# 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

# 2021
# Annual Report

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. John Yi Zhang *(Chairman)*
Mr. Zhang Zhen *(resigned on 25 January 2021)*

### Non-executive Directors

Mr. Dai Ji
Mr. Qiao Fenglin

### Independent non-executive Directors

Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Leung Ming Shu *(resigned on 10 February 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng
Mr. Li Shu Pai *(appointed on 22 February 2021, resigned on 12 March 2021)*
Mr. Jiang Qiang *(appointed on 12 March 2021)*
Dr. Yan Ka Shing *(appointed on 1 July 2021)*

## COMPANY SECRETARY

Ms. Lau Ling Yun Agnes

## AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang
Mr. Qiao Fenglin

## AUDIT COMMITTEE

Mr. Jiang Qiang *(Chairman) (appointed on 12 March 2021)*
Mr. Leung Ming Shu *(resigned on 10 February 2021)*
Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng
Dr. Yan Ka Shing *(appointed on 1 July 2021)*

## NOMINATION COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Jiang Qiang *(appointed on 12 March 2021)*
Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Leung Ming Shu *(resigned on 10 February 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng
Mr. Qiao Fenglin
Dr. Yan Ka Shing *(appointed on 1 July 2021)*

## REMUNERATION COMMITTEE

Mr. Jiang Qiang *(Chairman) (appointed on 12 March 2021)*
Mr. Leung Ming Shu *(resigned on 10 February 2021)*
Mr. John Yi Zhang
Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng
Mr. Qiao Fenglin
Dr. Yan Ka Shing *(appointed on 1 July 2021)*

## CORPORATE GOVERNANCE COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Leung Ming Shu *(resigned on 10 February 2021)*
Mr. Jiang Qiang *(appointed on 12 March 2021)*

## SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi Zhang *(Chairman)*

## REGISTERED OFFICE

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

## HEADQUARTERS

No. 2, Hongyang Road
Tianning District
Changzhou City
Jiangsu Province
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 9 & 11
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## COMPANY'S WEBSITE

www.comtecsolar.com

# CORPORATE INFORMATION

## AUDITOR

Mazars CPA Limited *(resigned on 8 March 2021)*
UniTax Prism (HK) CPA Limited
(formerly known as Prism CPA Limited and
appointed on 24 March 2021)

## LEGAL ADVISERS AS TO HONG KONG LAW

David Fong & Co.

## PRINCIPAL BANKS

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

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

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the annual report together with the audited annual results of the Group for the year ended 31 December 2021 (the "**Period**"). Here are some financial and business highlights for the year:

- Revenue for the Period was approximately RMB54.8 million, representing a year-on-year decrease of 0.3% from approximately RMB55.0 million for the year ended 31 December 2020, primarily caused by the decrease in revenue generated from installation services for photovoltaic power stations which offset the revenue increase in both sales of power storage product and rooftop distributed power generation projects;

- Gross profit for the Period was approximately RMB6.8 million, representing a year-on-year increase of 74.4%, from approximately RMB3.9 million for year ended 31 December 2020;

- Net losses attributable to the owners of the Company for the Period was approximately RMB53.2 million, representing a year-on-year decrease of approximately 19%, from approximately RMB65.7 million for the year ended 31 December 2020; and

- Our loss per share for the year was RMB6.85 cents, comparing to the loss per share of 9.18 cents for the year ended 31 December 2020.

During the Period, the Group is principally engaging in the solar businesses which focus on (1) consulting services for investment, engineering, procurement, development, and operation of solar photovoltaic power stations; (2) operations of rooftop distributed power generation projects in industrial, commercial and residential buildings; as well as (3) sales of lithium battery power storage systems businesses for electric vehicles and power storage customers. Following the global concern on climate change and the trend on environmental justice since 2020, we strongly believe we can benefit from such trend and will have a continuous and healthy growth in the revenue and profit in our business.

Furthermore, we continue to persevere in developing our solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products. We provide Solar EPC services for rooftop distributed generation projects to customers mainly from Guangdong, Fujian, Tianjin, Zhejiang, Shandong, Anhui, Hebei, Henan, Hubei, and Hunan. We are optimistic that with the Chinese electric vehicle industry, green energy and the power storage industry being the focal points of the globe, our profit will grow diversely and constantly in the future.

# CHAIRMAN'S STATEMENT

## APPRECIATION

On behalf of the Board, I would like to express our gratitude to all the stakeholders, including but not limited to customers, suppliers, banks, business partners and shareholders of the Group for their continuous support, as well as the management team and the employees of the Group for their invaluable services and contributions.

