers and prepayment on property, plant and equipment which was based on specific assessment on their recoverability.

Net foreign exchange losses

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve. For the Period, the Group recognized net exchange losses of approximately RMB8.8 million.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB5.0 million, or 45.5%, from RMB11.0 million for the year ended 31 December 2017 to RMB6.0 million for the Period, primarily due to the decrease in sales and market expense on the upstream solar manufacturing business in 2018, which was a result of the decrease in sales volume of the upstream solar business.

Administrative and general expenses

Administrative and general expenses increased by RMB11.1 million, or 13.6%, from RMB81.8 million for the year ended 31 December 2017 to RMB92.9 million for the Period, which was mainly due to the increase in professional expenses incurred for business development activities of the Group as well as the administrative expenses incurred for an subsidiary acquired in October 2017 which also expanded its operating scale in 2018.

Interest expenses

Interest expenses increased by RMB7.9 million from RMB15.9 million for the year ended 31 December 2017 to RMB23.8 million for the Period due to increase of borrowings and increase of interest rate during the Period.

Profit (Loss) before taxation

Loss before taxation was approximately RMB199.5 million for the Period, increased by RMB68.3 million, or 52.1%, from approximately RMB131.2 million for the year ended 31 December 2017, due to the aforementioned factors.

Taxation

The Group incurred tax credit of approximately RMB12.9 million for the Period, turnaround from RMB14.2 million for the year ended 31 December 2017. It was mainly due to the impairments on goodwill and intangible assets. Thus, the related deferred tax liabilities were reversed accordingly.

Profit (Loss) for the year

The Group recorded a loss of approximately RMB186.6 million for the Period, increased by RMB41.2 million, or 28.3%, from approximately RMB145.4 million for the year ended 31 December 2017, primarily attributable to the aforementioned factors. Accordingly, the Group recorded net loss margin of 108.1% for the Period, as compared to the net losses margin of 29.7% for the year ended 31 December 2017.

Final dividend

The Board resolved not to declare final dividend for the Period (2017: nil).

Inventory turnover days

There was a decrease in inventory balance of 56.5% from RMB43.2 million as of 31 December 2017 to RMB18.8 million as of 31 December 2018, which was mainly due to the Group's efforts to downsize the scale of its traditional manufacturing wafer business and to reduce its inventory level. The inventory turnover days as of 31 December 2018 totaled 38 days (31 December 2017: 33 days).

Trade receivable turnover days

There was a decrease in trade receivable balance of 36.5% from RMB56.4 million as of 31 December 2017 to RMB35.8 million as of 31 December 2018, which was mainly due to downsizing of the Group's traditional manufacturing wafer business and bad debt provisions of approximately RMB23.6 million was made during the year. Nonetheless such decrease was partially offset by the increase of business scale of Kexin and its trade receivable balances. The trade receivable turnover days as of 31 December 2018 totaled 76 days (31 December 2017: 42 days). The Group has closely supervised the repayment status of debtor balances. The credit period granted to customers is approximately 7 to 180 days on case-by-case basis. The average receivable turnover days as of 31 December 2018 were approximately 76 days which was within the credit periods of the Group grants to its customers.

Trade payable turnover days

There was a decrease in trade payable balance of 5.8% from RMB84.0 million as of 31 December 2017 to RMB79.1 million as of 31 December 2018, which was mainly due to the downsizing of the Group's traditional manufacturing wafer business but such decrease was partially offset by the increase of business scale of Kexin and its trade payable balance during the year. The trade payable turnover days as of 31 December 2018 totaled 162 days (31 December 2017: 64 days). The group has obtained continuous supports from suppliers during the challenging industry environment.

Liquidity and financial resources

The Group's principal sources of working capital for the Period included cash inflow from operating activities, bank borrowings and the proceeds from issue of equity or debt securities. As of 31 December 2018, the Group's current ratio (current assets divided by current liabilities) was 0.5 (31 December 2017: 0.7) and it was in a net debt position of approximately RMB145.5 million (31 December 2017: approximately RMB157.6 million). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB177.4 million as of 31 December 2018 (31 December 2017: approximately RMB101.0 million). However, the Group still maintained net assets of approximately RMB57.7 million as of 31 December 2018 (31 December 2017: approximately RMB242.1 million).

Although there is no assurance that the Group will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. According to latest discussions with the bank which provides us with short-term bank loans in the PRC, they would still maintain such historical practices and the Group has assumed it will continue to be able to do so for the foreseeable future. Also, we had downstream projects with contract value of approximately RMB61.2 million in our order book as of 31 December 2018. We would consider to dispose of the projects as well as other assets and properties when we receive reasonable offers or require additional funding. As our factory in Haian can accommodate all of our remaining manufacturing equipment, we would also consider to dispose of our Shanghai factory with net book values of approximately RMB124.8 million as of 31 December 2018 (included buildings, investment properties and prepaid lease payments in the financial statements), if we receive an attractive offer from potential buyer. In addition, we concluded a re-negotiation with a long term supplier in December 2018 which enabled us to substantially realize the remaining amount of our prepayments made to that supplier in previous years. An amount of approximately USD5.1 million has been offset with the full amount of our purchase of polysilicon from the supplier during the first quarter of 2019. The Group would continue to adopt strict controls on our operating and investing activities in order to continuously improve our financial positions.

On 18 May 2018 (after trading hours), Putana Limited and the Company entered into a subscription agreement in respect of the issue of the Convertible Bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0%. The conversion price is HK$0.174 per share for a potential maximum amount of the Conversion Shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as of 18 May 2018, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy Capital and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed and closed on 27 July 2018. As of the date of this report, approximately USD8 million had been used as funding for Future Energy Capital and other downstream projects and approximately USD2 million had been used as working capital. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 for further details.

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

The Group would implement a balanced financing plan to support our business operations.

Capital commitments

As of 31 December 2018, the Group's capital commitments was nil (2017: RMB41.9 million). The Group currently has no plan to further expand its production capacity of traditional solar manufacturing business. In addition, the Group would carefully plan for the expansion of its downstream solar business and power storage business which would depend on and subject to the market conditions and opportunities.

Contingent liabilities

As of 31 December 2018, other than the balance of contingent consideration payables of approximately RMB5.9 million, there was no material contingent liability (31 December 2017: RMB52.0 million).

Related party transactions

Other than the remuneration that the Group paid to the Directors and key management, the Group did not have any related party transactions during the year.

Charges on group assets

As of 31 December 2018, the Group had restricted cash of approximately RMB22.1 million (31 December 2017: RMB20.9 million), and pledged its buildings, investment properties, prepaid lease payments, power station of downstream projects and account receivables of downstream revenue with net book values of approximately RMB90.9 million (31 December 2017: RMB98.5 million), approximately RMB86.0 million (31 December 2017: RMB86.0 million), approximately RMB13.5 million (31 December 2017: RMB13.8 million), approximately RMB7.5 million (31 December 2017: RMB16.9 million), and approximately RMB0.5 million (31 December 2017: nil), respectively, to banks in order to secure banking facilities granted to the Group. Save as disclosed herein, as of 31 December 2018, no other assets of the Group were charged.

Significant acquisition and disposal of subsidiaries

Throughout the Period, the Group did not have any significant acquisition of subsidiaries but has disposed certain subsidiaries.

On 14 February 2018 (after trading hours), Comtec Renewable Energy, Future Energy Capital and Sunny Mega entered into an equity transfer agreement, pursuant to which Comtec Renewable Energy disposed of the entire issued share capital of Sunny Mega at a consideration of approximately RMB4.5 million to Future Energy Capital.

On 2 October 2018 (after trading hours), (i) Comtec Clean Energy, Future Energy Capital (Wuxi) and Wuxi Comtec (Jianyuan) entered into an equity transfer agreement, pursuant to which Comtec Clean Energy disposed of the entire issued share capital of Wuxi Comtec (Jianyuan) at a consideration of approximately RMB2.6 million to Future Energy Capital (Wuxi) and (ii) Comtec Clean Energy, Future Energy Capital (Wuxi) and Wuxi Comtec (Tianhan) entered into an equity transfer agreement, pursuant to which Comtec Clean Energy disposed of the entire issued share capital of Wuxi Comtec (Tianhan) at a consideration of approximately RMB3.7 million to Future Energy Capital (Wuxi).

Immediately after completion of the said disposals, each of Sunny Mega, Wuxi Comtec (Jianyuan) and Wuxi Comtec (Tianhan) ceased to be an indirect wholly-owned subsidiary of the Company and the financial results of Sunny Mega, Wuxi Comtec (Jianyuan) and Wuxi Comtec (Tianhan) will no longer be consolidated into the Group's financial statements. Please refer to the announcement of the Company dated 2 October 2018 for further details.

Use of proceeds

On 18 May 2018 (after trading hours), Putana Limited and the Company entered into a subscription agreement in respect of the issue of the Convertible Bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0%. The conversion price is HK$0.174 per share for a potential maximum amount of the Conversion Shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as of 18 May 2018, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy Capital and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed on 27 July 2018. As of the date of this report, approximately USD8 million had been used as funding for Future Energy Capital and other downstream projects and approximately USD2 million had been used as working capital. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 for further details.

Save as disclosed herein, the Company has not conducted any equity fund raising activities in the past 12 months preceding the date of this report.

Human resources

As of 31 December 2018, the Group had 166 (31 December 2017: 342) employees. The remuneration of the existing employees includes basic salaries, discretionary bonuses and social security contributions. Payment levels of the employees are commensurated with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

The Group is planning to further expand into downstream solar business and the lithium batteries system and power storage system businesses. Due to the rapid changing market environment, the Group prefers to maintain flexibilities throughout the expansion process and avoid fixing a capacity target under a pre-determined timeline. The Group has yet to make any amount of capital commitments for its downstream solar business, other than the projects under construction, and the lithium batteries system and power storage system businesses which would depend on and be subject to the market conditions and opportunities. We believe this strategy would enable the Group to maximize its advantages from the industry consolidation process.

Exposure to fluctuations in exchange rates and any related hedges

The Group recognized net exchange losses of approximately RMB8.8 million for the Period, which mainly arose from monetary assets and liabilities of the Group denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy but the management has been monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. John Yi Zhang, aged 56, is as an executive Director and the chairman of the Board of the Company, responsible for the overall strategy and operation of our Group. Mr. Zhang is also a director of certain subsidiaries of the Group. 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. Zhang Zhen, aged 49, is an executive Director, the chief executive officer. He was also the president of the Company from 3 October 2016 to 19 April 2017. He is also currently a director of certain of the subsidiaries of the Group, including Comtec Renewable Energy Group Limited (formally known as Joy Boy HK Limited). Mr. Zhang is primarily responsible for overseeing the Group's downstream solar power business. Mr. Zhang has extensive experience in the downstream solar business and served as the president and co-founder of Enfinity HK Development Ltd. for its operation of downstream solar business in the PRC since 2008. Mr. Zhang graduated from Beihang University with a bachelor's degree in electronic engineering in July 1993 and then obtained a master's degree in business administration from the University of Illinois in May 1999.

Mr. Chau Kwok Keung, aged 42, 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 certain subsidiaries of the Group. He was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dually-listed on the Stock Exchange (Stock Code: 6198) and the Shanghai Stock Exchange (Stock Code: SH601298), in May 2014; (ii) an independent director of The9 Limited, whose shares are listed by way of American Depository Shares on the NASDAQ (NASDAQ: NCTY), in October 2015; and (iii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Limited, a company listed on the Stock Exchange (Stock Code: 2779), in October 2017. He has obtained the certificate of Qualified Independent Director from Shanghai Stock Exchange in August 2017. 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 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.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Wang Yixin, aged 48, is a non-executive Director. Mr. Wang acted as the director of the port affairs bureau and the director assistant and the deputy director of the management committee of Wuxi Jiangyin Lingang Economic Development Zone* (無錫江陰臨港經濟開發區) from February 2006 to September 2015. Mr. Wang graduated from Xi'an Jiaotong University with a bachelor's degree in industrial electric automation in July 1994, and obtained a master's degree in business administration from Nanjing University in June 2001. Mr. Wang is now pursuing a doctor's degree in global finance business administration in Shanghai Advanced Institute of Finance of Shanghai Jiaotong University. Mr. Wang also passed the professionals qualification test of the securities industry organised by the Securities Association of China in June 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Ming Shu, aged 43, is an independent non-executive Director. Mr. Leung founded internet private equity fund Harmony Capital as Founding Partner in January 2018. Mr. Leung has been the company secretary of China ITS (Holdings) Co., Ltd. (中國智能交通系統（控股）有限公司), a company listed on the Stock Exchange (stock code: 1900), since January 2008 and the chief financial officer of the said company from January 2008 to January 2018. He has also been an independent non-executive director of Cabbeen Fashion Limited (卡賓服飾有限公司) (stock code: 2030) since February 2013 and Sun.King Power Electronics Group Limited (stock code: 580) since March 2017, which both companies are listed on the Stock Exchange.

Mr. Leung has over 15 years of experience in the areas of corporate finance and accounting. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong as an auditor in 1998. He then 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, Mr. Leung also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he advised companies on issues of strategy, organization and operations. Mr. Leung then spent approximately three years from February 2003 to January 2006 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. 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 telecommunication standard and manufacture of telecommunication equipment. From November 2006 to January 2008, he served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd (北京靈圖星訊科技有限公司), a subsidiary of Beijing Lingtu Software Co., Ltd (北京靈圖軟件技術有限公司), a PRC digital mapping and navigation software company.

Mr. Leung obtained his bachelor's degree in arts with first class honor 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 member of the Association of Chartered Certified Accountants (FCCA) and a fellow member of The Hong Kong Institute of Certified Public Accountants (FCPA).

Biographical Details of Directors and Senior Management

Mr. Kang Sun, aged 63, is an independent non-executive Director. Mr. Sun is currently the chief executive officer of Amprius, California USA, the chairman of 安普瑞斯有限公司, China and the chief executive officer of Amprius Technologies, USA. Prior to that, he was the chairman and chief executive officer of RayTracker, USA and a venture partner of WI Harper Group, 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, the vice president of Honeywell International, USA and the general manager of Optical Devices Business, AlliedSignal, 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 Nanjing University, China in 1978.

Mr. Xu Erming, aged 70, is an independent non-executive Director. Mr. Xu is currently a professor and the dean of Shantou University (汕頭大學) Business School and vice chairman of the Chinese Enterprise Management Research Association. He is entitled to the State Council's special government allowances. Mr. Xu was once the dean of the Business School and the assistant dean of the Graduate School of Renmin University of China (中國人民大學). He was also an independent supervisor of Harbin Electric Company Limited (a company listed on the Stock Exchange with stock code of 1133). Over the years, Professor Xu has conducted research in areas related to strategic management, organisational theories, international management and education management, and has been responsible for research on many subjects put forward by the National Natural Science Foundation, the National Social Science Foundation, and other authorities at provincial and ministry level. He has received many awards such as the Ministry of Education's Class One Excellent Higher Education Textbook Award, the State-Level Class Two Teaching Award and the National Excellent Course Award. Mr. Xu has been a visiting professor at over 10 domestic universities and has been awarded the Fulbright Scholar of U.S.A. twice. Professor Xu was previously a lecturer at the New York State University at Buffalo, U.S.A., the University of Scranton, U.S.A., the University of Technology, Sydney, the Kyushu University, Japan, Panyapiwat Institute of Management, Thailand and the Hong Kong Polytechnic University. Mr. Xu is also currently the independent non-executive director of China Telecom Corporation Limited (a company listed on the Stock Exchange and the New York Stock Exchange with stock codes of "728" and "CHA", respectively). Mr. Xu graduated from Renmin University of China with a bachelor's degree in industrial economic management in December 1982 and also obtained a master's degree and doctorate degree in economy from Renmin University of China in October 1989 and January 1998, respectively.

SENIOR MANAGEMENT

Mr. Wu Cheng Xian, aged 71, 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.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the Period.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the research, production and sales of efficient monocrystalline products and investment, development, construction, operation of the solar photovolataic power stations. The Group is also engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and for power storage companies.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2018 are set out in note 44 to the consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the Period and the state of the Company's and the Group's affairs as at 31 December 2018 are set out in the consolidated financial statements on pages 72 to 200 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Period are set out in the audited consolidated statement of profit or loss and other comprehensive income.

The Board recommended that since the Company plans to reserve the cash for working capital requirement and any potential investment opportunities in the future, no dividend will be declared for the Period.

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 Period are set out in the consolidated statement of changes in equity and note 37 to the financial statement, respectively.

DISTRIBUTABLE RESERVES

There was no reserve available for distribution to Shareholders as at 31 December 2018.

CHARITABLE DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Period are set out in note 17 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 31 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 Yi Zhang *(Chairman)*
Mr. Zhang Zhen
Mr. Chau Kwok Keung

Non-Executive Director
Mr. Wang Yixin

Independent Non-Executive Directors
Mr. Leung Ming Shu
Mr. Kang Sun
Mr. Xu Erming

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

In accordance with article 84 of the Company's articles of association, Mr. Chau Kwok Keung, Mr. Wang Yixin and Mr. Leung Ming Shu will retire from the Board by rotation at the forthcoming annual general meeting. Each of Mr. Chau Kwok Keung, Mr. Wang Yixin and Mr. Leung Ming Shu, being eligible, offers 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 20 to 23 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2018 or at any time throughout the Period.

DIRECTORS' SERVICE CONTRACTS

Please refer to the paragraph headed "Appointments, Re-election and Removal of Directors" under the section headed "Corporate Governance Report" for details of the service contracts of the Directors.

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 2018, 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 Yi Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and founder of a trust	629,283,550	30.00%
Mr. Zhang Zhen[2]	Interest in a controlled corporation/ Beneficial owner	152,402,615	7.27%
Mr. Chau Kwok Keung[3]	Beneficial owner	14,728,000	0.70%
Mr. Wang Yixin[4]	Beneficial owner	200,000	0.01%
Mr. Kang Sun[5]	Beneficial owner	749,574	0.04%
Mr. Leung Ming Shu[6]	Beneficial owner	562,787	0.03%
Mr. Xu Erming[7]	Beneficial owner	200,000	0.01%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 576,453,844 Shares. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 47,820,706 Shares owned by Zhang Trusts For Descendants as the founder of the trust. 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 152,402,615 Shares in which Mr. Zhang Zhen is deemed to be interested represent (1) 107,627,076 Shares held by True Joy Renewable Limited, a company which is wholly-owned by Mr. Zhang Zhen; and (2) the 1,500,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 2 May 2017 under the Share Option Scheme (as defined below); and (3) a remaining maximum of 43,275,539 consideration Shares which may be issued to him or a company designated by him, pursuant to a sale and purchase agreement entered into by, amongst others, the Company and Mr. Zhang Zhen, dated 7 July 2016. Please refer to the announcements of the Company dated 7 July 2016 and 29 August 2017 for further details.

(3) The 14,728,000 Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 14,728,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012, 31 March 2014 and 2 May 2017 under the Share Option Scheme (as defined below).

(4) The 200,000 Shares in which Mr. Wang Yixin is deemed to be interested represent 200,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 2 May 2017 under the Share Option Scheme (as defined below).

