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)

SUPPLEMENTAL ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement of Comtec Solar Systems Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 30 June 2022 (the "**Announcement**") in relation to the reconciliation of the unaudited (the "**Unaudited Results**") and audited results (the "**Audited Results**") of the Group for the year ended 31 December 2021 ("**FY2021**"). Unless otherwise defined or the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

In addition to the information set out in the Announcement, the Board would like to provide further information in relation to the recognition of impairment loss on financial assets ("**Impairment Loss**") in the Audited Results.

MATERIAL DIFFERENCE BETWEEN THE IMPAIRMENT LOSS ON FINANCIAL ASSETS UNDER THE UNAUDITED RESULTS AND THE AUDITED RESULTS

As disclosed in the announcements of the Company dated 31 March 2022, 29 April 2022, 13 May 2022, 31 May 2022, 17 June 2022 and 21 June 2022, the audit process of the Audited Results was delayed by continuing travel restrictions and quarantine measures in force in parts of China due to the implementation of the COVID-19 prevention measures in China. Such travel restrictions and quarantine measures lasted for months and persisted longer than originally expected. The Company published the Unaudited Results on 31 March 2022 and the Audited Results on 30 June 2022.

The offices of the Company in China had been temporarily closed since early March 2022, which resulted in a delay in obtaining necessary documents and certain external confirmations for the valuation assessment procedures on the fair value on the expected credit loss ("**ECL**") of the Group's receivables ("**ECL Valuation**") had yet to complete before the publication of the Unaudited Results. The first draft of the report on ECL Valuation (the "**ECL Valuation Report**") was produced by the valuer to the Company in April 2022 and the final draft was only completed in June 2022.

After the Directors' discussion with the Company's auditors (the "**Auditors**") and based on the Directors' review of the recoverability of the Group's receivables and the assessment on the ECL allowance, no allowance for ECL (i.e. Impairment Loss) was provided for in the Unaudited Results as the preliminary assessment amount of not more than RMB2.1 million, which represented the difference between the estimated ECL allowance of approximately RMB37.5 million ("**Estimated 2021 ECL**") for the year ended 31 December 2021 ("**FY2021**") and the ECL balance of approximately RMB35.4 million brought forward from the year ended 31 December 2020 ("**FY2020**"), was considered immaterial by the Directors and within the audit materiality threshold at the relevant time.

Consistent with FY2020 and after discussion with the Auditors, the Estimated 2021 ECL was prepared based on the probability weight loss default model and the adoption of ECL rate of 35% for FY2021 for each "not credit impaired" debtor was determined with reference to the global default rates published by Moody (i.e. 35.23% for the credit rating of Ca-c, the lowest rating under the "Annual Default Study" published in February 2022 from a prudent perspective). The ECL rate of 100% for credit impaired balances of the Group's receivables was adopted for both FY2020 and FY2021.

In addition to the worsened economic and business conditions in China in the second quarter of 2022, the extended COVID-19 containment measures caused severe business interruptions in China. As a result of the business interruptions in China, only limited market data was available and supporting customers' information/confirmation on recoverability of trade receivables could not be obtained by the Directors at the relevant time for ECL Valuation purpose. All of the above indicated an increasing uncertainty on the timing and recoverability of the Group's receivables and the Auditors were of the view that it was appropriate for the Company to adopt a higher ECL value under the simplified Flow Rate Approach for financial reporting purpose. The adjustment to the Impairment Loss was therefore agreed by the Company for the sake of prudence taking into account the subsequent events after the publication of the Unaudited Results.

IMPAIRMENT LOSS ON FINANCIAL ASSETS

As stated in the Announcement, the Impairment Loss of approximately RMB22.6 million were reported in the Audited Results, which represented an impairment loss on trade receivables and other receivables of approximately RMB20.4 million and RMB 2.2 million respectively as a result of the recognition of a loss allowance on receivables under the ECL model was recognised during FY2021.

The Group engaged Ascent Partners Valuation Service Limited, an independent professional qualified valuer (the "**Valuer**") to carry out the ECL Valuation for the principal subsidiary of the Group's solar and power storage segment of the Group (the "**Principal Subsidiary**") as at 31 December 2021.

According to the ECL Valuation Report, the Valuer applied the simplified flow rate matrix approach ("**Flow Rate Approach**") to determine the ECL rate based on the average loss rate in FY2021, in that the longer the ageing category, the higher the ECL rate would be applied. As the ageing category is the only factor affecting the applicable ECL rate and a majority of the receivables balance of the Group were over 180 days overdue, a higher ECL value was resulted under the Flow Rate Approach.

According to the ECL Valuation Report, the ECL is the product of expected default probability and the carrying value. The value of ECL of trade receivables is determined through the construction of a provision matrix based on the historical observed default rates in a range from 38.92% to 100% on the ageing category of the outstanding balances of trade receivables as at 31 December 2021, which is adjusted for forward-looking assessments, if any, in expected changes in credit risk.

No forward-looking adjustment had been made in the ECL Valuation Report.

In addition, the following assumptions have been adopted by the Valuer in the ECL Valuation:

(i) The Valuer has assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Principal Subsidiary.

(ii) The Valuer has not visited the premises where the business of the principal Subsidiary operates. The Valuer has relied on the assistance of and information provided by the Company and the Principal Subsidiary but has not verified the existence of the assets concerned.

(iii) As part of the Valuer's analysis, the Valuer has reviewed the information related to the ECL Valuation, which is made available to the Valuer. The Valuer has no reason to doubt the accuracy and fairness of such information on which the Valuer has relied to a considerable extent in arriving at its opinion of value.

The Board would like to emphasise that the allowance of ECL is the probability-weighted estimate of credit losses made on a forward-looking model, which does not represent losses that have already been incurred and that the difference in ECL allowances made by the Company at the time of the Unaudited Results and the Audited Results was arrived at based on the best available information at the material time.

Subsequent to the publication of the Audited Results, the outstanding balance with the Group's largest "not credit impaired" debtor, which accounted for over 50% of the Group's outstanding trade receivable as at 31 December 2021, was significantly reduced from about RMB22.37 million as at 31 December 2021 to about RMB750,000 as at 30 September 2022. Should such information be available and applied as forward-looking adjustments by the Valuer at the relevant time, the overall ECL value would be significantly reduced irrespective of the valuation approach that was finally adopted for financial reporting purpose.

The above additional information does not affect other information contained in the Audited Results and, save as disclosed in this announcement, the remaining contents of the Audited Results remain unchanged.

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

Shanghai, the People's Republic of China, 7 November 2022

As at the date of this announcement, the executive Director is Mr. John Yi Zhang, the non-executive Directors are Mr. Dai Ji and Mr. Qiao Fenglin, and the independent non-executive Directors are Dr. Yan Ka Shing and Mr. Jiang Qiang.