**John Yi Zhang**
*Chairman*

Shanghai, 30 June 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the Period, the Group is principally engaging in the solar businesses which focus on (1) consulting services for investment, engineering, procurement, development, and operation of solar photovoltaic power stations; (2) operations of rooftop distributed power generation projects in industrial, commercial and residential buildings; as well as (3) sales of lithium battery power storage systems businesses for electric vehicles and power storage customers.

Riding on the global concern on climate change and the trend on environmental justice since 2020, we expect we can benefit from such trend and will have a continuous improvement in the revenue and profit in our business.

We continue to persevere in developing our solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products. We provide Solar EPC services for rooftop distributed generation projects to customers mainly from Guangdong, Fujian, Tianjin, Zhejiang, Shandong, Anhui, Hebei, Henan, Hubei, and Hunan. We are optimistic that with the Chinese electric vehicle industry, green energy and the power storage industry being the focal points of the globe, our profit will grow diversely and constantly in the future.

## FINANCIAL REVIEW

### Revenue

Revenue from our solar businesses mainly included (1) consulting services income for design, installation and construction of photovoltaic power stations, (2) power generation income and (3) sales of power storage products.

The total revenue from all income streams was largely the same year on year, decreased by RMB0.2 million, or 0.3%, from RMB55.0 million for the year ended 31 December 2020 to RMB54.8 million for the Period. The slight decrease was attributable to the decrease in revenue generated from installation services for photovoltaic power stations which was largely offset by the increase in our revenue from both sales of power storage product and rooftop distributed power generation projects.

### Cost of sales and services

Cost of sales and services decreased by 6.1% from RMB51.2 million for the year ended 31 December 2020 to RMB48.1 million for the Period mainly due to the increase in power storage products sold, which was partially offset by the reduced installation services and reduced production of solar wafers and polysilicon.

### Gross profit

During the Period, the Group recorded gross profit of approximately RMB6.8 million, representing an increase of approximately 74.4% from the gross profit of approximately RMB3.9 million for the year ended 31 December 2020. The increase is mainly due to the change in relative significance in our revenue stream. Specifically, a higher proportion of revenue was generated from our high gross margin power generation income and a lower proportion of revenue was generated from our relatively lower gross margin installation services income.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Other income

Other income for the Period was approximately RMB12.6 million, representing an increase of approximately RMB4.4 million, or 53.7%, from RMB8.2 million for the year ended 31 December 2020, which was mainly due to the increase in rental income received during the Period.

### Other net gains (losses)

Other net gains were approximately RMB14.9 million during the Period, representing an increase by approximately RMB26.0 million or 234.2% from other losses of approximately RMB11.1 million for the year ended 31 December 2020, mainly due to decrease in fair value loss on investment properties and fair value loss of derivative component of convertible bonds during the Period.

### Selling and distribution expenses

Selling and distribution expenses increased by RMB0.2 million, or 20.0%, from RMB1.0 million for the year ended 31 December 2020 to RMB1.2 million for the Period, primarily due to the increase in marketing effort to increase sales during the Year.

### Administrative and general expenses

Administrative and general expenses increased by RMB1.2 million, or 3.4%, from RMB35.7 million for the year ended 31 December 2020 to RMB36.9 million for the Period, which had no material fluctuation in administrative and general expenses.

### Research and development expenses

Research and development expenses increased by RMB2.3 million, or 209.1%, from RMB1.1 million for the year ended 31 December 2020 to RMB3.4 million for the Period as we have been actively investing and improving the efficiency of our power storage system as well as designing solar photovoltaic power stations solutions for our potential rooftop distributed power generation projects.

### Interest expenses

Interest expenses amounted to RMB30.0 million and RMB23.8 million for the Period and 31 December 2020 respectively. There was an increase in interest expenses arising from bank borrowings in 2021.

### Loss before taxation

Loss before taxation was approximately RMB60.0 million for the Period, decreased by RMB10.9 million, or 15.4%, from approximately RMB70.9 million for the year ended 31 December 2020, due to the aforementioned factors.

### Taxation

The Group recorded tax expense of approximately RMB1.3 million during the Period, decreasing from tax credits of approximately RMB4.1 million for the year ended 31 December 2020 due to our revenue and profit turnaround.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Loss for the Period

The Group recorded a loss and total comprehensive expenses of approximately RMB61.3 million during the Period, while the Group recorded a loss and total comprehensive expenses of approximately RMB66.8 million for the year ended 31 December 2020.