(5) The 749,574 Shares in which Mr. Kang Sun is deemed to be interested represent 749,574 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 (as defined below) granted to him on 27 December 2012 and 2 May 2017 under the Share Option Scheme.

(6) The 562,787 Shares in which Mr. Leung Ming Shu is deemed to be interested represent 562,787 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 (as defined below) granted to him on 27 December 2012 under the Share Option Scheme.

(7) The 200,000 Shares in which Mr. Xu Erming is deemed to be interested represent 200,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 2 May 2017 under the Share Option Scheme (as defined below).

Save as disclosed above, as at 31 December 2018, 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.

Save as disclosed in this report, at no time throughout the Period 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 2018, 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 Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty Holdings Limited	Beneficial owner	576,453,844	27.48%
Ms. Carrie Wang[1]	Interest of spouse	629,283,550	30.00%
Harmony Gold Ventures Corp[2]	Beneficial owner	154,651,306	7.37%
Shanghai Hengqu Internet Technology Co., Ltd.*[2]	Interest in a controlled corporation	154,651,306	7.37%
Jiangyin Jinqu Capital Management Co., Ltd.*[2]	Interest in a controlled corporation	154,651,306	7.37%
Mr. Wang Yixin (王藝新)[2]	Interest in a controlled corporation	154,651,306	7.37%
Advanced Gain Limited[3]	Beneficial owner	190,912,714	9.10%
Mr. Wu Zheqiang[3]	Interest in a controlled corporation	190,912,714	9.10%
Ms. Zhang Xiaoqin[4]	Beneficial owner/Interest in a controlled corporation	114,367,897	5.45%
True Joy Renewable Limited	Beneficial owner	107,627,076	5.13%

Notes:

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

(2) Harmony Gold Ventures Corp is a wholly-owned subsidiary of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), which is wholly-owned by Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司), which is in turn owned as to 99% by Mr. Wang Yixin (王藝新). Therefore, each of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), by Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司) and Mr. Wang Yixin (王藝新) is deemed to be interested in the 154,651,306 Shares held by Harmony Gold Ventures Corp.

(3) Advanced Gain Limited is wholly owned by Mr. Wu Zheqiang. Therefore Mr. Wu Zheqiang is deemed to be interested in the 190,912,714 Shares held by Advanced Gain Limited.

(4) The 114,367,897 Shares in which Ms. Zhang Xiaoqin is deemed to be interested represent (i) 98,443,897 Shares held by Rich Reach Holdings Limited, which is wholly owned by Ms. Zhang Xiaoqin; and (ii) 15,924,000 Shares held by herself.

Save as disclosed above, as at 31 December 2018, 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 two independent non-executive Directors and a former Director 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 movement of the share options granted under the Pre-IPO Share Option Scheme as at 31 December 2018 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2018	Exercised during 2018	Lapsed during 2018	Cancelled during 2018	Balance as at 31 December 2018
Directors							
Kang Sun	3 August 2009	HK$2.51	249,574	–	–	–	249,574
Leung Ming Shu	3 August 2009	HK$2.51	62,787	–	–	–	62,787
Others	3 August 2009	HK$2.51	199,659	–	–	–	199,659
Total			512,020				512,020

Save as disclosed above, no Pre-IPO Share Options was granted, lapsed or cancelled for the Period.

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. Eligible person refer to (a) an executive; (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (g) an associate of any of the foregoing person.

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 24 December 2015, the scheme mandate limit under the Share Option Scheme was refreshed with a maximum number of 139,186,175 Shares, being 10% of the Shares in issue as at 24 December 2015. As at the date of this 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 139,186,175 Shares representing 9% of the issued share capital of the Company as at the date of this report.

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

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

(a) the nominal value of a Share;

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

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

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

Details of the share options granted, exercised and lapsed under the Share Option Scheme as at 31 December 2018 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2018	Granted during 2018	Exercised during 2018	Lapsed during 2018	Cancelled during 2018	Balance as at 31 December 2018
Other participants in aggregate	15 June 2018	HK$0.151	–	21,986,175	–	–	–	21,986,175
Director								
Mr. Zhang Zhen	2 May 2017	HK$0.335	1,500,000	–	–	–	–	1,500,000
Mr. Chau Kwok Keung	2 May 2017	HK$0.335	1,500,000	–	–	–	–	1,500,000
Mr. Wang Yixin	2 May 2017	HK$0.335	200,000	–	–	–	–	200,000
Mr. Leung Ming Shu	2 May 2017	HK$0.335	200,000	–	–	–	–	200,000
Mr. Kang Sun	2 May 2017	HK$0.335	200,000	–	–	–	–	200,000
Mr. Xu Erming	2 May 2017	HK$0.335	200,000	–	–	–	–	200,000
Other participants in aggregate	2 May 2017	HK$0.335	24,400,000	–	–	–	–	24,400,000
Other participants in aggregate	9 September 2016	HK$0.560	89,000,000	–	–	–	–	89,000,000
Other participants in aggregate	25 November 2015	HK$0.736	59,000,000	–	–	–	–	59,000,000
Other participants in aggregate	26 June 2015	HK$1.500	20,000,000	–	–	–	–	20,000,000
Other participants in aggregate	11 May 2015	HK$1.390	59,800,000	–	–	–	–	59,800,000
Director								
Mr. Chau Kwok Keung	31 March 2014	HK$1.386	13,000,000	–	–	–	–	13,000,000
Other participants in aggregate	31 March 2014	HK$1.386	22,650,000	–	–	–	–	22,650,000
Other participants in aggregate	30 September 2013	HK$1.870	4,020,000	–	–	–	–	4,020,000
Director								
Mr. Kang Sun	27 December 2012	HK$1.262	300,000	–	–	–	–	300,000
Mr. Leung Ming Shu	27 December 2012	HK$1.262	300,000	–	–	–	–	300,000
Other participants in aggregate	27 December 2012	HK$1.262	6,938,000	–	–	–	–	6,938,000
Director								
Mr. John Yi Zhang	28 June 2012	HK$0.980	5,000,000	–	–	–	–	5,000,000
Mr. Chau Kwok Keung	28 June 2012	HK$0.980	228,000	–	–	–	–	228,000
Other participants in aggregate	28 June 2012	HK$0.980	3,556,000	–	–	–	–	3,556,000
Other participants in aggregate	24 May 2010	HK$1.490	2,240,000	–	–	–	–	2,240,000
			314,232,000	21,986,175	–	–	–	336,218,175

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
28 June 2012	50% of the total number of Share Options granted
28 September 2012	12.5% of the total number of Share Options granted
28 December 2012	12.5% of the total number of Share Options granted
28 March 2013	12.5% of the total number of Share Options granted
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
27 December 2012	50% of the total number of Share Options granted
27 March 2013	12.5% of the total number of Share Options granted
27 June 2013	12.5% of the total number of Share Options granted
27 September 2013	12.5% of the total number of Share Options granted
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
30 September 2013	50% of the total number of Share Options granted
30 December 2013	12.5% of the total number of Share Options granted
30 March 2014	12.5% of the total number of Share Options granted
30 June 2014	12.5% of the total number of Share Options granted
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 schedule as follows:

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

The remaining 4,850,000 share options shall be subject to a vesting schedule as follows:

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

(6) Share options granted under the Share Option Scheme on 11 May 2015 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
11 May 2015	50% of the total number of Share Options granted
11 August 2015	12.5% of the total number of Share Options granted
11 November 2015	12.5% of the total number of Share Options granted
11 February 2016	12.5% of the total number of Share Options granted
11 May 2016	12.5% of the total number of Share Options granted

(7) Share options granted under the Share Option Scheme on 26 June 2015 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
26 June 2015	50% of the total number of Share Options granted
26 September 2015	12.5% of the total number of Share Options granted
26 December 2015	12.5% of the total number of Share Options granted
26 March 2016	12.5% of the total number of Share Options granted
26 June 2016	12.5% of the total number of Share Options granted

(8) Share options granted under the Share Option Scheme on 25 November 2015 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
25 November 2015	50% of the total number of Share Options granted
25 February 2016	12.5% of the total number of Share Options granted
25 May 2016	12.5% of the total number of Share Options granted
25 August 2016	12.5% of the total number of Share Options granted
25 November 2016	12.5% of the total number of Share Options granted

(9) Share options granted under the Share Option Scheme on 9 September 2016 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
9 September 2016	50% of the total number of Share Options granted
9 December 2016	12.5% of the total number of Share Options granted
9 March 2017	12.5% of the total number of Share Options granted
9 June 2017	12.5% of the total number of Share Options granted
9 September 2017	12.5% of the total number of Share Options granted

(10) Share options granted under the Share Option Scheme on 2 May 2017 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"):

The 17,800,000 Share Options (including the Share Options granted to the Directors) shall be subject to a vesting schedule as follows:

Vesting Date	Percentage of Share Options to vest
2 August 2017	12.5% of the total number of Share Options granted
2 November 2017	12.5% of the total number of Share Options granted
2 February 2018	12.5% of the total number of Share Options granted
2 May 2018	12.5% of the total number of Share Options granted
2 August 2018	12.5% of the total number of Share Options granted
2 November 2018	12.5% of the total number of Share Options granted
2 February 2019	12.5% of the total number of Share Options granted
2 May 2019	12.5% of the total number of Share Options granted

The remaining 10,400,000 Share Options shall be subject to a vesting schedule as follows:

Vesting Date	Percentage of Share Options to vest
2 May 2017	50% of the total number of Share Options granted
2 August 2017	12.5% of the total number of Share Options granted
2 November 2017	12.5% of the total number of Share Options granted
2 February 2018	12.5% of the total number of Share Options granted
2 May 2018	12.5% of the total number of Share Options granted

(11) The Company granted a total of 32,400,000 Share Options on 2 May 2017, among which 4,200,000 were not accepted by the relevant grantees.

(12) Share options granted under the Share Option Scheme on 15 June 2018 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"):

Out of the 21,986,175 Share Options granted, 16,686,175 Share Options shall be subject to a vesting schedule as follows:

Vesting Date	Percentage of Share Options to vest
15 June 2018	50% of the total number of Share Options granted
15 September 2018	12.5% of the total number of Share Options granted
15 December 2018	12.5% of the total number of Share Options granted
15 March 2019	12.5% of the total number of Share Options granted
15 June 2019	12.5% of the total number of Share Options granted

The remaining 5,300,000 Share Options shall be subject to a vesting schedule as follows:

Vesting Date	Percentage of Share Options to vest
15 September 2018	12.5% of the total number of Share Options granted
15 December 2018	12.5% of the total number of Share Options granted
15 March 2019	12.5% of the total number of Share Options granted
15 June 2019	12.5% of the total number of Share Options granted
15 September 2019	12.5% of the total number of Share Options granted
15 December 2019	12.5% of the total number of Share Options granted
15 March 2020	12.5% of the total number of Share Options granted
15 June 2020	12.5% of the total number of Share Options granted

During the Period save as disclosed above, no options granted under the Share Option Scheme were lapsed or cancelled.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 32 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 Period, 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 Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FUND RAISING AND USE OF PROCEEDS

On 18 May 2018 (after trading hours), Putana Limited and the Company entered into a subscription agreement in respect of the issue of the Convertible Bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0%. The conversion price is HK$0.174 per share for a potential maximum amount of the Conversion Shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as of 18 May 2018, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy Capital and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed on 27 July 2018. As of the date of this annual report, approximately USD8 million had been used as funding for Future Energy Capital and other downstream projects and approximately USD2 million had been used as working capital. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 for further details.

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the year ended 31 December 2018 and up to the date of this annual report.

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 throughout the Period and up to and including the date of this annual report.

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 Period.

CONNECTED TRANSACTION

On 23 November 2018 (after trading hours), Comtec Clean Energy, Lu Ke Ya and Kexin entered into a capital injection agreement with ISDN in relation to the injection of capital by ISDN to the registered capital of Kexin. As Lu Ke Ya then held more than 10% of equity interest in Kexin, Lu Ke Ya was a substantial shareholder of Kexin, and accordingly was a connected person at the subsidiary level of the Company under the Listing Rules. As such, the injection of capital by ISDN constitutes a connected transaction of the Company under the Listing Rules. Please refer to the announcement of the Company dated 23 November 2018 for further details. Other than the above, the Company has not entered into connected transactions during the Period.

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.

The Company has complied throughout the Period with all code provisions of the Corporate Governance Code.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, as at the end of and throughout the Period, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Articles of Association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which the Directors or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

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.

PRINCIPAL RISKS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the internal control and risk management systems of the Group, which are designed to manage the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss.

The principal risks related to the Group are set forth as below:

Business Risk

The Group's business risks includes rapid change in the market conditions of the solar industry, downturn pressure on the government subsidies to the industry and selling price of solar products. The Board is responsible for the overall management of the business and review of material business decisions involving material risks exposures from time to time.

Financial Risk

The Group adopts financial risk management policies to manage its currency risk, interest rate risk, credit risk and liquidity risk. The Board also reviews monthly management accounts, capital structure and key operating data of the Group.

Compliance Risk

The Board adopts procedures to ensure the Company is in compliance with the applicable laws, rules and regulations. The Company engages professional advisors and consultants to keep the Company abreast of the latest developments in the regulatory environment, including legal, financial, environmental and operational developments. The Company also adopts a strict policy in prohibiting any unauthorized use or dissemination of confidential or inside information.

Operational Risk

The Company adopts procedures to manage its operational risk such as inadequate management efficiency, inefficient raw material procurement and production facilities utilization.

The Board has conducted a review of the effectiveness of the Group's internal control and risk management systems covering business, financial, compliance and operational risks of the Group and is satisfied that such systems are effective and adequate.

EMPLOYEES

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and trainings for advancement and improvement of their skills. The Group has also adopted the Share Option Scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

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 12 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 32 to the consolidated financial statements.

None of the directors waived any emoluments throughout the Period.

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 2018 were 33.6% and 66.2% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers during the year of 2018 were 15.6% and 43.9% 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.

The Group built long term relations with suppliers and customers and the Group treasures the technical and cost competitiveness of each other and provides supports to each other.

The Group has established strong relationships with numerous suppliers of high quality virgin polysilicon feedstock. The Group has an average of approximately thirteen years of relationships with the Group's major suppliers. The Group has been able to rely on these relationships with its suppliers to provide the Group with a stable supply of polysilicon feedstock to meet the current production requirements. The strength of the relationships with long-term suppliers allows the Group to manage the raw materials procurement efficiently.

The Group has also established a number of long-term relationships with key customers in the solar power industry.

The Company believes its strong customer base will provide the Group with the critical support necessary for further expanding the Group's business and ensure that the Group is well-positioned to capture future growth opportunities in the solar power industry.

ENVIRONMENTAL PROTECTION

The Group is specialized in providing energy saving and environmentally-friendly products. In addition, the Group is committed to building an environmentally-friendly corporation that pays close attention to conserving energy.

The Group strives to operate in compliance with the relevant environmental regulations and rules and has instituted various measures to comply with applicable laws and regulations, including measures to monitor and control waste water and waste chemicals. The Group currently has in-house waste water treatment facilities and external waste chemicals processing facilities. The facility maintenance team oversees the Group's compliance with environmental and waste treatment laws and regulations.

The Company believes that there are no environmental protection laws and regulations which may adversely affect the Group's production in any material respect, and the Group is currently in compliance in all material aspects with all applicable environmental laws and regulations for the Period.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the Period and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment 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 Period.

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 2018.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2018 are set out in note 28 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the Period as set out in the section headed "Management Discussion and Analysis — Business Review" in this annual report is expressly included in this directors' report and forms part of this directors' report.

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 2018 is set out on page 201 of this annual report.

On behalf of the Board
John Yi Zhang
Chairman

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.

The Company has complied with the Corporate Governance Code throughout the Period.

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.

As at the date of this annual report, the Board comprises seven Directors, consisting of three executive Directors, Mr. John Yi Zhang (the chairman of the Board), Mr. Chau Kwok Keung and Mr. Zhang Zhen, one non-executive Director, Mr. Wang Yixin and three independent non-executive Directors, Mr. Leung Ming Shu, Mr. Kang Sun, and Mr. Xu Erming. 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 "Biographic Details of 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

The Board has approved a 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 Period.

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. Details of attendance record of professional training by each Director during the Period is set out below.

Name of Director	Professional training attended
Executive Directors	
Mr. John Yi Zhang	✓
Mr. Zhang Zhen	✓
Mr. Chau Kwok Keung	✓
Non-executive Directors	
Mr. Wang Yixin	✓
Independent non-executive Directors	
Mr. Leung Ming Shu	✓
Mr. Kang Sun	✓
Mr. Xu Erming	✓

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 period is set out below:

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. John Yi Zhang *(Chairman)*	11/11	3/3
Mr. Zhang Zhen	11/11	3/3
Mr. Chau Kwok Keung	11/11	3/3
Non-executive Director		
Mr. Wang Yixin	11/11	3/3
Independent non-executive Directors		
Mr. Leung Ming Shu	11/11	3/3
Mr. Kang Sun	11/11	3/3
Mr. Xu Erming	11/11	3/3

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 Mr. John Yi Zhang, Mr. Chau Kwok Keung and Mr. Zhang Zhen, being the executive Directors of the Company has entered into a service contract with the Company for a specific term of two years commencing from the Listing Date, the Listing Date and 3 October 2016, respectively, 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.

Mr. Wang Yixin, being the non-executive Director of the Company, has entered into a service contract with the Company for a specific term of two years commencing from 3 October 2016 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 Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Xu Erming, being 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 from the Listing Date, the Listing Date and 19 April 2017, respectively, 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 risk management and internal control systems of the Company. Their composition and written terms of reference are in line with the Corporate Governance Code. Throughout the Period, the audit committee comprised of three members, namely, three independent non-executive Directors, Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Xu Erming. Mr. Leung Ming Shu is the chairman of the audit committee.

The Group's unaudited interim results for the six months ended 30 June 2018, and the audited annual results for the Period 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 and oversaw the risk management and internal control systems of the Group throughout the Period.

Throughout the Period, 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. Leung Ming Shu	4/4
Mr. Kang Sun	4/4
Mr. Xu Erming	4/4

Remuneration Committee

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

Throughout the Period, the remuneration committee reviewed the remuneration packages of the Directors and the senior management.

Throughout the Period, two meetings were 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 Yi Zhang	2/2
Mr. Leung Ming Shu	2/2
Mr. Kang Sun	2/2
Mr. Xu Erming	2/2

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 Corporate Governance Code. Throughout the Period, the nomination committee comprised of four members, namely, Mr. John Yi Zhang, an executive Director and the chairman of the Board and three independent non-executive Directors, Mr. Kang Sun, Mr. Leung Ming Shu and Mr. Xu Erming. Mr. John Yi Zhang is the chairman of the nomination committee.

The nomination committee reviewed the structure, size and composition of the Board, during the year of 2018.

Throughout the Period, 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 Yi Zhang	1/1
Mr. Kang Sun	1/1
Mr. Leung Ming Shu	1/1
Mr. Xu Erming	1/1

Corporate Governance Committee

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

Throughout the Period, 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.

Throughout the Period, 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 Yi Zhang	2/2
Mr. Chau Kwok Keung	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 "Biographical Details of Directors and Senior Management" in this annual report. Mr. Chau Kwok Keung has been 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 (the "Audit Committee") 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 throughout the Period are as follows:

	RMB'000
Audit services	2,140

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. In addition, the Audit Committee also has the responsibility for reviewing and assessing the Group's risk management and internal control systems. Throughout the Period, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group.

In order to ensure the effectiveness of our risk management and internal control system, the Company has established various management and control procedures and adopted a Compliance Manual ("Risk Management and Internal Control Procedures") for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objectives. The Company has completed the Risk Management and Internal Control Procedure with scientific analysis and assessment, to recognize potential risk points. By virtue of the Risk Management and Internal Control Procedure, the senior management of the Group reviews and evaluates the internal control process, monitors any risk factors on a regular basis, and reports to the Board on any findings and measures taken to address such variances and identified risks. The Board, with the assistance of the senior management of the Company, also conducts regular management meetings and on-site inspections to check and monitor the potential risks associated with the business operation and financial management of the Group.

With the integration of the real situation of the Company and various applicable laws and regulations, the management of the Company can act in concert with such to develop solutions towards the risks, to organize the business operation systematically, and to monitor and mitigate possible risks. The Company also formulated and distributed a Compliance Manual and Internal Audit Charter, etc. internally to require all staff of the Group to comply with these internal risk management and internal control standards, and together build a regulatory environment of risk control and standardized operation. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board or the Audit Committee. This process was in place throughout 2018 and is subject to continuous improvement.

With the assistance of the professional auditor, the Audit Committee supervised the Company's revenue and expenditure for the financial and economic activities, to further strengthen the functions of risk management, to ensure the effective implementation of risk management and internal control system and the Company's standardized operation and healthy development. In order to comply with the relevant requirements under the Corporate Governance Code in relation to the corporate risk management and internal controls, the Company has established an internal audit department for the purposes of simultaneous updates between the corporate governance and the Code on Corporate Governance and continuously improving the effectiveness of the Company's risk management and internal controls.

Throughout the Period, the Company provided inside information training courses to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

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.

Throughout the Period, the Board, with the assistance of the Audit Committee, has conducted reviews of the risk management and internal control systems of the Company twice and considered the risk management and internal control systems of the Company are adequate and being implemented effectively. Such review covered all material controls, financial, compliance and operational controls as well as risk management mechanisms.

The Board, with the assistance of the Audit Committee, has also reviewed and was satisfied with the adequacy of the Company's resources, the staff's qualifications and experience, the training courses and the related budgets in accounting, internal review and financial reporting functions.

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 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 Level 8 & 14, 88 Gloucester 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 Level 8 & 14, 88 Gloucester Road, Wanchai, Hong Kong or by email at billy_law@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 throughout the Period.

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.

Environmental, Social and Governance Report

This environmental, social and governance ("ESG") report (the "ESG Report") was prepared to present the Group's performance of corporate social responsibility and environmental protection for the year ended 31 December 2018. This ESG Report takes the Company as the main body and covers all the subsidiaries of the Company.

The Board has overall responsibility for the Company's ESG strategy and reporting. In line with the Corporate Governance Code, the Board is responsible for evaluating and determining the Company's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management of the Company confirm to the Board that these systems are in place and effective.

The Company has established internal control policies and systems to ensure compliances with the rules and regulations of the place where it operates. The management keeps regular communication and supervision to ensure the appropriate operation. Risk and defects identified will be discussed and reported to board if any.

Please see section "Risk management and internal control" for more details.

PART I ENVIRONMENTAL

Emissions

The Group carries out strict policies and procedures to monitor and treat the emissions of the four categories of pollutants specified by the state (waste water, waste gases, solid wastes and noise) and is committed to developing and introducing new technologies, and higher efficiency of pollutant treatment.

The principal manufacturing facilities of the Group are based in the PRC. The Group strictly complies with the rules and regulations of the PRC in regards with emission. In addition, the Company has a greenhouse gas monitoring system in place to monitor greenhouse gas emissions. The Company does not generate any greenhouse gas or hazardous waste during manufacturing process. In 2018, the major source of greenhouse gas emissions of the Group was consumption of purchased electricity.

The main non-hazardous waste generated during the production is dust and sludge, most of which is duly processed by our waste water treatment process. Sludge was sent to brickyard and then rebuilt to brick. Dust was sprayed by water and handled by waste water treatment process. In 2018, the Group reduced the generation of waste mainly by improving diamond saw skills and subcontracting the slicing process. In 2018, the Group was not subject to any penalties or fines as a result of non-compliance with environment laws and regulations.

Waste sludge processed in 2017	Unit: tonne
Non-hazardous waste sludge	219.40

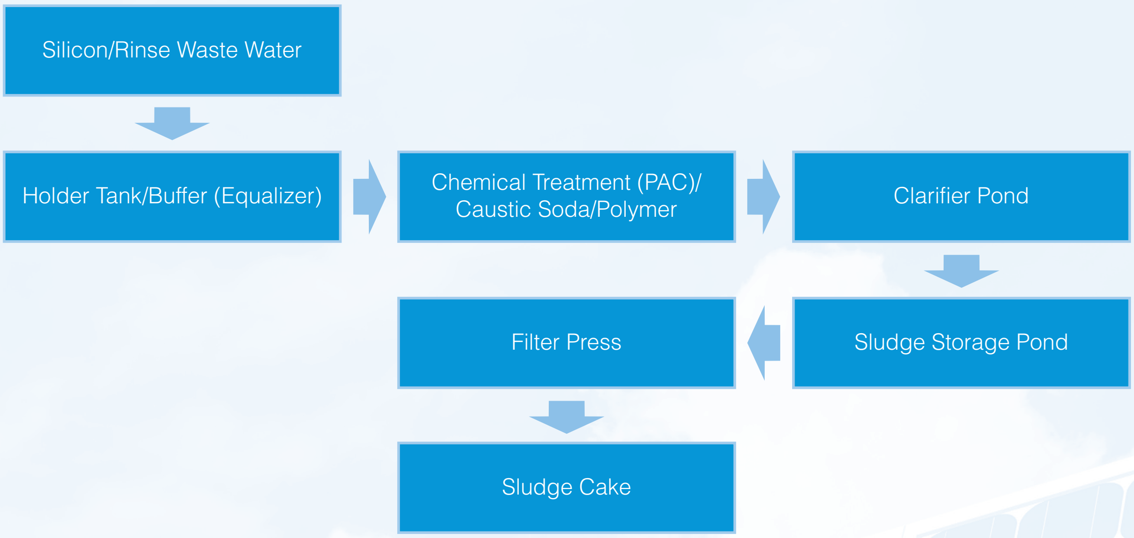
Waste sludge processed in 2018	Unit: tonne
Non-hazardous waste sludge	137.30

Waste dust processed in 2017	Unit: kg
Non-hazardous waste dust	583.00

Waste dust processed in 2018	Unit: kg
Non-hazardous waste dust	132.17

The below diagram sets out the general waste water treatment process of the Group:

General Waste Water Treatment Process



Ever since the commencement of the production of the Group, the Group has been focusing on environment protection and strictly following the below relevant applicable environment regulations and standards:

Type	Standard/Regulations
Air	Integrated emission standard of air pollutants GB16297-1996
	Environmental Quality (Clean Air) Regulations 1978 (Incorporated latest amendments — P.U. (A) 309/2000)
Water	Integrated wastewater discharge standard GB8978-1996
Noise Level	Emission standard for industrial enterprises noise at boundary GB12348-2008

During the year of 2018, the Group was in compliance with the relevant laws and regulations that have a significant impact of the Company relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

The Group will endeavour to further reduce waste emission in the future and actively address environmental issues in a responsible manner by continuing to refine the manufacture process and upgrade existing wasting process unit, establishing a waste monitoring system, modifying pollution treatment facilities and establishing a corporate culture that values environmental protection.

Uses of Resources

The Group has minimised energy consumption in production and operation and strived for clean production by continuously promoting effective energy-saving technologies and improving production skills, so as to achieve sustainable development. In 2018, the PRC subsidiaries of the Group continued to improve in production efficiency by hot zone design, improvement of production skills and utilisation of facilities and new materials. Meanwhile, the Group also cultivates employees' awareness on environmental protection and advocates green office work through employee training and education to minimise environmental impact in the course of management and daily operation of the Group.

Electricity consumption in 2017	Unit: kWh
Plants of the Group	114,962,177

Electricity consumption in 2018	Unit: kWh
Plants of the Group	18,506,308

The Group mainly consumes electricity, water and packaging materials (including paper boxes, form materials and sponges) during its production, storage, packaging and transportation process. The Group also has policies and internal procedures to minimise usage of water under control of a log book, to set a specific temperature to allow the usage of air conditioners and to make sure cars shall be used effectively. In addition, the Group reduces consumption of resources by subcontracting certain production process and deepens innovation in management and recycling of packaging materials by reducing inventory backlog, avoiding claim of excessive materials and strengthening recovery management, to effectively reduce the use of packaging materials and avoid waste.

Water resources consumption in 2017	Unit: tonne
Plants of the Group	651,675

Water resources consumption in 2018	Unit: tonne
Plants of the Group	168,173

Packaging materials (paper boxes) consumption in 2017	Unit: tonne
Plants of the Group	12.12

Packaging materials (paper boxes) consumption in 2018	Unit: tonne
Plants of the Group	7.71

The Environment and Natural Resources

With response to the government's call on environment protection and energy saving, the Group continues to implement green office practices, cultivate employees' energy saving awareness and promote energy saving. The measures taken by the Group include the use of energy-saving lightings and recycled paper, the minimisation of use of paper, the reduction of energy consumption by switching off idle lightings, computers and electrical appliances, the use of teleconferencing as an alternative to travel, the monthly monitor of electricity consumption in production and operation, the maintenance of records and statistics, the formulation of maintenance plans of major electrical appliances, the prevention of increase in electricity consumption due to equipment aging.

Environmental Protection and Sustainable Development

The Group is dedicated to advancing the penetration of green energy and mitigating the harm caused by global climate change to the sustainable development of human being as a result of greenhouse effect. The Group has achieved carbon neutral status through our photovoltaic power station business.

PART II SOCIAL

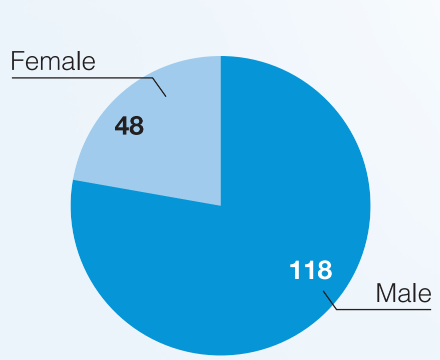
Employment and Labour Practices

Employment

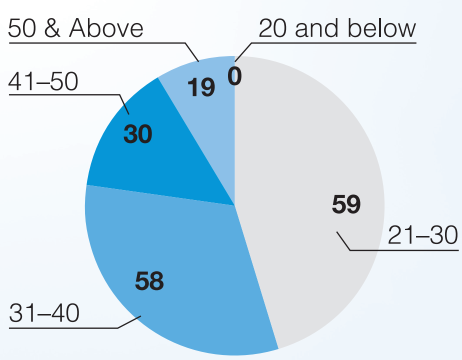
Understanding that staff is one of our most valuable assets, we have established comprehensive staff policies and welfare guidelines to attract and retain talent. We strive to ensure a safe and healthy workplace, which also serves as a platform for staff to excel in career and personal growth.

As of 31 December 2018, the total staff headcount, composition, and turnover rate of the Group are illustrated as follows:

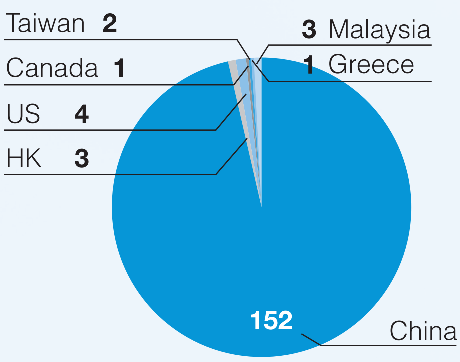
Gender



Age



Geographical region



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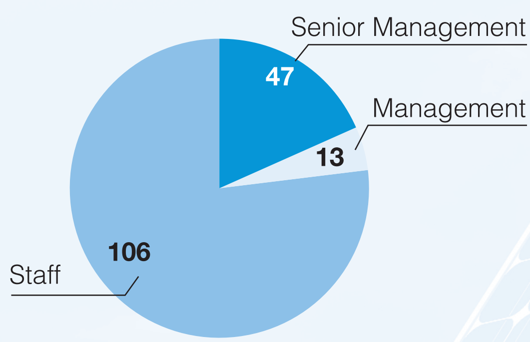
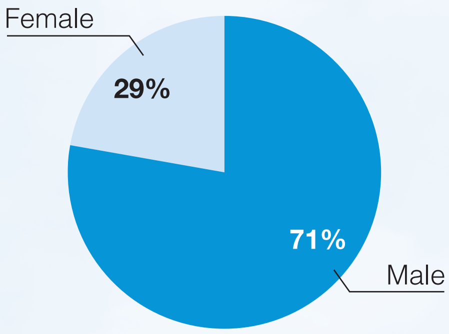
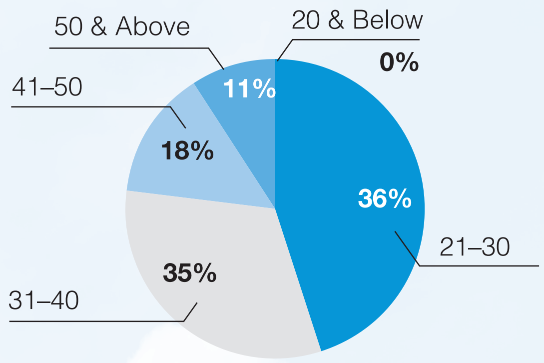


Staff by Gender



Staff by Age



We have internal policies to request all local operation to comply with the relevant rules and regulations relating to labor use and labor management. Management of the Company regularly communicates with each of the local operation teams to ensure compliance with the above rules and regulations and would strictly review the remedial measures to rectify any non-compliance notice or charges from the government authorities or complaints from our staffs.

The Group has established and perfected a welfare system suitable for enterprise development and employees' growth, built a remuneration management system and continuously perfected the remuneration scheme. Further, in accordance with national regulations, it pays social insurance and provident fund for employees and employer liability insurance for employees, provides various benefits such as subsidies on holidays and festivals, home leaves, meal allowance, and subsidies for mobile phone bill for employees, truly enabling employees to feel happy at work and in turn work hard due to the happy working environment.

During the year of 2018, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Health and Safety
The Group is committed to guarding its staff's health and safety. Various guidelines on work safety and emergency response, regarding daily operations, have been in place for staff to ensure their compliance. Notices are also posted in work places to constantly remind staff of wearing applicable personal safety equipment, and maintain an accident-free working environment together. The Group organizes various training modules on occupational health and safety to raise safety awareness amongst staff. Working environment is reviewed and evaluated on a regular basis, and improvement from time to time.

Health and safety performance	Performance
Number of work-related fatalities	1
Lost days due to work injury	31
Number of accident	1

During the year of 2018, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

The Group emphasizes staff development, and allocates annual training budgets as necessary to support employees' all-round training program. Staff is encouraged to participate in internal and external training opportunities per their duties. These training courses and seminars cover a wide range of topics, such as management skills, communication skills, and specific technical skills, which help strengthen their professional knowledge. The Group also encourages staff's self-learning to support employees' personal development.

Total training hours by employee category	Hours
Top management level	20
Senior management level	60
General staff	195

Labour Standards

The Group advocates a merit-based principle based on staff competency, to assemble a highly-efficient team. The Group offers a fair workplace by establishing clear staff policies and management controls, which respects equal opportunities, eliminates sexual harassment, provides grievance mechanisms, promotes anti-corruption, and ensures personal data confidentiality.

The company has implemented internal policies to require all HR departments in different locations to comply with national and local labour laws, including these related to child ad forced labour, and the management of the Company also makes regular communications with the head of the HR departments in different locations to ensure the compliance of the labor laws. In 2018, there were no instances of discrimination, child labor, forced labor or violations of employees' interests.

During the year of 2018, the Group followed the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

Operating Practices

Supply Chain Management

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers, and has established a supplier qualification system in terms of price, quality, cost, delivery and after-sales service. The Group will carry out long-term quality monitoring and conduct regular reviews on all suppliers as well as casual examinations on different suppliers to ensure sustainable quality material supplies and services.

Geographical region	Number of suppliers
China	142
Malaysia	1
Korea	1

Product Responsibility

The Group has policies to request all departments including sales and production to ensure all business and operation be complied with rules and regulations. Management communicate with staffs and department head and customers regularly and would review if any complaints, charges or lawsuits in these areas.

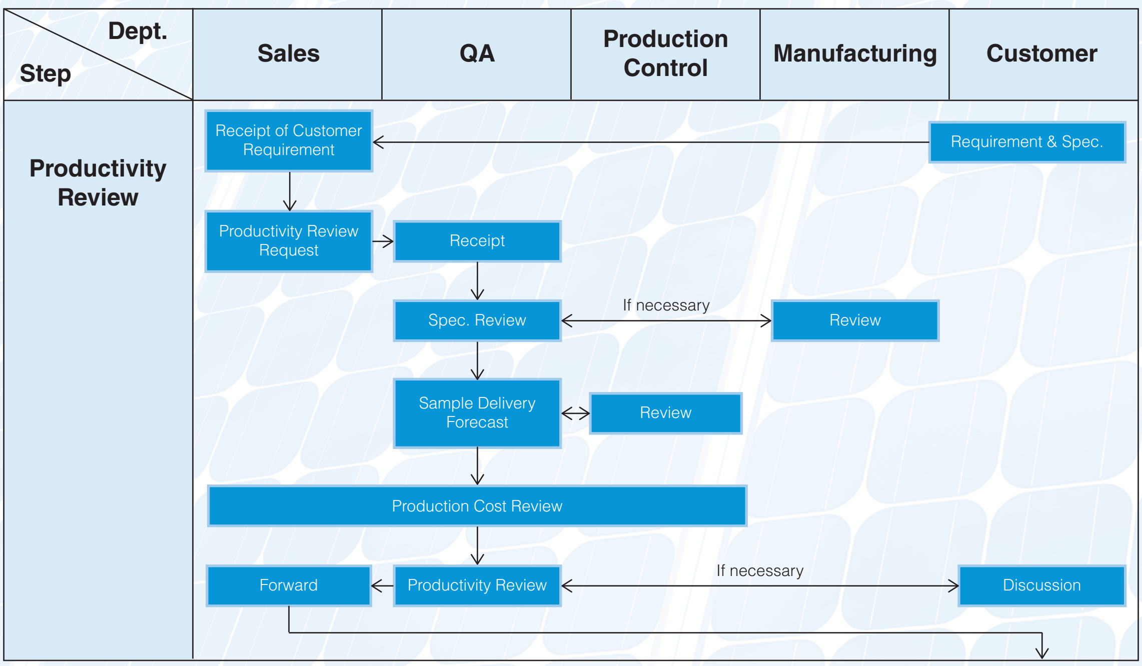
The Group has developed its brands and technologies for its products and therefore the protection of the Group's intellectual property rights is of critical importance. It is the Group's policy to register trademarks and invention patents in most of the major countries where such trademarks or patents are used or will be used soon. The Group will take appropriate steps to police infringements of its intellectual property rights and take necessary proceedings to protect its intellectual property rights. The Group also have Q&A and Complaint processes and to make sure after sale service qualities.