### Final dividend

The Board resolved not to declare final dividend for the Period (2020: nil).

### Liquidity and financial resources

The Group's principal sources of working capital for the Period included cash inflow from operating activities and bank borrowings. As at 31 December 2021, the Group's current ratio (current assets divided by current liabilities) was 0.2 (31 December 2020: 0.3) and it was in a net debt position of approximately RMB148.8 million (31 December 2020: approximately RMB169.7 million). The gearing ratio (total liabilities divided by total equity) was (3.6) (31 December 2020: (5.3)). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB313.5 million as of 31 December 2021 (31 December 2020: approximately RMB290.5 million). Also, the Group recorded net liabilities of approximately RMB113.5 million as of 31 December 2021 (31 December 2020: net liabilities of approximately RMB89.1 million).

Over the past few years, in order to release our liquidity stress, the Group has resolved different approaches including but not limited to reduction our cost of operation in all aspects, endeavor to obtain both long-term and short-term credit facilities; with the recent proposed disposal of low utilizing properties, it is expected that the proceeds can reduce our debts and improve the working capital of the Group for a period of time. The Group, inevitably, remains to make the biggest efforts to strengthen our financial position and enhance the cash flow by any ways including exploring collaborations with institutional investors, introduction of new strategic investors and pursuing growth through considering possible and adequate fund raising, financial restructuring, M&A and partnerships.

### Capital commitments

As at 31 December 2021, there was no capital commitment (31 December 2020: nil). 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 rooftop distributed generation projects and power storage business which would depend on and subject to the market conditions and opportunities.

### Contingent liabilities

As at 31 December 2021, there was no material contingent liability (31 December 2020: nil).

### Charges on group assets

As at 31 December 2021 and 2020, the Group had restricted cash of approximately RMB0.1 million and RMB21.2 million respectively, and pledged its buildings, investment properties, right-of-use assets and plant and machines to secure financing facilities granted to the Group. Save as disclosed above, as at 31 December 2021, no other assets of the Group were charged.

## EVENT AFTER REPORTING PERIOD

On 1 June 2022, Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), as the Vendor, entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with, Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), as the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase, properties (together with the ancillary facilities) located in Shanghai, the PRC, at the consideration of RMB180 million (the "**Consideration**").

The principal terms of the Sale and Purchase Agreement are summarised as follows:

| | |
|---|---|
| Date: | 1 June 2022 |
| Vendor: | Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), a wholly-owned subsidiary of the Company, which is principally engaged in manufacturing and sales of solar wafers and related products. |
| Purchaser: | Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), a company incorporated in Shanghai, the PRC with limited liability, which is principally engaged in design, manufacturing and printing of packaging boxes mainly for pharmaceutical companies. |

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its beneficial owners are third parties independent of the Company and its connected persons.

### Subject matter

The properties (together with the ancillary facilities) (the "**Properties**") consist of the following:

(i) the land use rights to certain state-owned lands (collectively, the "**Lands**"), being industrial lands, with an aggregate land area of approximately 40,387.4 sq.m., consisting of:

(a) a plot of land (the "**Land No. 1**") located at 906 Yuan Zhong Road, Xuan Qiao Town, Pudong New Area, Shanghai, the PRC* (中國上海市浦東新區宣橋鎮園中路906號) with a land area of approximately 27,823.60 sq.m. and a term ending on 10 August 2058; and

(b) a plot of land (the "**Land No. 2**") located at 16 Yuan Di Road, Xuan Qiao Town, Pudong New Area, Shanghai, the PRC* (上海市浦東新區宣橋鎮園迪路16號) with a land area of approximately 12,563.8 sq.m. and a term ending on 9 October 2056; and

(ii) certain buildings located on the Lands, with an aggregate construction area of approximately 40,038.06 sq.m., consisting of:

(a) five factory buildings with an aggregate construction area of approximately 26,725.80 sq.m. located on the Land No. 1; and

(b) two factory buildings with an aggregate construction area of approximately 13,312.26 sq.m. located on the Land No. 2.

The Properties have been used by the Group as factories for the production of solar wafers and related products. As disclosed in the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021 (the "**2021 Interim Report**"), the Group has fully suspended its upstream manufacturing business including manufacturing and sales of solar wafers and related products which recorded operating losses in the last few years. For the year ended 31 December 2020 and 2021, sales of monocrystalline solar wafers amounted to approximately RMB454,000 and nil, respectively. On 1 June 2022, part of the Properties were vacant and part of the Properties were rented out to certain tenants (the "**Tenants**").