To regulate production and management, improve product quality and reduce production of unqualified products and waste of resources, the Group has established and strictly enforced a quality management system that covers the product life cycle ranging from procurement of raw materials to production process control to process supervision and inspection of finished products. Meanwhile, the Group has also strengthened quality inspection in its subsidiaries, branches and consortiums, monitored process quality control indices and thus uncovering and resolving product quality problems on a timely basis.

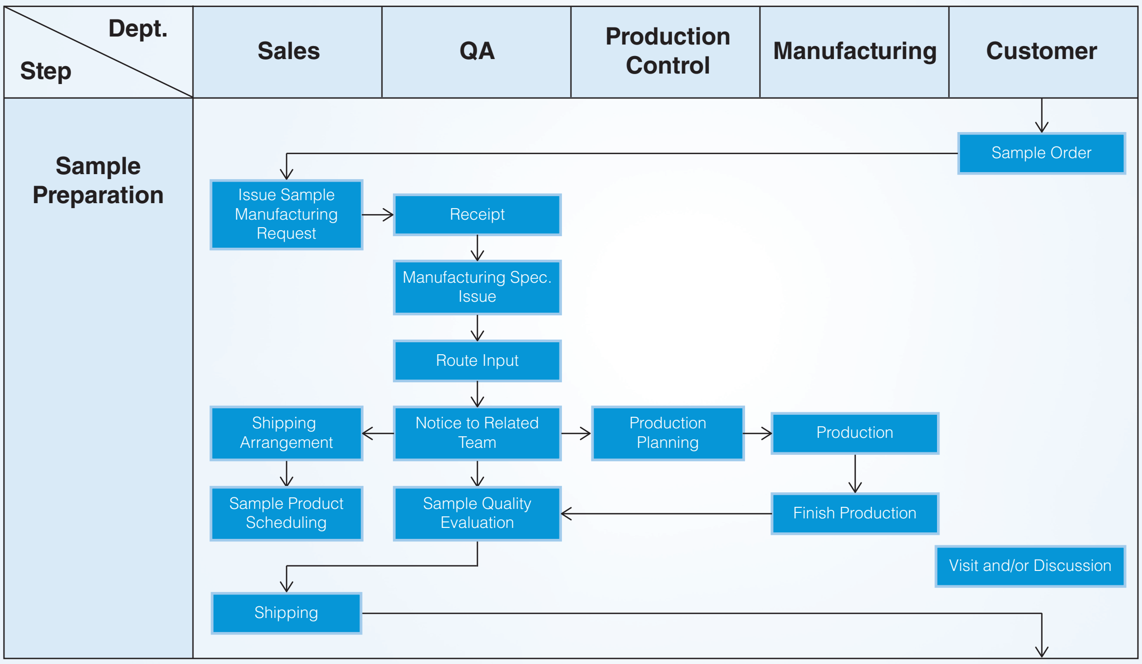
In order to provide consumers with genuine high-quality products, the Group has developed "a system" to strengthen rights protection against competing products suspected of infringing the patent of the Group. In the meantime, the Group has also developed "International Patent Application Process", gradually extended protection of intellectual property rights to overseas markets and strengthened protection of patents abroad.

Here is flowchart of the Company's QA and after sale services.

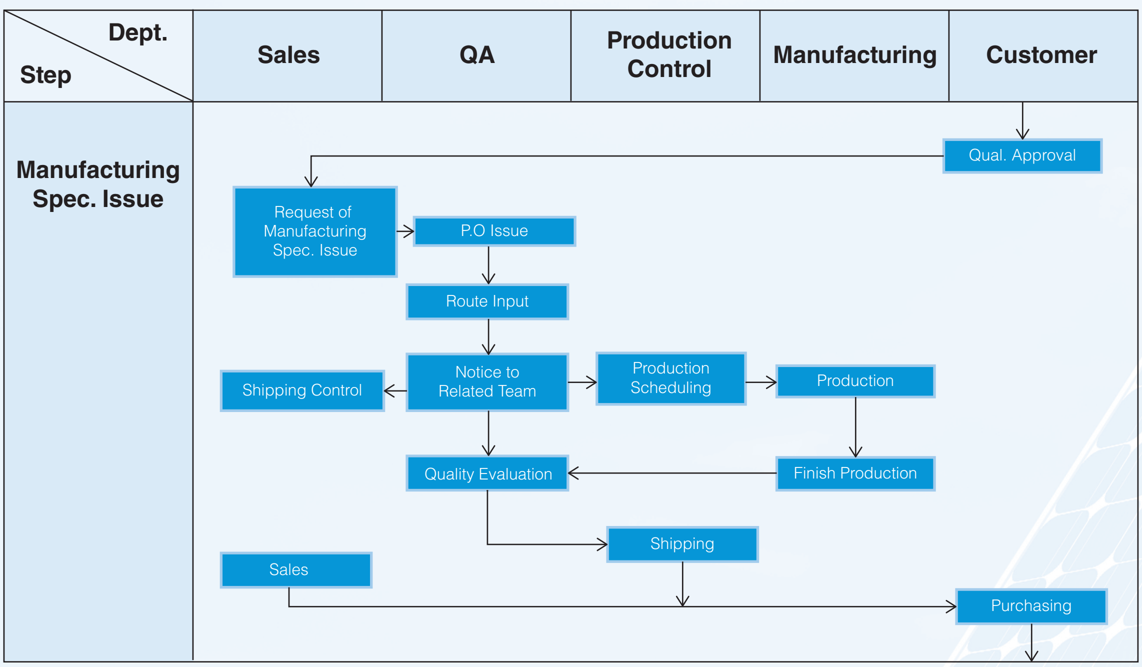
Quality Assurance Flow Chart — Productivity Review



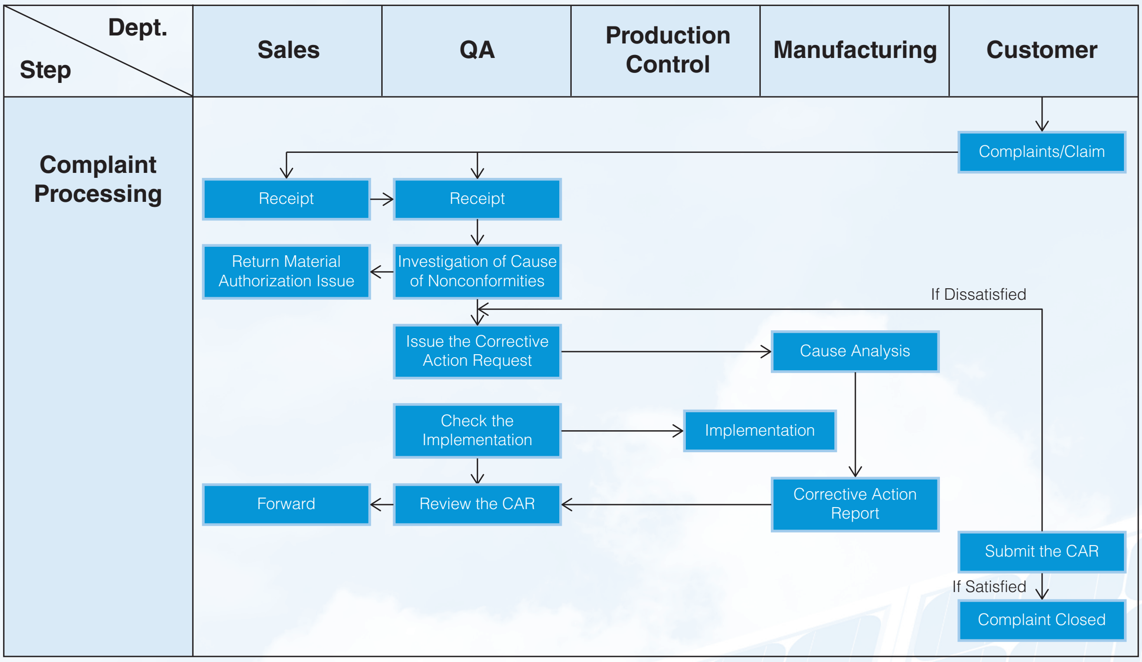
Quality Assurance Flow Chart — Sample Preparation



Quality Assurance Flow Chart — Spec. Issue



Quality Assurance Flow Chart — Complaint Processing



	Number or percentage
Total products sold or shipped subject to recalls for safety and health reasons	0
Products and service related complaints received and how they are dealt with	0

During the year of 2018, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption

The Group values credibility and integrity and follows the principle of fairness in its daily operations. At the same time, the Group has clarified its determined stance on fighting against corruption and deception to all employees, suppliers and business partners. Appropriate binding terms have been introduced accordingly to respective contracts to ensure the relevant parties acted under the Group's requirement. The Company has distributed an internal staff compliance handbook which implicitly forbids any corruption and also designated a personnel to be the contact person for the staff if any such case is noted.

All staffs are expected to observe ethical, personal and professional conduct. In additional to the Staff Code of Conduct on anti-bribery and anti-corruption, the Group has established whistle-blowing system and procedures, whistle-blowers of verified cases will be rewarded accordingly.

During the year of 2018, the Group did not identify any corruption or bribe-taking case and in compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to bribery, extortion, fraud and money laundering.

Community

Community Investment

Over the years, the Group has been dedicating itself to serving the society with care, passion, integrity, and respect, which also constitutes an important part of the Group's mission. To fulfil its corporate responsibility, the Group encourages staff to be a volunteer and supports various community social events. These community events will help to build the team collaboration workstyle and contribute to the sustainable development of local society.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Comtec Solar Systems Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 72 to 200, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group experienced a net loss of RMB187 million for the year ended 31 December 2018 and had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB177 million although a net assets of RMB58 million are maintained as at that date. These factors initially raised doubt as to the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from acquisition	
We identified the impairment assessment of goodwill arising from acquisition as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the judgments involved in the management's impairment assessment of goodwill. As disclosed in Note 20 to the consolidated financial statements, as at 1 January 2018 there is goodwill in the amount of RMB105,917,000 arising from the acquisition of downstream solar business in the past two years, due to the adverse change in industry environment and market condition as an effect of new government policy released in May 2018 which has negative impact on installation quotas of distributed generation projects, therefore the impairment of goodwill in the amount of RMB39,025,000 related to the business of distributed generation projects has been provided accordingly for the year ended 31 December 2018. As at 31 December 2018 the carrying amount of goodwill amounted to approximately RMB66,892,000. As set out in Note 5(a) to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgments.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Obtaining an understanding of the process and testing the internal controls over the impairment assessment of goodwill; • Examining the determination of recoverable amount which is the value in use of cash-generating unit to which goodwill has been allocated and obtaining an understanding of financial position and future prospect of the cash-generating unit; • Evaluating the reasonableness of key inputs and assumptions used by the management in estimations of value in use, including projections of cash flows, growth rate and weighted average return on assets; • Comparing cash flow projection to supporting evidence, such as approved budget, and evaluating the reasonableness of such budget with reference to contracts concluded or under negotiation and future prospect of the cash-generating unit as well as our knowledge of the business; and • Re-performing the underlying calculation used in the Group's assessment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Jacky Wong Suk Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	NOTES	2018 *RMB'000*	2017 *RMB'000*
Revenue	6, 7	172,617	489,208
Cost of sales		(178,138)	(481,230)
Gross (loss) profit		(5,521)	7,978
Other income	8	14,403	29,029
Other gains and losses	9	(64,120)	(45,832)
Impairment losses, net of reversal		(17,054)	(7,690)
Distribution and selling expenses		(6,012)	(11,049)
Administrative expenses		(92,895)	(81,846)
Research and development expenses		(5,785)	(5,865)
Share of profit of a joint venture	22	1,339	–
Finance costs	10	(23,849)	(15,925)
Loss before tax	11	(199,494)	(131,200)
Income tax credit (expense)	13	12,912	(14,247)
Loss for the year		(186,582)	(145,447)
Loss for the year attributable to			
Owners of the Company		(179,882)	(140,296)
Non-controlling interests		(6,700)	(5,151)
		(186,582)	(145,447)
		RMB cents	*RMB cents*
Loss per share	16		
— Basic		(8.58)	(8.15)
— Diluted		(8.58)	(8.15)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
Loss for the year	(186,582)	(145,447)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Gain on revaluation of investment properties transferred from property, plant and equipment and prepaid lease payments	–	41,387
Deferred tax arising from gain on revaluation of investment properties transferred from property, plant and equipment and prepaid lease payments	–	(10,347)
Other comprehensive income for the year	–	31,040
Total comprehensive expense for the year	(186,582)	(114,407)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(179,882)	(109,256)
Non-controlling interests	(6,700)	(5,151)
	(186,582)	(114,407)

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment	17	166,444	142,129
Prepaid lease payments	18	12,933	13,484
Investment properties	19	86,027	86,027
Goodwill	20	66,892	105,917
Intangible assets	21	5,645	67,757
Interests in a joint venture	22	10,514	–
Deposits paid for acquisition of property, plant and equipment		148	22,354
		348,603	437,668
Current assets			
Inventories	23	18,788	43,209
Trade and other receivables	24	75,207	131,346
Bills receivable	24	–	1,684
Advance to suppliers		71,611	64,509
Prepaid lease payments	18	549	335
Pledged bank deposits	25(a)	22,063	20,874
Bank balances and cash	25(b)	8,020	32,107
		196,238	294,064
Current liabilities			
Trade and other payables	26	139,068	131,057
Contract liabilities	27	51,530	–
Customers' deposits received		–	43,203
Short-term bank loans	28	170,172	200,339
Tax liabilities		5,785	10,333
Deferred income	29	287	287
Contingent consideration payables	30	5,936	9,884
Obligations under finance lease	35	820	–
		373,598	395,103
Net current liabilities		(177,360)	(101,039)
Total assets less current liabilities		171,243	336,629

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 *RMB'000*	2017 *RMB'000*
Non-current liabilities			
Long-term bank loans	28	5,400	11,950
Deferred tax liabilities	33	18,503	31,958
Long-term payable	36	4,500	4,500
Deferred income	29	3,725	4,011
Contingent consideration payables	30	–	42,105
Convertible bonds	34	72,902	–
Obligations under finance lease	35	8,501	–
		113,531	94,524
Capital and reserves			
Share capital	31	1,807	1,807
Reserves		53,074	231,337
Equity attributable to owners of the Company		54,881	233,144
Non-controlling interests		2,831	8,961
Total equity		57,712	242,105
		171,243	336,629

The consolidated financial statements on pages 72 to 200 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

John Yi Zhang
Director

Chau Kwok Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share Capital *RMB'000*	Share Premium *RMB'000*	Share Options Reserve *RMB'000*	Special Reserve *RMB'000*	Statutory Surplus Reserve *RMB'000*	Property Revaluation Reserve *RMB'000*	Accumulated Loss *RMB'000*	Sub-Total *RMB'000*	Non-Controlling Interests *RMB'000*	Total *RMB'000*
At 1 January 2017	1,333	1,374,735	108,586	11,012	84,583	–	(1,370,178)	210,071	–	210,071
Loss for the year	–	–	–	–	–	–	(140,296)	(140,296)	(5,151)	(145,447)
Other comprehensive income for the year	–	–	–	–	–	31,040	–	31,040	–	31,040
Total comprehensive income (expense) for the year	–	–	–	–	–	31,040	(140,296)	(109,256)	(5,151)	(114,407)
Issue of ordinary shares	474	129,749	–	–	–	–	–	130,223	–	130,223
Recognition of equity-settled share-based payments	–	–	2,106	–	–	–	–	2,106	–	2,106
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	14,092	14,092
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	20	20
At 31 December 2017	1,807	1,504,484	110,692	11,012	84,583	31,040	(1,510,474)	233,144	8,961	242,105
Remeasurement of allowance subject to expected credit losses ("ECL") *(Note 3)*	–	–	–	–	–	–	(945)	(945)	–	(945)
At 1 January 2018 (Restated)	1,807	1,504,484	110,692	11,012	84,583	31,040	(1,511,419)	232,199	8,961	241,160
Loss for the year	–	–	–	–	–	–	(179,882)	(179,882)	(6,700)	(186,582)
Total comprehensive expense for the year	–	–	–	–	–	–	(179,882)	(179,882)	(6,700)	(186,582)
Recognition of equity-settled share-based payments	–	–	2,564	–	–	–	–	2,564	–	2,564
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	570	570
At 31 December 2018	1,807	1,504,484	113,256	11,012	84,583	31,040	(1,691,301)	54,881	2,831	57,712

For the year ended 31 December 2018

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 arising on the group reorganisation is 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 statutory 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 2018

	2018 *RMB'000*	2017 *RMB'000*
Operating activities		
Loss before taxation	(199,494)	(131,200)
Adjustments for:		
Interest income	(382)	(296)
Interest expenses	23,849	15,925
Depreciation of property, plant and equipment	19,448	18,086
Amortisation of intangible assets	13,412	21,288
Share-based payment expenses	2,564	2,106
Impairment losses, net of reversal	17,054	7,690
Allowance for inventories	2,633	17,381
Impairment losses recognised in respect of advance to suppliers and prepayment of property, plant and equipment	8,915	–
Impairment losses recognised in respect of goodwill	39,025	–
Impairment losses recognised in respect of intangible assets	48,700	–
Gain on fair value change of contingent consideration payables	(46,053)	(22,016)
Loss on fair value change of convertible bonds	1,040	–
Release of prepaid lease payments	337	551
Release of deferred income	(287)	(287)
Share of profit of a joint venture	(1,339)	–
Loss on disposal of subsidiaries	3,450	–
Loss on disposal of property, plant and equipment	280	14,796
Net foreign exchange loss	422	–
Impairment losses recognised in respect of property, plant and equipment	–	36,872
Losses recognised in respect of provision for termination of Malaysian plant under construction	–	6,200
Losses recognised in respect of provision for compensation to a supplier	–	6,119
Utilisation of allowance for advance to suppliers	–	(1,369)
Operating cash flows before movements in working capital	(66,426)	(8,154)
Decrease in inventories	21,788	135,974
Decrease in trade and other receivables	33,638	43,746
Decrease in bills receivable	1,684	9,142
(Increase) decrease in advance to suppliers	(14,593)	55,646
Decrease in prepaid assignment fee	–	166,190
Decrease in trade and other payables	(13,433)	(292,015)
Decrease in customers' deposits received	–	(194,883)
Increase in contract liabilities	8,327	–
Cash used in operations	(29,015)	(84,354)
Taxes paid	(5,091)	(4,880)
Net cash used in operating activities	(34,106)	(89,234)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
Investing activities		
Interest received	382	296
Proceeds from disposal of assets held for sale	–	138,395
Proceeds from disposals of property, plant and equipment	673	10,402
Proceeds from disposals of subsidiaries	8,005	–
Placement of pledged bank deposits	(22,063)	(20,874)
Withdrawal of pledged bank deposits	20,874	126,637
Deposits paid for purchasing of property, plant and equipment	(5,866)	(21,248)
Purchase of property, plant and equipment	(12,354)	(59,650)
Acquisition of a subsidiary	–	(6,176)
Capital injection into a joint venture	(9,175)	–
Net cash (used in) generated from investing activities	(19,524)	167,782
Financing activities		
Proceeds from issue of new shares	–	66,479
Expenses on issue of shares	–	(1,336)
Repayment of obligations under finance lease	(525)	–
Proceeds from issue of convertible bonds	68,165	–
Payment for transaction cost of issue of convertible bonds	(992)	–
Bank loans raised	193,687	261,992
Interest paid	(22,008)	(16,659)
Repayment of bank loans	(209,354)	(439,067)
Capital contribution from non-controlling interests	570	20
Net cash generated from (used in) financing activities	29,543	(128,571)
Decrease in cash and cash equivalents	(24,087)	(50,023)
Cash and cash equivalents at beginning of the year	32,107	82,130
Cash and cash equivalents at end of the year, represented by bank balances and cash	8,020	32,107

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in research, production and sales of efficient mono-crystalline products, power storage products and lithium battery products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations. The details of the Company's subsidiaries are set out in Note 44.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group experienced a net loss of RMB186,582,000 for the year ended 31 December 2018 and had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB177,360,000 although a net assets of RMB57,712,000 are maintained as at that date. These factors initially raised doubt as to the Group's ability to continue as a going concern. However, the Group has developed and implemented the following liquidity plan:

- The Group currently is negotiating with banks to seek for the renewal of the loans and extension of the maturity date. Historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. The Group has assumed it will continue to be able to do so for the foreseeable future;

- The controlling shareholder committed to provide necessary financial support to the Group by either subscribing new shares of the Company or to provide shareholder's loan according to the listing rules requirements;

- The existing convertible bonds holders also agreed to provide the funding to the Group to improve the Group's liquidity when necessary;

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

Based on the refinanced short-term bank loans plan, the liquidity plan and the strict control on cash outflow strategy, the directors of the Company are of the opinion that the Group has sufficient working capital for its presentation requirements that is for at least the next 12 months commencing from the date of the consolidated financial statements. Hence the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014–2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

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

The Group recognises revenue from the following major sources:

- Production and sales of efficient mono-crystalline products and trading of solar products
- Consulting services for photovoltaic power stations
- Revenue on electricity generation
- Installation service for photovoltaic power stations
- Power storage products

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4 respectively.

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	Carrying amounts under IFRS 15 at 1 January 2018 *RMB'000*
Current liabilities					
Customers' deposits received	(a)	43,203	(43,203)	–	–
Contract liabilities	(a)	–	43,203	–	43,203

Note:

(a) As at 1 January 2018, customers' deposits received of RMB43,203,000 in respect of contracts with customers previously included in customers' deposits received were reclassified to contract liabilities.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

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

Summary of effects arising from initial application of IFRS 15 (continued)

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and the Group's consolidated statement of cash flows for the year ended 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *RMB'000*
Current Liabilities			
Customers' deposits received	–	51,530	51,530
Contract liabilities	51,530	(51,530)	–

Impact on the consolidated statement of cash flows

	As reported *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *RMB'000*
Operating Activities			
Increase in customers' deposits received	–	8,327	8,327
Increase in contract liabilities	8,327	(8,327)	–
Net cash from operating activities	8,327	–	8,327

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.2 IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

Summary of effects arising from initial application of IFRS 9

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB945,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective asset.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.2 IFRS 9 Financial Instruments *(continued)*

Summary of effects arising from initial application of IFRS 9 (continued)

Impairment under ECL model (continued)

All loss allowances for financial assets including trade and other receivables, bank balances and cash, pledged bank deposits at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade and other receivables *RMB'000*	Bank balances and cash *RMB'000*	Pledged bank deposits *RMB'000*
At 31 December 2017 — IAS 39	(7,690)	–	–
Amounts remeasured through opening retained profits	(945)	–	–
At 1 January 2018	(8,635)	–	–

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Current Assets				
Trade and other receivables	131,346	–	(945)	130,401
Current liabilities				
Customers' deposit received	43,203	(43,203)	–	–
Contract liabilities	–	43,203	–	43,203
Capital and Reserves				
Reserves	231,337	–	(945)	230,392

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[5]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015–2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 16 Leases

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

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 16 Leases *(continued)*

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB7,239,000 as disclosed in Note 38. A preliminary assessment indicated that these arrangements would meet the definition of a lease. Upon application of under IFRS 16, the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considered refundable rental deposits paid RMB940,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits were not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits might be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurements, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of IFRS 16 as lessee and recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair values at the end of the reporting period, as explained in the accounting policies 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 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 *Impairment of Assets*.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the consolidated 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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as id the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from addition information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an assets or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Change in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investments in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assess whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in sue and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in joint ventures *(continued)*

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9/ IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3)

The Group recognises revenue from production and sales of efficient mono-crystalline products, power storage products and lithium battery products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations. Under IFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Goods, services and interests

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate 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.

Leases

Leases are classified as finance leases whenever 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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

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.

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 income 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment

Equity-settled share-based payment transactions

Share options granted to the directors and employees of the Company

Equity-settled share-based payment to directors and employees and other providing similar services are measured at fair value of the services received, unless that fair value cannot be estimated reliably. If the fair value of the services received cannot be reliably estimated, their value are measured by reference to the fair value of the equity instruments granted. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 32.

The fair values of the equity-settled share-based payments determined at the grant-date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, 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.

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 accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the counterparty renders the service. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve).

4. SIGNIFICANT 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 tax" because of income or expense that are taxable or deductible in other years and 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. In addition, deferred tax liabilities are not recognised if the temporary difference arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, 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 realized, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sales, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Investment properties

Investment properties are properties held to earn rental or for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Owner-occupied properties are transferred to investment properties when and only when there is a change in use evidenced by end of owner occupation. At the date of transfer, the properties are measured at their fair value, with any gain being recognised in other comprehensive income and accumulated in "property revaluation reserve", which will not be reclassified to profit or loss at the time of disposal (it will instead be transferred to accumulated losses at the time of disposal), while with any loss being recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

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;
- 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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.

The amount recognised as a provision is 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. When 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).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9, including trade and other receivables, bill receivable, bank balances and cash, pledged bank deposits. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 3) (continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings, estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 3) (continued)

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full without taking into account any collaterals held by the Group.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 3) (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 3) (continued)

(v) Measurement and recognition of ECL *(continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and other receivables);
- Past-due status;
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the loans and receivables. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

(i) 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, bill receivable, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

(i) Loans and receivables *(continued)*

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment 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.

Derecognition of financial assets

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt 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 and the definitions of a financial liability and an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including bank loans, trade and other payables, debt component of convertible bonds are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

A conversion option 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 Group's own equity instrument is conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain and loss is recognised in profit of loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other 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.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units 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. As at 31 December 2018, the carrying amount of goodwill was approximately RMB66,892,000 (31 December 2017: RMB105,917,000). Details of recoverable amount calculation are disclosed in Note 20.

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

(b) Provision of ECL for trade receivables

Except for those debtors with significant balances or credit-impaired which are assessed individually, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 40 and 24 respectively.

As at 31 December 2018, the carrying amount of trade receivables was RMB35,847,000, net of loss allowance of RMB25,558,000.

(c) Fair value measurement of convertible bonds

The derivative component of convertible bonds amounting to RMB7,549,000 as at 31 December 2018 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 34 for further disclosures.

(d) Impairment of property, plant and equipment

In assessing the impairment of property, plant and equipment, the Group is required to estimate the recoverable amount as the higher of the cash-generating unit's fair value less costs of disposal and its value in use. 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.

During the year ended 31 December 2018, there is no provision of impairment provided on property, plant and equipment (31 December 2017: RMB36,872,000).

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

(e) Write-down of inventories

Inventories are valued at the lower of cost and net realizable 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. As at 31 December 2018, the carrying amount of inventories amounted to approximately RMB18,788,000 (31 December 2017: RMB43,209,000), net of inventory provision of approximately RMB2,704,000 (31 December 2017: RMB17,452,000).

(f) Impairment of intangible assets

The Group's management determines whether the intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of intangible assets was approximately RMB5,645,000 (2017: RMB67,757,000). Details of movements in intangible assets are disclosed in Note 21.

(g) Fair value of contingent consideration payables

In 2016, the Group acquired a business which will be satisfied by issuing ordinary shares of the Company on earn-out basis. Such contingent consideration payables is classified as a financial instrument (financial liability at FVTPL). As at 31 December 2018, the fair value of the contingent consideration payables was estimated to be approximately RMB5,936,000 resulting a fair value gain of approximately RMB46,053,000 being recognised in the profit or loss for that year. Details of the methodology and assumptions adopted are disclosed in Note 30 to the consolidated financial statements. Changes in the key assumptions on which the fair value is based could significantly affect the Group's assessment resulting in material fair value gain or loss being recognised in profit or loss on a prospective basis in the year when change occur.

6. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2018 Upstream business *RMB'000*	Downstream solar and power storage *RMB'000*
Types of goods or service		
Sales of monocrystalline solar wafers	58,805	–
Sales of monocrystalline solar ingots	22,697	–
Sales of polysilicon	4,633	–
Sales of solar modules	4,564	–
Power storage products	–	65,633
Consulting services for photovoltaic power stations	–	840
Revenue on power generation	–	9,862
Installation service for photovoltaic power stations	–	5,080
Sales of others	503	–
Total revenue	91,202	81,415
Geographical markets		
PRC including Hong Kong SAR	82,030	78,339
Philippines and Malaysia	–	3,076
Japan	9,127	–
Korea	45	–
Total revenue	91,202	81,415
Timing of revenue recognition		
At a point of time	91,202	76,335
Overtime	–	5,080
Total revenue	91,202	81,415

6. REVENUE *(continued)*

A. For the year ended 31 December 2018 *(continued)*

(ii) Performance obligations for contracts with customers

For sales of products, revenue is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered and accepted by the customers, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products. A certain percentage of prepayment will be made by the customers before the Group's obligations have been performed and completed.

For the provision of consulting service, revenue is recognised at a point of time, being when the service has been accepted by the customers. For the revenue of power generation, revenue is also recognised at a point of time when electricity is generated and transmitted.

For the installation service for photovoltaic power stations, the Group provided the installation services for photovoltaic power stations at the request of the customers. The Group recognises the revenue over time by reference to the progress towards the satisfaction of the completion.

Generally the credit period of 7~180 days are granted to the customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's contracts with customers have an original expected duration of one year or less, as permitted under IFRS 15, the transaction price allocated to the remaining performance obligations is not disclosed.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year from continuing operations is as follows:

	Year ended 31/12/2017 *RMB'000*
Sales of monocrystalline solar wafers	249,510
Sales of monocrystalline solar ingots	45,465
Sales of polysilicon	65,295
Sales of solar cells	34,787
Sales of solar modules	37,467
Sales of power storage products	5,187
Consulting services for investment, development, construction and operation of solar photovoltaic power stations	47,174
Sales of others	4,323
	489,208

7. SEGMENT INFORMATION

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and the research, production and sales of power storage products. The Group has two operating and reportable segments for financial reportable purpose in 2018. The Group's segment (loss) profit is the (loss) profit before tax of the Group.

The Group's reportable and operating segments are as follows:

i. Upstream — Production and sales of efficient mono-crystalline products, trading of solar products

ii. Downstream solar and power storage — Provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products in the current year.

Segment revenues and results

	Upstream	Downstream Solar and Power Storage	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2018:			
Revenue	91,202	81,415	172,617
Cost of sales and services	(111,018)	(67,120)	(178,138)
Segment (loss) profit	(19,816)	14,295	(5,521)
Other income			14,403
Impairment losses, net of reversal			(17,054)
Other gains and losses			(64,120)
Distribution and selling expenses			(6,012)
Administrative expenses			(92,895)
Research and development expenses			(5,785)
Share of profit of a joint venture			1,339
Finance costs			(23,849)
Loss before tax			(199,494)

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

	Upstream *RMB'000*	Downstream *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017:			
Revenue	442,034	47,174	489,208
Cost of sales and services	(473,380)	(7,850)	(481,230)
Segment (loss) profit	(31,346)	39,324	7,978
Other income			29,029
Impairment losses, net of reversal			(7,690)
Other gains and losses			(45,832)
Distribution and selling expenses			(11,049)
Administrative expenses			(81,846)
Research and development expenses			(5,865)
Finance costs			(15,925)
Loss before tax			(131,200)

Information about major customers

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

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Customer A[1]	58,022	4,566
Customer B[2]	19,256	57,496

1 Revenue from Downstream Solar and Power Storage Segment
2 Revenue from Upstream Segment

7. SEGMENT INFORMATION *(continued)*

Geographical information

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

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
PRC including Hong Kong SAR	348,214	437,279
Malaysia	389	389
	348,603	437,668

8. OTHER INCOME

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Government grant *(Note)*	6,886	26,764
Deferred income amortisation	287	287
Rental income	5,078	1,606
Interest income	382	296
Others	1,770	76
	14,403	29,029

Note: The government grant mainly represented the amount received from the local government by an operating subsidiary of the Group to encourage activities carried out by the Group in clean energy industry and high-technology advancement. No specific conditions were attached to the grant.

9. OTHER GAINS AND LOSSES

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Net foreign exchange losses	(8,763)	(3,861)
Gain on fair value change of contingent consideration payables	46,053	22,016
Loss on disposal of property, plant and equipment	(280)	(14,796)
Impairment losses recognised in respect of advance to suppliers and deposits paid for acquisition of property, plant and equipment	(8,915)	–
Impairment loss recognised in respect of goodwill *(Note 20)*	(39,025)	–
Impairment loss recognised in respect of intangible assets *(Note 21)*	(48,700)	–
Loss on fair value change of convertible bonds *(Note 34)*	(1,040)	–
Loss on disposal of subsidiaries *(Note 14)*	(3,450)	–
Impairment losses recognised in respect of property, plant and equipment	–	(36,872)
Losses recognised in respect of provision for termination of Malaysian plant under construction	–	(6,200)
Losses recognised in respect of provision for compensation to a supplier	–	(6,119)
	(64,120)	(45,832)

10. FINANCE COSTS

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Interest on borrowings	22,008	16,659
Effective interest expense on convertible bonds	3,275	–
Interest on finance lease	159	–
Others	992	–
Less: amounts capitalised in the cost of qualifying assets	(2,585)	(734)
	23,849	15,925

The capitalised borrowing costs were calculated by applying the borrowing rate of 14.5% (2017: 4.8%) per annum to expenditure on qualifying assets.

11. LOSS BEFORE TAX

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Loss before tax has been arrived at after charging:		
Staff costs, including Director's remuneration		
Salaries, wages, bonus and other benefits	36,969	43,344
Retirement benefits schemes contributions	3,397	5,188
Share based payments expense	2,564	2,106
Total staff costs	42,930	50,638
Capitalised in inventories	(9,109)	(19,829)
	33,821	30,809
Depreciation of property, plant and equipment	19,448	18,086
Capitalised in inventories	(13,500)	(16,930)
	5,948	1,156
Auditor's remuneration	2,140	2,100
Cost of inventories recognised as expense *(Note (i))*	170,247	473,380
Release of prepaid lease payments	337	551
Amortisation of intangible assets	13,412	21,288
Research and development expenses	5,785	5,865
Operating lease rentals in respect of rented premises	7,731	3,803
Rental income for investment properties	(5,078)	(1,606)

Note

(i) Included in cost of inventories recognised as expense represented provision of inventories of approximately RMB2,633,000 (2017: RMB17,381,000) to their net realisable values.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Independent non-executive directors		
— fees	773	786
Non-executive directors		
— fees	214	207
Executive directors		
— Basic salaries and allowance	3,373	3,327
— Share-based payments expense	212	106
— Retirement benefits schemes contributions	45	44
	4,617	4,470

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

2018

(A) EXECUTIVE DIRECTORS:

	Mr. John Yi Zhang *RMB'000*	Mr. Chau Kwok Keung *RMB'000*	Mr. Zhang Zhen *RMB'000*	Total 2018 *RMB'000*
Other emoluments:				
Basic salaries and allowance	600	1,920	853	3,373
Share-based payments expense	–	106	106	212
Retirement benefits schemes contributions	15	15	15	45
Sub-total	615	2,041	974	3,630

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(B) NON-EXECUTIVE DIRECTOR:

	Mr. Wang Yi Xin *RMB'000*
Fees	200
Share-based payments expense	14
Sub-total	214

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS:

	Mr. Leung Ming Shu *RMB'000*	Mr. Kang Sun *RMB'000*	Mr. Xu Erming *RMB'000*	Total 2018 *RMB'000*
Fees	200	331	200	731
Share-based payments expense	14	14	14	42
Sub-total	214	345	214	773

The non-executive and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company and the Group.

Total	4,617

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

2017

(A) EXECUTIVE DIRECTORS:

	Mr. John Yi Zhang *RMB'000*	Mr. Chau Kwok Keung *RMB'000*	Mr. Zhang Zhen *RMB'000*	Total 2017 *RMB'000*
Other emoluments:				
Basic salaries and allowance	600	1,920	807	3,327
Share-based payments expense	–	53	53	106
Retirement benefits schemes contributions	12	16	16	44
Sub-total	612	1,989	876	3,477

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(B) NON-EXECUTIVE DIRECTOR:

	Mr. Wang Yi Xin *RMB'000*
Fees	200
Share-based payments expense	7
Sub-total	207

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS:

	Mr. Leung Ming Shu *RMB'000*	Mr. Daniel DeWitt Martin *RMB'000*	Mr. Kang Sun *RMB'000*	Mr. Xu Erming *RMB'000*	Total 2017 *RMB'000*
Fees	200	86	337	142	765
Share-based payments expense	7	–	7	7	21
Sub-total	207	86	344	149	786

The non-executive and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Total	4,470

The five highest paid individuals included three (2017: three) directors of the Company for the year ended 31 December 2018. Details of whose emoluments are set out above. The emoluments of the remaining two (2017: two) individuals during the years are as follows:

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Employees		
— basic salaries and allowance	936	1,304
— share-based payments expense	128	88
— Retirement benefits schemes contribution	199	88
— performance related incentive bonuses	67	–
	1,330	1,480

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	2018 NO. of employees	2017 NO. of employees
Nil to HKD1,000,000	3	3
HKD1,000,001 to HKD1,500,000	1	1
HKD2,000,001 to HKD2,500,000	1	1

During the years ended 31 December 2018 and 31 December 2017, no emoluments were paid by the Group to the directors of the Company 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 years ended 31 December 2018 and 31 December 2017.

13. INCOME TAX (CREDIT)EXPENSE

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Current tax:		
PRC Enterprise Income Tax	–	15,208
Under provision in prior years	543	–
	543	15,208
Deferred tax *(Note 33)*:		
Current year	(13,455)	(961)
	(12,912)	14,247

No Hong Kong Profits Tax was provided for the years ended 31 December 2018 and 31 December 2017 as the group entities either had no relevant assessable profits or incurred tax losses in Hong Kong.

13. INCOME TAX (CREDIT)EXPENSE *(continued)*

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

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

The income tax (credit) expense for the year can be reconciled to the loss before taxation as follows:

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Loss before tax	(199,494)	(131,200)
Tax at domestic income tax rate (25%) (2017: 25%)	(49,874)	(32,800)
Tax effect of share of profit of joint venture	(335)	–
Tax effect of expenses not deductible for tax purpose	1,377	14,492
Tax effect of temporary difference not recognised	36,835	33,516
Effect of tax exemption granted to a PRC subsidiary	(1,379)	–
Under provision in prior years	543	–
Over provision on withholding tax on undistributed dividends	(79)	(961)
Income tax (credit) expense for the year	(12,912)	14,247

14. DISPOSAL OF SUBSIDIARIES

According to the proposal authorised by the Board of Directors, the Group entered into a sale agreement in February 2018 to fully dispose its equity interest in Sunny Mega Limited and its subsidiaries to the joint venture newly set up by the Company and an independent third party with the net assets of approximately RMB5,563,000, the total consideration was RMB4,450,000, the net cash arising from the disposal was RMB2,318,000 and the disposal loss of RMB1,113,000 was recognised in the current reporting period.

The net assets of Sunny Mega Limited and its subsidiaries at the date of disposal were as follows:

Consideration received

	RMB'000
Total consideration received	4,450
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	10,408
Trade and other receivables	1,436
Bank balances and cash	2,132
Borrowings	(8,150)
Trade and other payables	(263)
Net assets disposed of	5,563
Loss on disposal	1,113
Net cash outflow arising on disposal:	
Cash consideration	4,450
Less: bank balances and cash disposed of	2,132
	2,318

14. DISPOSAL OF SUBSIDIARIES *(continued)*

In October 2018, the Group fully disposed its equity interest in Wuxi Comtec Jianyuan Solar Co., Ltd and Wuxi Comtec Tianhan Solar Co., Ltd to the same joint venture with the net assets of approximately RMB3,449,000 and RMB4,873,000, the total consideration was RMB2,552,000 and RMB3,722,000, respectively the net cash arising from the disposal was RMB2,189,000 and RMB 2,887,000 and the disposal loss of RMB897,000 and RMB1,151,000 was recognised in the current reporting period.

The net assets of Wuxi Comtec Jianyuan Solar Co., Ltd at the date of disposal were as follows:

Consideration received

	RMB'000
Total consideration received	2,552
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	6,151
Trade and other receivables	1,595
Bank balances and cash	363
Borrowings	(4,300)
Trade and other payables	(360)
Net assets disposed of	3,449
Loss on disposal	897
Net cash outflow arising on disposal:	
Cash consideration	2,552
Less: bank balances and cash disposed of	363
	2,189

14. DISPOSAL OF SUBSIDIARIES *(continued)*

The net assets of Wuxi Comtec Tianhan Solar Co., Ltd at the date of disposal were as follows:

Consideration received

	RMB'000
Total consideration received	3,722
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	11,579
Trade and other receivables	1,473
Bank balances and cash	835
Borrowings	(8,600)
Trade and other payables	(414)
Net assets disposed of	4,873
Loss on disposal	1,151
Net cash outflow arising on disposal:	
Cash consideration	3,722
Less: bank balances and cash disposed of	835
	2,887

In April 2018, the Group entered into another sale agreement to fully dispose its equity interest in Jiangying Danyu Limited to an independent third party with the net assets of approximately RMB900,000, the consideration and the cash arising from the disposal was RMB611,000, the disposal loss of RMB289,000 was recognised in the current reporting period.

14. DISPOSAL OF SUBSIDIARIES *(continued)*

The net assets of Jiangying Danyu Limited at the date of disposal were as follows:

Consideration received

	RMB'000
Total consideration received	611
Analysis of assets and liabilities over which control was lost:	
Advance to suppliers	900
Net assets disposed of	900
Loss on disposal	289
Net cash outflow arising on disposal:	
Cash consideration	611

15. DIVIDENDS

No dividend was paid, declared or proposed during the years 2018 and 2017.

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

16. 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:

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
Loss for the year		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(179,882)	(140,296)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,097,703,580	1,720,898,993

The outstanding share options and conversion option of convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-diluted to the net loss for the years ended 31 December 2018 and 31 December 2017.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2017	256,306	677,549	1,741	3,095	64,637	1,003,328
Additions	–	35,169	2,187	964	11,600	49,920
Transfer	–	1,383	–	413	(1,796)	–
Transfer to investment properties	(57,505)	–	–	–	–	(57,505)
Disposals	(529)	(243,446)	(587)	(346)	–	(244,908)
At 31 December 2017	198,272	470,655	3,341	4,126	74,441	750,835
Additions	–	20,643	1,042	38	51,131	72,854
Transfer	–	60,492	–	–	(60,492)	–
Disposals of subsidiaries	–	(29,443)	–	–	–	(29,443)
Disposals	(2,439)	(27,193)	(77)	(1,072)	(584)	(31,365)
At 31 December 2018	195,833	495,154	4,306	3,092	64,496	762,881
DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	114,241	622,892	1,671	2,897	53,313	795,014
Provided for the year	12,512	5,162	240	172	–	18,086
Transfer to investment properties	(21,556)	–	–	–	–	(21,556)
Eliminated on disposals	(190)	(218,622)	(552)	(346)	–	(219,710)
Impairment	–	26,067	–	–	10,805	36,872
At 31 December 2017	105,007	435,499	1,359	2,723	64,118	608,706
Provided for the year	12,027	6,544	581	296	–	19,448
Eliminated on disposals of subsidiaries	–	(1,305)	–	–	–	(1,305)
Eliminated on disposals	(2,439)	(27,193)	(20)	(760)	–	(30,412)
At 31 December 2018	114,595	413,545	1,920	2,259	64,118	596,437
CARRYING VALUES						
At 31 December 2018	81,238	81,609	2,386	833	378	166,444
At 31 December 2017	93,265	35,156	1,982	1,403	10,323	142,129

17. 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 in which the buildings are erected on or 20 years
Plant and machinery	3–20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

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

As at 31 December 2018, the Group pledged its buildings having net book values of approximately RMB98,415,000 (2017: RMB98,486,000) to banks to secure banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Carrying values		
At 1 January	13,819	23,061
Released to profit or loss	(337)	(551)
Transfer to investment properties	–	(8,691)
At 31 December	13,482	13,819
Current portion	549	335
Non-current portion	12,933	13,484

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

As at 31 December 2018, prepaid lease payments with carrying amount of approximately RMB13,482,000 (2017: RMB13,819,000) was pledged to banks to secure banking facilities granted to the Group.

19. INVESTMENT PROPERTIES

	Investment properties *RMB'000*
FAIR VALUE	
At 1 January 2018	86,027
Gain on revaluation of properties recognised in profit or loss *(Note)*	–
At 31 December 2018	86,027

Note: The fair value of the Group's investment properties at 31 December 2018 has been arrived at on the basis of a valuation carried out on the respective dates by an independent qualified professional valuer named Shanghai Wanqian Tudi Real Estate Appraisal Co., Ltd.. In the opinion of the directors of the Company, the fair value change of the Group's investment properties is insignificant for the year ended 31 December 2018.

As at 31 December 2018, the Group pledged its investment properties having carrying value of approximately RMB86,027,000 (2017: RMB86,027,000) to banks to secure banking facilities granted to the Group.

The following table gives information about how the fair value of these investment properties as at 31 December 2018 are determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorise based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key input(s)
Industry property located in Shanghai RMB86,027,000	Level 3	Income approach Monthly market rent, taking into account the differences in location and individual factors, such as the frontage and the size.

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

20. GOODWILL

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
At 1 January	105,917	60,256
Acquired during the year	–	45,661
Impairment recognised	(39,025)	–
At 31 December	66,892	105,917

The carrying amounts of goodwill as at 31 December 2018 and 2017 are as follows:

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Comtec Renewable Energy Group Limited	60,256	60,256
Comtec (Asia) Limited	–	39,025
Zhenjiang Kexin Power System Design and Research Company Limited	6,636	6,636
At 31 December	66,892	105,917

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

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

20. GOODWILL *(continued)*

Goodwill impairment of Comtec (Asia) Limited

Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, the goodwill arising from the acquisition was fully impaired during the current reporting period as the actual performance in the current reporting period didn't meet the expectation of the business forecast, in the opinion of the directors of the Company it could not be recovered from the relevant cash generating unit related to the distributed generation projects and fully impaired accordingly.

21. INTANGIBLE ASSETS

The balance of intangible assets is analysed as follows:

	Cooperative agreement *RMB'000*	Non-compete agreement *RMB'000*	Franchise relationship *RMB'000*	Backlog *RMB'000*	Technology *RMB'000*	Total *RMB'000*
At 1 January 2017	51,500	11,550	–	–	–	63,050
Additions	–	13,026	5,899	970	6,100	25,995
Amortisation	12,875	4,407	2,731	970	305	21,288
At 31 December 2017	38,625	20,169	3,168	–	5,795	67,757
Amortisation	6,438	4,115	1,639	–	1,220	13,412
Impairment *(Note)*	32,187	14,984	1,529	–	–	48,700
At 31 December 2018	–	1,070	–	–	4,575	5,645

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

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

21. INTANGIBLE ASSETS *(continued)*

Note:

Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, the intangible assets in the carrying amount of RMB32,187,000 arising from the signed cooperative agreements in the acquisition of Comtec Renewable Energy Group Limited was fully impaired during the current reporting period.

At the same time, the intangible assets in the amount of RMB14,984,000 arising from the non-compete agreement in the acquisition of Comtec Renewable Energy Group Limited and Comtec (Asia) Limited was totally impaired during the current reporting period as the actual performance in the current reporting period didn't meet the expectation of the business forecast.

22. INTERESTS IN A JOINT VENTURE

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Cost of investment in a joint venture	9,175	–
Share of profit or loss of a joint venture	1,339	–
	10,514	–

In January 2018, the Group together with another independent third party to set up a joint venture to develop and expand the downstream solar business. The total subscription amount has been paid by each party is US$1,358,000 respectively as at 31 December 2018, which represented 50% equity interest for each party and accounted for interests in a joint venture accordingly.

22. INTERESTS IN A JOINT VENTURE *(continued)*

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of Incorporation/ registration	Principle place of operation	Proportion of ownership interest held by the Group		Proportion of voting power held		Principal activity
			2018 %	2017 %	2018 %	2017 %	
Future Energy Capital Group Limited	BVI	BVI	50	N/A	50	N/A	Investment holding

Aggregate information of joint venture that are not individually material

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000*
The Group's share of profit for the year	1,339	–
Aggregate carrying amount of the Group's Interests in the joint venture	10,514	–

23. INVENTORIES

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Raw materials	8,555	13,727
Work-in-progress	3,814	17,430
Finished goods	6,419	12,052
	18,788	43,209

As at 31 December 2018, the carrying amount of the inventories disclosed above included inventory provision of RMB2,704,000 (2017: RMB17,452,000) and the movements of which are as follows:

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
At 1 January	17,452	96,599
Written off	(17,381)	(96,528)
Provision	2,633	17,381
At 31 December	2,704	17,452

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Trade receivables	61,536	69,269
Written off	(131)	(5,151)
Less: expected credit loss	(25,558)	(7,690)
	35,847	56,428
Value-added-tax recoverable	32,412	43,729
Other receivables	6,948	31,189
	75,207	131,346
Bills receivable	–	1,684

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

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Age		
0 to 30 days	2,805	18,368
31 to 60 days	7,656	6,167
61 to 90 days	1,052	353
91 to 180 days	12,260	6,438
Over 180 days	12,074	25,102
	35,847	56,428

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB12,921,000 which are past due as at the reporting date. Out of the past due balances, RMB9,661,000 has been past due 90 days or more and is not considered as credit- impaired as the Group has collaterals over these balances.

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

As at 31 December 2017, 71% of the trade receivables that are neither past due nor impaired have the high credit scoring attributable under the internal credit scoring system used by the Group.

As at 31 December 2017, included in the Group's trade receivables are debtors with an aggregate carrying amount of RMB16,448,000 which are past due at the end of the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	31/12/2017 *RMB'000*
Overdue by:	
61 to 90 days	353
91 to 180 days	6,120
Over 180 days	9,975
	16,448

Movements in the allowance for doubtful debts:

	31/12/2017 *RMB'000*
1 January	5,151
Impairment losses recognised	7,690
Written off	(5,151)
31 December	7,690

As at 31 December 2018, the carrying amount of trade receivables amounted to RMB526,000 (31 December 2017: nil) have been pledged as security for the Group's borrowing.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 40.

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

The Group's trade and other receivables and bills receivable that were denominated in United States dollars ("USD"), Malaysian Ringgit ("MYR") foreign currency of the relevant group entities, were re-translated in RMB and stated for financial reporting purposes as:

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Trade and other receivables denominated in USD	289	6,996
Trade and other receivables denominated in MYR	1,613	–

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Pledged bank deposits

As at 31 December 2018, the Group pledged its bank deposits of approximately RMB22,063,000 (2017:RMB20,874,000) as security for short-term bank loans. The pledged bank deposits carry variable interests at rates ranging from 1.35% to 2.75 % per annum at 31 December 2018 and 31 December 2017.

(b) Bank balances and cash

Bank balances and cash comprise cash held by the Group and pledged bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.01% to 0.30% per annum at 31 December 2018 and 31 December 2017.

The Group's bank balances and cash that were denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Japanese yen ("JPY"), Malaysian Ringgit ("MYR") and European dollars ("Euro"), foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Bank balances and cash denominated in:		
Euro	75	75
HKD	841	2,615
USD	598	6,298
JPY	12	11
MYR	25	351
Other currencies	11	13

26. TRADE AND OTHER PAYABLES

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Trade payables	79,148	83,947
Payables for acquisition of property, plant and equipment	39,177	17,106
Provision for termination costs for termination of Malaysian plant under construction	–	1,267
Staff salaries and welfare payables	7,412	7,430
Other payables and accrued charges	13,331	21,307
	139,068	131,057

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

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Age		
0 to 30 days	20,788	45,815
31 to 60 days	5,571	11,544
61 to 90 days	2,698	5,604
91 to 180 days	10,173	4,570
Over 180 days	39,918	16,414
	79,148	83,947

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.

26. TRADE AND OTHER PAYABLES *(continued)*

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

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Trade and other payables denominated in:		
USD	27,226	31,174
MYR	86	1,372

27. CONTRACT LIABILITIES

	31/12/2018 *RMB'000*	01/01/2018* *RMB'000*
Contract liabilities		
— third parties	51,530	43,203

* The amounts in this column are after the adjustments from the application of IFRS15.

The contract liability is the consideration received from the customers which represents the Group's obligation to transfer goods to customers has not been completed. All the contract liabilities at the beginning of the period has been realised to revenue in the reporting period.

28. BANK LOANS

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Bank loans		
— Secured	174,392	212,289
— Unsecured	1,180	–
	175,572	212,289
The carrying amounts of the above borrowings are repayable		
Within one year	170,172	200,339
Within a period of more than one year but not exceeding two years	600	1,500
Within a period of more than two years but not exceeding five years	2,700	6,050
Within a period of more than five years	2,100	4,400
	175,572	212,289
Analysed as:		
Current	170,172	200,339
Non-current	5,400	11,950
	175,572	212,289

Bank loans of RMB168,792,000 (2017: RMB199,739,000) as at 31 December 2018 carried interest at variable market rates benchmark to the interest rates of the People's Bank of China or London Interbank Offered Rate.

28. BANK LOANS *(continued)*

The exposure of the Group's borrowings are as follows:

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Fixed-rate borrowings	6,780	12,550
Variable-rate borrowings	168,792	199,739
	175,572	212,289

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

	Year ended 31/12/2018 Per Annum	Year ended 31/12/2017 Per Annum
Effective interest rate:		
Fixed-rate	5.55% and 7.80%	6.5%
Variable-rate	4.00% to 4.35%	1.75% to 4.35%

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

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Denominated in USD	21,962	20,909

29. DEFERRED INCOME

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Government grants	4,012	4,298
Analysed for reporting purpose as:		
Current liabilities	287	287
Non-current liabilities	3,725	4,011
	4,012	4,298

In the prior years, the Group received certain government subsidies which were related to compensation of acquisition of plant and equipment in the PRC. The amounts were treated as deferred income 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 2018, deferred income of RMB286,500 (2017: RMB286,500) was recognised as other income in the profit or loss.

30. CONTINGENT CONSIDERATION PAYABLES

The balances of the contingent consideration payables are analysed as:

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
At 1 January	51,989	93,835
Initial recognition	–	45,250
Change in fair value *(Note)*	(46,053)	(22,016)
Transferred to equity	–	(65,080)
At 31 December	5,936	51,989
Analysed as:		
Current portion	5,936	9,884
Non-current portion	–	42,105
	5,936	51,989

30. CONTINGENT CONSIDERATION PAYABLES *(continued)*

The contingent consideration arose from the issue of ordinary shares of the Company on earn-out basis in relation to business acquisitions. The contingent consideration is classified as a financial instrument (financial liability at fair value through profit or loss) and recognised in the consolidated statement of financial position at fair value. The fair value of the contingent consideration at the date of initial recognition and as at 31 December 2018 are based on the calculation on the business performance of the acquired companies and the change of stock price and exchange rate. Details of the valuation technique and key inputs adopted are disclosed in Note 40.

Note: Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, especially for Comtec (Asia) Limited, the actual performance in the current reporting period didn't meet the expectation of business forecast, so the contingent consideration payable relating to the acquisition of Comtec (Asia) Limited was almost fully reversed during the current reporting period.

31. SHARE CAPITAL

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

Authorised:	Number of shares	Amount *HKD'000*
Ordinary shares		
Ordinary shares of HKD0.001 each at 1 January 2017, 31 December 2017 and 31 December 2018	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount *HKD'000*
Ordinary shares		
Ordinary shares of HKD0.001 each at 31 December 2017 and 31 December 2018	2,097,703,580	2,098

	31/12/2018 RMB'000	31/12/2017 *RMB'000*
Presented as RMB:		
Ordinary shares	1,807	1,807

Note:

All the shares issued by the Company ranked pari passu in all respects.

32. 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 of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is not permitted to exceed 3% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Option granted must be taken up within 30 days from the date of grant, upon payment of HKD1.00. 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.

(1) All options granted are at an exercise price of HKD2.51 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.

32. SHARE-BASED COMPENSATION *(continued)*

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

Set out below are details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Directors:					
Mr. Leung	62,787	–	–	–	62,787
Mr. Kang	249,574	–	–	–	249,574
Others	199,659	–	–	–	199,659
	512,020	–	–	–	512,020
Exercisable at the end of the year	512,020				512,020
Weighted average exercise price (HKD)	2.510				2.510

At 31 December 2018, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (2017: 512,020), representing 0.02% (2017: 0.02%) of the shares of the Company in issue at that date.

32. 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 years ended 31 December 2018 and 31 December 2017:

Granted on 24 May 2010

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Employees and others	2,240,000	–	–	–	2,240,000
Exercisable at the end of the year	2,240,000				2,240,000
Weighted average exercise price (HKD)	1.490				1.490

At 31 December 2018, 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 2017: 2,240,000), representing 0.11% (31 December 2017: 0.11%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 28 June 2012

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau	228,000	–	–	–	228,000
Employees	3,506,000	–	–	–	3,506,000
Consultants	50,000	–	–	–	50,000
	8,784,000	–	–	–	8,784,000
Exercisable at the end of the year	8,784,000				8,784,000
Weighted average exercise price (HKD)	0.980				0.980

At 31 December 2018, the number of shares in respect of which options granted on 28 June 2012 under the Share Option Scheme remained outstanding was 8,784,000 (31 December 2017: 8,784,000), representing 0.42% (31 December 2017: 0.42%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 27 December 2012

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Director:					
Mr. Leung	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	600,000	–	–	–	600,000
Consultants	6,038,000	–	–	–	6,038,000
Others	300,000	–	–	–	300,000
	7,538,000	–	–	–	7,538,000
Exercisable at the end of the year	7,538,000				7,538,000
Weighted average exercise price (HKD)	1.262				1.262

At 31 December 2018, 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 2017: 7,538,000), representing 0.36% (31 December 2017: 0.36%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 30 September 2013

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Consultants	4,020,000	–	–	–	4,020,000
Exercisable at the end of the year	4,020,000				4,020,000
Weighted average exercise price (HKD)	1.870				1.870

At 31 December 2018, 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 (2017: 4,020,000), representing 0.19% (2017:0.19%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 31 March 2014

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Director:					
Mr. Chau	13,000,000	–	–	–	13,000,000
Employees	4,850,000	–	–	–	4,850,000
Consultants	17,800,000	–	–	–	17,800,000
	35,650,000	–	–	–	35,650,000
Exercisable at the end of the year	35,650,000				35,650,000
Weighted average exercise price (HKD)	1.386				1.386

At 31 December 2018, 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 (2017: 35,650,000), representing 1.7% (2017: 1.7%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 11 May 2015

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Employees	10,200,000	–	–	–	10,200,000
Consultants	49,000,000	–	–	–	49,000,000
Others	600,000	–	–	–	600,000
	59,800,000	–	–	–	59,800,000
Exercisable at the end of the year	59,800,000				59,800,000
Weighted average exercise price (HKD)	1.390				1.390

At 31 December 2018, the number of shares in respect of which options granted on 11 May 2015 under the Share Option Scheme remained outstanding was 59,800,000 (2017: 59,800,000), representing 2.85% (2017: 2.85%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 26 June 2015

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Consultants	20,000,000	–	–	–	20,000,000
Exercisable at the end of the year	20,000,000				20,000,000
Weighted average exercise price (HKD)	1.500				1.500

At 31 December 2018, the number of shares in respect of which options granted on 26 June 2015 under the Share Option Scheme remained outstanding was 20,000,000 (2017: 20,000,000), representing 0.95% (2017: 0.95%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 25 November 2015

For the years ended 31 December 2018 and 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017, 31 December 2017 and 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Consultants	59,000,000	–	–	–	59,000,000
Exercisable at the end of the year	59,000,000				59,000,000
Weighted average exercise price (HKD)	0.736				0.736

At 31 December 2018, the number of shares in respect of which options granted on 25 November 2015 under the Share Option Scheme remained outstanding was 59,000,000 (2017: 59,000,000), representing 2.81% (2017: 2.81%) of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 9 September 2016

For the year ended 31 December 2018:

	Number of options				
	Outstanding as at 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Consultants	89,000,000	–	–	–	89,000,000
Exercisable at the end of the year	89,000,000				89,000,000
Weighted average exercise price (HKD)	0.560				0.560

For the year ended 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017	Issue during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2017
Consultants	89,000,000	–	–	–	89,000,000
Exercisable at the end of the year	55,625,000				89,000,000
Weighted average exercise price (HKD)	0.560				0.560

At 31 December 2018, the number of shares in respect of which options granted on 9 September 2016 under the Share Option Scheme remained outstanding were 89,000,000 (2017: 89,000,000), representing 4.24% (2017: 4.24%), of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 2 May 2017

For the year ended 31 December 2018:

	Number of options				
	Outstanding as at 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2018
Director:					
Zhang Zhen	1,500,000	–	–	–	1,500,000
Chau Kwok Keung	1,500,000	–	–	–	1,500,000
Leung Ming Shu	200,000	–	–	–	200,000
Kang Sun	200,000	–	–	–	200,000
Xu Er Ming	200,000	–	–	–	200,000
Wang Yi Xing	200,000	–	–	–	200,000
Employees	14,000,000	–	–	–	14,000,000
Consultants	10,400,000	–	–	–	10,400,000
	28,200,000	–	–	–	28,200,000
Exercisable at the end of the period	12,250,000				23,750,000
Weighted average exercise price (HKD)	0.335				0.335

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 2 May 2017 (continued)

For the year ended 31 December 2017:

	Number of options				
	Outstanding as at 1 January 2017	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding as at 31 December 2017
Director:					
Zhang Zhen	–	1,500,000	–	–	1,500,000
Chau Kwok Keung	–	1,500,000	–	–	1,500,000
Leung Ming Shu	–	200,000	–	–	200,000
Kang Sun	–	200,000	–	–	200,000
Xu Er Ming	–	200,000	–	–	200,000
Wang Yi Xing	–	200,000	–	–	200,000
Employees	–	14,000,000	–	–	14,000,000
Consultants	–	10,400,000	–	–	10,400,000
	–	28,200,000	–	–	28,200,000
Exercisable at the end of the period	–				12,250,000
Weighted average exercise price (HKD)	–	0.335			0.335

At 31 December 2018, the number of shares in respect of which options granted on 2 May 2017 under the Share Option Scheme remained outstanding were 28,200,000 (2017: 28,200,000), representing 1.34% (2017: 1.34%), of the shares of the Company in issue at that date.

32. SHARE-BASED COMPENSATION *(continued)*

(b) Share Option Scheme *(continued)*

Granted on 15 June 2018

Pursuant to a board resolution resolved on 15 June 2018, the Company granted 21,986,175 share options of the Company, which respectively represent 1.05% of the shares of the Company in issue at the grant date, to employees and consultants of the Company under the Share Option Scheme. Set out below are details of the outstanding options granted under the Share Option Scheme on 15 June 2018:

The options granted are at an exercise price of HKD0.151 per share and might only be exercised in the following manner:

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

(ii) The remaining share options for consultants and options for employees and directors will have one-eighth to be vested every three months since the date of grant.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme on 15 June 2018 during the year ended 31 December 2018:

For the year ended 31 December 2018:

	Number of options				
	Outstanding as at 1 January 2018	Issued during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2018
Employees	–	5,300,000	–	–	5,300,000
Consultants	–	16,686,175	–	–	16,686,175
	–	21,986,175	–	–	21,986,175
Exercisable at the end of the period	–				13,839,629
Weighted average exercise price (HKD)	–	0.151			0.151

32. SHARE-BASED COMPENSATION (CONTINUED)

(b) Share Option Scheme *(continued)*

Granted on 15 June 2018 (continued)

At 31 December 2018, the number of shares in respect of which options granted on 15 June 2018 under the Share Option Scheme remained outstanding were 21,986,175, representing 1.05% of the shares of the Company in issue at that date.

As of the grant date, the fair value of the share options granted on 15 June 2018 was HKD145,000 (HKD0.06 per share), HKD202,000 (HKD0.07 per share) and HKD1,430,000 (HKD0.09 per share) for employees, directors and consultants respectively.

	Employees/Directors	Consultants
Share price	HKD0.146	HKD0.146
Exercise price	HKD0.151	HKD0.151
Expected volatility	55.00%	55.00%
Expected life	10	10
Risk-free interest rate	2.25%	2.25%
Turnover Rate	10%	0%

The risk-free interest rate was based on the interpolated market yield of Hong Kong government bonds with maturities 22 February 2028 and 22 August 2028 as of the option 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 an expense of approximately RMB2,564,000 (2017:RMB2,106,000) for the period ended 31 December 2018 in relation to the share options granted by the Company under the Share Option Scheme.

33. DEFERRED TAX LIABILITIES

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

	Withholding tax on undistributed dividends *RMB'000*	Fair value adjustment *RMB'000*	Total *RMB'000*
At 1 January 2017	(7,880)	(10,403)	(18,283)
Credit to profit or loss	961	–	961
Charge to property revaluation reserve	–	(10,347)	(10,347)
Acquisitions of subsidiaries	–	(4,289)	(4,289)
At 31 December 2017	(6,919)	(25,039)	(31,958)
Credit to profit or loss	79	13,376	13,455
At 31 December 2018	**(6,840)**	**(11,663)**	**(18,503)**

As at 31 December 2018 and 31 December 2017, deferred tax liabilities were provided for the undistributed profits of certain PRC operating subsidiaries of approximately RMB68,000,000 and RMB69,000,000, respectively, the Group has determined that the remaining portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future, since the Group is in a position to control the timing of the reversal of the temporary differences, 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 RMB1,253,124,000 (2017: RMB1,119,612,000), representing provision of inventories, allowance of doubtful debts and accumulated losses expired within 5 years since the loss occurred.

34. CONVERTIBLE BONDS

The Company issued US$ settled convertible bonds (the "Bonds") at a par value in an aggregate principal amount of US$ 10,000,000 with interest rate of 10% per annum on 27 July 2018.

The principal terms of the Bonds

(i) Denomination of the Bonds — The Bonds are denominated and settled in US$.

(ii) Maturity date — The third anniversary of the date of issuance, which is 27 July 2021 ("Maturity Date")

(iii) Interest — The interest rate of Bonds carries at 10% per annum to be accrued on a daily basis, of which 3% shall be paid in cash semi-annually in arrears and 7% should be paid in cash upon redemption or maturity.

(iv) Conversion

(a) Conversion price — The price is HKD0.174 per share to be issued upon conversion of the bonds, including the consolidation, subdivision and reclassification of the company; capitalisation of profits or reserves; distributions; rights issues of shares or options over shares and other securities; issues and other issues at less than current market price; modification of rights of conversion and other certain events.

(b) Conversion period — The bondholder shall have the right, on any business day after the date of issuance until and including the seventh business day immediately preceding the maturity date, to convert the whole or part of the outstanding principal amounts of the bonds.

(c) Number of conversion shares issuable — The number of conversion shares which fall to be issued shall be calculated the principal amount of the bonds being converted and the conversion price applicable on the relevant conversion date. No faction of a share shall be issued on conversion of the bonds.

34. CONVERTIBLE BONDS *(continued)*

The principal terms of the Bonds *(continued)*

(v) Redemption

(a) Relevant event redemption date — A day set by the bondholder that is no later than 6 months after the Relevant Event Redemption Notice has been delivered to the Company.

(b) Redemption rights — The bondholder shall have the right to require the Company to redeem all (but not part) of the bonds on the relevant event redemption date.

(c) Redemption amount — The outstanding principal amount of the bonds together with all outstanding interest accrued shall be repaid by the Company.

The convertible bonds contain two components, debt component and derivative component. The effective interest of debt component is 12.44%.The derivative component is measured at fair value with changes in fair value recognised in profit or loss subsequently.

The movement of the debt and derivative components of the convertible bonds for the year is set out as below:

	Debt Component *RMB'000*	Derivative Component *RMB'000*
As at 1 January 2017 and 31 December 2017	–	–
Issued at 27 July 2018	61,689	6,476
Interest charge	3,275	–
Loss arising on changes of fair value	–	1,040
Exchange realignment	389	33
As at 31 December 2018	65,353	7,549

35. OBLIGATIONS UNDER FINANCE LEASES

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Analysed for reporting purposes as:		
Current liabilities	820	–
Non-current liabilities	8,501	–
	9,321	–

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 8 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 7.90% to 9.54% per annum.

As at 31 December 2018, account receivable with carrying amount of approximately RMB476,000 was pledged to secure finance lease granted to the Group.

35. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

Obligations under finance leases payable:

	Minimum Lease Payment *RMB'000*	Present value of Minimum Lease Payment *RMB'000*
Within one year	1,171	820
Within a period of more than one year but not more than two years	1,274	892
Within a period of more than two years but not more than five years	5,417	3,839
Within a period of more than five years	4,288	3,770
	12,150	9,321
Less: future finance charges	(2,829)	N/A
Present value of lease obligations	9,321	9,321
Less: Amount due for settlement with 12 months (shown under current liabilities)		(820)
Amount due for settlement after 12 months		8,501

36. LONG-TERM PAYABLE

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Long-term payable	4,500	4,500

Note: The long-term payable is the outstanding capital payable which arised from the acquisition of Zhenjiang Kexin Power System Design and Research Company Limited.

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

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Non-current asset		
Investments in subsidiaries and amounts due from subsidiaries, net of impairment loss	145,363	240,954
Current assets		
Amounts due from subsidiaries	–	70,011
Bank balances and cash	132	1,924
	132	71,935
Current liabilities		
Other payables	4,070	5,988
	4,070	5,988
Net current (liabilities) assets	(3,938)	65,947
Total assets less current liabilities	141,425	306,901
Non-current liability		
Convertible bonds	72,902	–
Net assets	68,523	306,901
Capital and reserves		
Share capital	1,807	1,807
Reserves *(Note)*	66,716	305,094
Total equity	68,523	306,901

37. 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 2017	1,374,735	108,586	(1,229,094)	254,227
Loss and total comprehensive expense for the year	–	–	(80,988)	(80,988)
Issue of ordinary shares	129,749	–	–	129,749
Recognition of equity-settled share-based payments	–	2,106	–	2,106
At 31 December 2017	1,504,484	110,692	(1,310,082)	305,094
Loss and total comprehensive expense for the year	–	–	(240,942)	(240,942)
Recognition of equity-settled share-based payments	–	2,564	–	2,564
At 31 December 2018	1,504,484	113,256	(1,551,024)	66,716

38. OPERATING LEASES

The Group as lessee

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:

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Within one year	1,723	964
In the second to fifth year inclusive	5,127	302
Over five years	389	632
	7,239	1,898

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.

38. OPERATING LEASES *(continued)*

The Group as lessor

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	4,659	4,459
In the second to fifth year inclusive	12,156	16,266
	16,815	20,725

Rental income represents rental receivables by the Group. Leases are negotiated from three to five years.

39. CAPITAL COMMITMENTS

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	41,889

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Financial assets		
Financial assets at amortised cost	72,878	–
Loans and receivables (including cash and cash equivalent)	–	131,093
	72,878	131,093
Financial liabilities		
Liabilities measured at amortised cost	373,072	317,842
Convertible bonds-derivative component	7,549	–
Contingent consideration payables	5,936	51,989
	386,557	369,831

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, pledged bank deposits, bank balances and cash, trade and other payables, short-term bank loans, long-term bank loans, long-term payable, contingent consideration payables, convertible bonds and obligations under finance lease. 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.

Market risks

The Group's activities expose it primarily to currency risk and interest rate risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risks (continued)

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 pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables and short-term bank loans that are denominated in foreign currencies, mainly in HKD, USD, JPY, MYR and Euro as at 31 December 2018 and 31 December 2017 are set out in respective notes.

The Group had foreign currency denominated monetary assets and monetary liabilities amounting to approximately RMB25,427,000 and RMB142,123,000 respectively (31 December 2017: RMB39,427,000 and RMB78,220,000) as at 31 December 2018.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% change in respective functional currencies against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the year end date for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (decrease) in post-tax profit where the respective functional currencies strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant currencies, there would be an equal and opposite impact on the post-tax profit.

	Profit for the year	
	2018 *RMB'000*	2017 *RMB'000*
USD *(Note)*	5,957	1,686
HKD	(40)	(104)
MYR	(78)	(125)
Euro	(4)	(3)
JPY	(1)	(1)

Note: This is mainly attributable to the exposure to bank balances and cash, outstanding receivables, outstanding payables, bank borrowings and convertible bonds denominated in foreign currency of USD at the year end date.

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risks (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, deposits and loans (see Notes 25 and 28 for details of these bank balances, deposits and loans). 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, deposits and 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, deposits and loans.

A 10 basis points increase or decrease on variable-rate bank balances and deposits 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.

If interest rates on bank balances and deposits 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.

	2018 *RMB'000*	2017 *RMB'000*
Decrease in post-tax loss for the year	23	40

The post-tax loss for the year would be increased by an equal and opposite amount if interest rate on bank balances and deposits 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 positive number below indicates an increase in post-tax loss for the year.

	2018 *RMB'000*	2017 *RMB'000*
Increase in post-tax loss for the year	1,317	1,592

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.

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

As at 31 December 2018, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

There is concentration of credit risk on bank balances and pledged bank deposits for the Group as at 31 December 2018 and 31 December 2017. As at 31 December 2018 and 2017, balances with the largest bank accounted for 73% (2017: 40%) of aggregate balance of bank balances, pledged bank deposits 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.

As at 31 December 2018, 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 providing consultation on downstream solar business and the sales and manufacturing of solar cells and modules, amounted to approximately RMB8,616,000 (2017: RMB10,984,000). This customer has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers and banks to ensure that prompt actions will be taken to lower exposure.

Except for the debtors with significant balances or credit-impaired which are assessed individually, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL– not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL– not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL– not credit-impaired	Lifetime ECL– not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL– credit-impaired	Lifetime ECL– credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross Carrying amount	
					RMB'000	*RMB'000*
Financial assets at amortised cost						
Trade receivables	24	N/A	Note 2	Lifetime ECL (provision matrix)	27,896	
			Loss	Credit-impaired	23,848	
			Doubtful	Lifetime ECL not-credit-impaired	9,661	
			Write-off	Amount is write off	131	61,536
Other receivables	24	N/A	Note 1	12-month ECL	6,948	6,948
Pledged bank deposits	25	AA+	N/A	12-month ECL	22,063	22,063
Bank balances and cash	25	AA+	N/A	12-month ECL	8,020	8,020

Notes:

1. For the purpose of impairment assessment of other receivables are considered to be low credit risk as it is mainly consisted of utility and rental deposits from the counterparties which are with high credit rating or financial strong.

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Notes: (continued)

2. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
1–30 days	0.95%	2,831	27
31–60 days	2.25%	7,832	176
61–90 days	2.76%	1,050	29
91–180 days	5.13%	12,923	663
More than 180 days	25.00%	3,260	815
		27,896	1,710

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the impairment allowance is provided in the amount of RMB25,558,000, among which RMB1,710,000 was made based on the provision matrix and RMB23,848,000 for credit impaired debtors, respectively.

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit– impaired) *RMB'000*	Lifetime ECL (credit– impaired) *RMB'000*	Total *RMB'000*
As at 31 December 2017 under IAS 39	–	7,690	7,690
Adjustment upon application of IFRS 9	945	–	945
As at 1 January 2018 — as restated	945	7,690	8,635
Changes due to financial instruments recognised at 1 January:			
— Impairment losses recognised	147	17,359	17,506
— Impairment losses reversed	–	(1,070)	(1,070)
— Write-offs	–	(131)	(131)
New financial assets originated	618	–	618
As at 31 December 2018	1,710	23,848	25,558

The Group writes off a trade receivable when there is information indicating that debtors is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors has been placed under liquidation or has entered into bankruptcy proceedings.

Liquidity risk management

The directors of the Company have adopted an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by closely and continuously monitoring the Group's consolidated financial position. The directors of the Company maintain the sufficiency of cash flows with availability of unutilized banking facilities, internally generated funds and funds arose from financing activities, if necessary. The directors of the Company also review the forecasted cash flows 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.

40. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk management (continued)

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:

	Weighted average effective interest rate	Less than 6 months	6 months to 1 year	1 year to 2 years	More than 2 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018							
Financial liabilities							
Non-interest bearing instruments		39,918	73,473	–	4,500	117,891	122,826
Fixed interest bearing instruments	9.60	3,350	2,161	4,985	92,144	102,640	81,454
Variable interest bearing instruments	4.30	152,178	20,026	–	–	172,204	168,792
		195,446	95,660	4,985	96,644	392,735	373,072
At 31 December 2017							
Financial liabilities							
Non-interest bearing instruments	–	83,947	17,106	–	6,200	107,253	105,553
Fixed interest bearing instruments	6.50	704	701	2,265	12,379	16,049	12,550
Variable interest bearing instruments	4.08	94,754	109,376	–	–	204,130	199,739
		179,405	127,183	2,265	18,579	327,432	317,842

Note: As at 31 December 2018 and 31 December 2017, 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.

40. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments

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.

- 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 liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31 December 2018	31 December 2017		
Contingent consideration payables classified as financial instruments in the consolidated statement of financial position	Liabilities – RMB5,936,000	Liabilities – RMB51,989,000	Level 3	Income approach based on the scenario analysis with parameters including probabilities assessment to the operating results estimated by the management under each scenario.
Convertible bonds-derivative component	Liabilities – RMB7,549,000	Nil	Level 3	Binomial option pricing model with parameters including effective interest rate, risk free rate and volatility

40. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value measurements of financial instruments *(continued)*

Reconciliation of Level 3 fair value measurements

	Consideration Payables *RMB'000*	Convertible Bonds Derivative component *RMB'000*
At 1 January 2018	51,989	–
Total (gain) losses — in profit or loss	(46,053)	1,040
Issuance of convertible bonds	–	6,476
Exchange loss	–	33
At 31 December 2018	5,936	7,549

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest Payable *RMB'000*	Convertible Bonds *RMB'000*	Obligations under Finance lease *RMB'000*	Bank Borrowings *RMB'000*	Total *RMB'000*
At 1 January 2018	–	–	–	212,289	212,289
Financing cash flows	(22,008)	67,173	(525)	(15,667)	28,973
New finance lease	–	–	9,687	–	9,687
Interests on bank borrowings	19,423	–	–	–	19,423
Interests on bonds payable	–	3,275	–	–	3,275
Interests on finance lease		–	159	–	159
Cost of convertible bonds	–	992	–	–	992
Fair value adjustments	–	1,040	–	–	1,040
Disposal of subsidiary	–	–	–	(21,050)	(21,050)
Foreign exchange	–	422	–	–	422
Capitalised in the cost qualifying assets	2,585	–	–	–	2,585
At 31 December 2018	–	72,902	9,321	175,572	257,795

42. 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 HKD1,500 per person of relevant payroll costs to the MPF Scheme since June, 2014 (HKD1,250 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 13% to 20% 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.

43. RELATED PARTY TRANSACTIONS

The Group did not have any outstanding balances with related parties at 31 December 2018 and 31 December 2017.

Compensation of key management personnel

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

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000*
Basic salaries and allowances	5,686	6,018
Retirement benefits scheme contributions	369	208
Share-based payments expense	410	257
Performance related incentive bonuses	88	–
	6,553	6,483

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

44. SUBSIDIARIES

Details of the Company's subsidiaries, at 31 December 2018 and 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
Comtec Semiconductor (Cayman) Limited *	Cayman Islands 23 April 2007	US$2	100%	100%	Investment holding
Comtec Semiconductor (Hong Kong) Limited	Hong Kong 12 October 2007	HKD31,512,001	100%	100%	Investment holding
Comtec Solar (Cayman) Limited *	Cayman Islands 23 April 2007	US$2	100%	100%	Investment holding
Comtec Solar (Hong Kong) Limited	Hong Kong 12 October 2007	HKD144,300,000	100%	100%	Investment holding, provision of sourcing, invoicing and support services for group companies
Comtec Solar International Limited	BVI 2 January 2013	US$50,000	100%	100%	Investment holding
Comtec Solar International (M) Sdn Bhd	Malaysia 7 February 2013	MYR266,600,002	100%	100%	Trading of solar related parts, equipment and products
Comtec Solar Trading Limited	Hong Kong 4 December 2013	HKD2	100%	100%	Provision of sourcing, invoicing and support services for group companies
Comtec Solar (China) Investment Holdings Limited	Hong Kong 4 December 2013	HKD2	100%	100%	Investment holding
Comtec New Energy China Holdings Limited	Hong Kong 25 November 2013	RMB46,972,960	100%	100%	Investment holding
Comtec Solar Systems Limited	BVI 18 March 2014	US$50,000	100%	100%	Investment holding
Comtec Solar Systems China Limited	BVI 20 March 2014	US$50,000	100%	100%	Investment holding
Comtec Solar Systems International Limited	BVI 20 March 2014	US$50,000	100%	100%	Investment holding

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
Comtec Solar Systems HK Limited	Hong Kong 2 May 2014	HKD1	100%	100%	Investment holding
Jiangxi Comtec Solar Technology Co Limited #	PRC 22 March 2006	US$6,064,000	100%	100%	Inactive
Shanghai Comtec Semiconductor Co Limited #	PRC 21 December 1999	US$4,040,000	100%	100%	Trading of solar related parts, equipment and products
Shanghai Comtec Solar Technology Co Limited #	PRC 5 July 2005	US$18,500,000	100%	100%	Manufacturing and sales of solar wafers and related products
Comtec New Energy (Shanghai) Limited #	PRC 7 January 2012	US$16,000,000	100%	100%	Inactive
Comtec Solar (Jiangsu) Co., Limited #	PRC 11 February 2012	US$66,500,020	100%	100%	Manufacturing and sales of solar wafers and related products
Comtec Renewable Energy Group Limited (Formerly known as Joy Boy HK Limited)	Hong Kong 27 May 2016	HKD1,158,502	100%	100%	Investment holding
Sunny Mega Limited Δ	BVI 18 August 2016	US$1	N/A	100%	Investment holding
Comtec Ba Min Electricity (China) Limited Δ	Hong Kong 15 September 2016	HKD1	N/A	100%	Investment holding
FuZhou Comtec Solar Electricity Limited Δ	PRC 25 October 2016	RMB10,000,000	N/A	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Clean Energy Group Limited (Formerly known as Comtec Renewable Energy(Jiangsu) Limited) #	PRC 17 October 2016	US$150,000,000	100%	100%	Investment holding and solar related parts, equipment and products

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
Comtec Energy Technology (Beijing) Limited #	PRC 31 October 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec New Materials Limited #	PRC 24 October 2016	RMB20,000,000	100%	100%	Trading of solar related parts equipment and products
Comtec Solar Development (Wuxi) Limited #	PRC 28 October 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Solar Smart Energy (Wuxi) Limited #	PRC 7 November 2016	RMB20,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec (Asia) Limited %	Hong Kong 7 September 2016	HKD1,001	51%	51%	Investment holding
Sunexpress Union Limited	BVI 11 August 2016	US$1	100%	100%	Investment holding
Comtec Enfinity ESS Solution Limited	Hong Kong 25 October 2016	HKD100	100%	100%	Investment holding
Comtec Ling Nan Electricity (China) Limited	Hong Kong 15 September 2016	HKD1	100%	100%	Investment holding
Comtec Power Group Limited	Hong Kong 15 December 2016	HKD1,000	100%	100%	Investment holding
C&I Renewable Limited %	BVI 11 August 2017	US$10,000	70%	70%	Investment holding

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
C&I Renewable HK Limited	Hong Kong 1 September 2017	HKD1	100%	100%	Investment holding
Guangdong Comtec Solar Electric power co, Ltd	PRC 3 November 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Zhenjiang Kexin Power System Design and Research Company Limited [%]	PRC 1 August 2016	RMB50,000,000	70%	70%	Research and development, integration and sales of lithium battery management and battery systems
Wuxi Comtec Jianyuan Solar Co.,Ltd [Δ]	PRC 8 December 2016	RMB10,000,000	N/A	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Energy Storage Technology Jiangyang Co.,Ltd.	PRC 8 December 2016	US$36,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Solar Engineering Co.,Ltd	PRC 24 October 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Yuanshuo Solar Co.,Ltd.	PRC 8 December 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group 2018	2017	Principal activities
Suqian City Fushun Solar Power Co.,Ltd. ∆	PRC 19 April 2016	RMB1,000,000	N/A	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Tianhan Solar Co., Ltd. ∆	PRC 19 January 2017	RMB10,000,000	N/A	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Jiangyang Comtec Yuanshuo Solar Co.,Ltd.	PRC 3 May 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Haian Jianyuan Solar Technology Co.,Ltd.	PRC 8 April 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Haian Jianxin Energy Storage System	PRC 19 April 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Kunming Comtec New Energy Co.,Ltd.	PRC 15 November 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Xifeng Solar Co.,Ltd. ∆	PRC 22 December 2016	RMB10, 000,000	N/A	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group 2018	2017	Principal activities
Comtec Power Technology (Tianjin) Co., Ltd.	PRC 13 July 2017	US$10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Power Engineering (Tianjin) Co., Ltd.	PRC 4 August 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Intelligent Power Technology (Shanghai) Co., Ltd.	PRC 13 October 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec (Beijing) Renewable Energy Technology Co., Ltd.	PRC 26 October 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Shiyuan Solar Co.,Ltd.	PRC 20 June 2017	RMB9,800,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Solar Energy Co., Ltd.	PRC 24 October 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Solar Power Co.,Ltd.	PRC 24 October 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group 2018	2017	Principal activities
Wuxi Comtec Solar Technology Co.,Ltd.	PRC 24 October 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Energy Engineering Co.,Ltd.	PRC 8 December 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Xihua China Energy Construction Solar Power Co.,Ltd.□	PRC 13 October 2017	RMB500,000	N/A	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Shanzhi Solar Co.,Ltd.	PRC 22 December 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Jingjiang Jingtai Solar Power Co.,Ltd.	PRC 18 November 2016	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Power (Foshan) Co.,Ltd.	PRC 29 December 2016	US$50,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Suzhou Comtec Tianyi Solar Technology Co.,Ltd.	PRC 28 September 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
Comtec Energy Management (Tianjin) Co.,Ltd.	PRC 7 August 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianyi Solar Technology (Tianjin) Co.,Ltd.	PRC 15 August 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Future Energy Technology Development (Tianjin) Co.,Ltd.	PRC 8 August 2017	RMB10,000,000	20%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianxiang Solar Technology (Tianjin) Co.,Ltd.	PRC 15 August 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianyuan Solar Technology (Tianjin) Co.,Ltd.	PRC 31 August 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianzhi Solar Technology (Tianjin) Co.,Ltd.	PRC 31 August 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tiancheng Solar Technology (Tianjin) Co.,Ltd.	PRC 31 August 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
Changzhou Comtec Dili Solar Technology Co.,Ltd.	PRC 15 September 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Suzhou Comtec Dichuang Solar Technology Co.,Ltd.	PRC 6 December 2017	RMB5,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Yueyang Comtec Diye Solar Technology Co.,Ltd.	PRC 31 October 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Sichuan Sunmell Construction Engineering Co., Ltd	PRC 29 June 2016	RMB20,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianhong Solar Technology (Tianjin) Co.,Ltd.	PRC 26 December 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuxi Comtec Shenjue Solar Co.,Ltd.	PRC 20 June 2017	RMB9,800,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Zhenjiang Zhongshenxiu New. Energy Co., Ltd	PRC 12 October 2017	RMB500,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
Changshu Comtec Solar Engineering Co., Ltd	PRC 9 January 2017	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Far East New Energy Limited	Hong Kong 26 May 2017	US$15,000,000	100%	100%	Investment holding
Comtec TC-Energy Power (Holdings) Co Limited	BVI 9 August 2018	US$1	100%	N/A	Investment holding
Comtec TC-Energy Power (HK) Limited	Hong Kong 29 August 2018	HKD1	100%	N/A	Investment holding
C&I Power Storage HK Limited	Hong Kong 28 September 2018	HKD1	100%	N/A	Investment holding
C&I Singapore Renewable and Innovative Tech Pte. Ltd.	Singapore 25 January 2018	US$500,000	100%	N/A	Investment holding
Comtec Tianqi Solar. Technology (Tianjin) Co.,Ltd.	PRC 3 July 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianze Solar Technology (Tianjin) Co.,Ltd.	PRC 3 July 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianai Solar. Technology (Tianjin) Co.,Ltd.	PRC 6 June 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
Comtec Tianshi Solar Technology (Tianjin) Co.,Ltd	PRC 6 June 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianlin Solar Technology (Tianjin) Co.,Ltd	PRC 24 April 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tiankang Solar. Technology (Tianjin) Co.,Ltd	PRC 23 April 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianyue Solar Technology (Tianjin) Co.,Ltd.	PRC 24 April 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianyu Solar. Technology (Tianjin) Co.,Ltd	PRC 2 January 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Tianyun Solar Technology (Tianjin) Co.,Ltd.	PRC 2 January 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Comtec Electrical Engineering (Tianjin) Co., Ltd.	PRC 13 April 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group 2018	Attributable equity interest held by the Group 2017	Principal activities
Guangzhou Comtec Dile Solar Technology Co., Ltd.	PRC 25 October 2018	RMB2,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Hangzhou Comtec Difan Solar Technology Co., Ltd.	PRC 23 November 2018	RMB2,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Changshu Comtec Dichuang. Solar Technology Co., Ltd	PRC 21 November 2018	RMB2,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Hangzhou Comtec Diai Solar Technology Co., Ltd.	PRC 11 October 2018	RMB2,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Shanghai Haochao Solar Technology Co., Ltd.	PRC 22 June 2018	RMB2,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Xiamen Comtec Dian. Solar Technology Co., Ltd	PRC 12 June 2018	RMB5,000,000	100%	N/A	Investment, development construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Puyang Comtec Dihong Solar Technology Co., Ltd.	PRC 6 July 2018	RMB5,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

44. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group 2018	2017	Principal activities
Qingdao Comtec Disen Solar New Energy Co., Ltd.	PRC 20 April 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Wuhu Comtec Difu Solar Technology Co., Ltd.	PRC 27 April 2018	RMB10,000,000	100%	N/A	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

* Directly held by the Company

\# Wholly foreign-owned enterprise

% Partially-owned subsidiaries

Δ Disposed subsidiaries

□ Cancelled subsidiaries

Five Years Summary

	Year ended 31 December				
	2014	2015	2016	2017	2018
Results	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	906,620	1,091,200	810,045	489,208	172,617
Loss before interest expenses and tax	(78,411)	(420,333)	(998,677)	(115,275)	(175,645)
Interest expenses	(11,910)	(14,762)	(9,112)	(15,925)	(23,849)
Loss before tax	(90,321)	(435,095)	(1,007,789)	(131,200)	(199,494)
Tax	(170)	381	719	(14,247)	12,912
Loss and total comprehensive expense for the year	(90,491)	(434,714)	(1,007,070)	(145,447)	(186,582)
Loss and total comprehensive expense for the year attributable to					
Owners of the Company	(90,491)	(434,714)	(1,007,070)	(140,296)	(179,882)
Non-controlling interests	–	–	–	(5,151)	(6,700)
	(90,491)	(434,714)	(1,007,070)	(145,447)	(186,582)

Assets and liabilities	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Total assets	2,484,678	2,125,319	1,362,006	731,732	544,841
Total liabilities	(970,163)	(988,407)	(1,151,935)	(489,627)	(487,129)
Shareholders' funds	1,514,515	1,136,912	210,071	242,105	57,712
Attributable to					
Owners of the Company	1,514,515	1,136,912	210,071	233,144	54,881
Non-controlling interests	–	–	–	8,961	2,831
	1,514,515	1,136,912	210,071	242,105	57,712

Definitions

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Comtec Clean Energy"	Comtec Clean Energy Group Limited* (卡姆丹克清潔能源有限公司), a company duly incorporated in the PRC and wholly owned by Comtec Renewable Energy
"Comtec Renewable Energy"	Comtec Renewable Energy Group Limited, a company duly incorporated in Hong Kong and wholly owned by the Company
"Controlling Shareholder(s)"	the controlling shareholders (as defined in the Listing Rules) of the Company, namely Mr. John Yi Zhang and Fonty
"Corporate Governance Code" or "CG Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Director(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
"Future Energy Capital"	Future Energy Capital Group Limited, a company incorporated in the British Virgin Islands being a co-investment vehicle established by Comtec Renewable Energy and Macquarie Capital
"Future Energy Capital (Wuxi)"	Future Energy Capital (Wuxi) Co., Ltd.* (福策能源投資(無錫)有限公司), a company duly incorporated in the PRC and a wholly-owned subsidiary of Future Energy Capital
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"ISDN"	ISDN Investments Pte Ltd, a company duly incorporated in the Republic of Singapore
"Kexin"	Zhenjiang Kexin Power System Design and Research Co., Ltd.* (鎮江科信動力系統設計研究有限公司), a company duly incorporated in the PRC
"Latest Practicable Date"	18 April 2019, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macquarie Capital"	Macquarie Corporate Holdings Pty Limited, a company duly incorporated in Australia
"Model Code"	model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Mr. Zhang" or "Mr. John Yi Zhang"	Mr. John Yi Zhang, an executive Director, the chairman of the Board and the controlling shareholder of the Company
"MW"	megawatt
"Period"	the year ended 31 December 2018
"PRC" or "China"	the People's Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 19 October 2009
"PV"	photovoltaic

Definitions

"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"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
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Sunny Mega"	Sunny Mega Limited, a company duly incorporated in the British Virgin Islands
"U.S.A."	the United States of America
"USD"	United States dollar, the lawful currency of the U.S.A.
"Wuxi Comtec (Jianyuan)"	Wuxi Comtec Jianyuan Solar Co., Ltd.* (無錫卡姆丹克建元光伏有限公司), a company duly incorporated in the PRC
"Wuxi Comtec (Tianhan)"	Wuxi Comtec Tianhan Solar Co., Ltd.* (無錫卡姆丹克天漢光伏有限公司), a company duly incorporated in the PRC
"%"	per cent.