On 1 June 2022, the Properties were pledged by the Vendor in favour of Agricultural Bank of China Co., Ltd., Shanghai Nanhui branch* (中國農業銀行股份有限公司上海南匯支行) (the "**Creditor**") to secure a loan (the "**Loan**") provided by the Creditor in the outstanding amount of approximately RMB115 million (including accrued interests). Under the Sale and Purchase Agreement, part of the Consideration shall be used to settle the Loan, details of which are set out in the paragraph headed "The Consideration" below.

### The Consideration

The Vendor, the Purchaser and the Creditor have entered into an escrow agreement, pursuant to which an escrow account (the "**Escrow Account**") has been established for the settlement of the Consideration. As at the date of this announcement, a deposit of RMB10 million (the "**Deposit**") has been transferred by the Purchaser to the Escrow Account.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall deposit the Consideration of RMB180 million into the Escrow Account in the following manner:

(i) within ten business days after entering into the Sale and Purchase Agreement, RMB170 million (including the Deposit) shall be deposited in the Escrow Account; and

(ii) within one month after obtaining the receipt of acknowledgement from Pudong New Area Natural Resources Title Confirmation and Registration Centre (Real Estate Registration Centre)* (浦東新區自然資源確權登記事務中心(不動產登記事務中心)) (the "**Real Estate Registration Centre**") in relation to the application for title transfer of the Properties, the remaining RMB10 million shall be deposited in the Escrow Account.

The Consideration shall be paid by the Purchaser to the Vendor through the Escrow Account in the following manner:

(i) upon obtaining (a) the receipt of acknowledgement from the Real Estate Registration Centre in relation to the application for title transfer of the Properties; and (b) the tax payment notice in relation to the transfer of the Properties, a sum of RMB20 million shall be released from the Escrow Account to the Vendor;

(ii) upon completion of (a) the relevant procedures for the registration of title transfer of the Properties; (b) the registration of the Purchaser as the legal owner of the Properties by the Real Estate Registration Centre; and (c) the Purchaser obtaining the real estate ownership certificate of the Properties, a sum of RMB150 million shall be released from the Escrow Account to first settle the Loan owed by the Vendor to the Creditor and the relevant tax in relation to the transfer of the Properties and the remaining balance shall be paid to the Vendor (together with the payment set out in (i) above, the "**Initial Payment**"); and

(iii) within three business days after Completion, the final payment of RMB10 million shall be released from the Escrow Account to the Vendor.

In the event that the Purchaser fails to pay the Consideration in accordance with the above mechanism, the Purchaser shall pay the Vendor a penalty of 0.05% of the overdue amount on a daily basis.

The Consideration was determined after arm's length negotiations between the parties with reference to (i) the carrying amount of the Properties of approximately RMB120 million as at 31 December 2021; and (ii) the preliminary valuation of the Properties of approximately RMB169 million as at 31 December 2021 (the "**Valuation**") conducted by Shanghai Bada Guorui Real Estate Land Appraisal Co., Ltd*. (上海八達國瑞房地產土地估價有限公司), an independent valuer, using the market and income capitalisation approach.

### Completion

Completion shall take place after fulfilment of the following:

(i) the Vendor and the Purchaser have completed the relevant procedures for the title transfer of the Properties; and

(ii) the Vendor has handed over the Properties (together with the ancillary facilities) to the Purchaser after:

(a) the Initial Payment has been duly paid by the Purchaser to the Vendor through the Escrow Account and the Loan has been fully settled;

(b) the Vendor and the Purchaser have duly paid their respective taxes in relation to the transfer of the Properties;

(c) the Vendor and the Tenants have moved out of the Properties and changed the registered addresses of their business licences;

(d) the Vendor has paid the water, electricity, property management and other relevant fees (in relation to the use of the Properties) up to the date of handover of the Properties to the Purchaser, and assisted the Purchaser completing the transfer of these utility accounts;

(e) the Vendor has engaged a third party to properly deal with the pollutants (including silicon powder and sewage) left over during the production of the Group in the Properties;

(f) the Vendor has provided the Purchaser with a receipt for the Consideration and assisted the Purchaser in obtaining the invoice in relation to the transfer of the Properties from the Real Estate Registration Centre;

(g) the Vendor has transferred the planning, construction and engineering documents in relation to the Properties to the Purchaser;

(h) the Vendor has provided the Purchaser with copies of (a) the agreement and proof of settlement for the consideration in relation to the acquisition of the Properties; and (b) the acknowledgement receipt issued by the relevant land administration authority for the settlement of the consideration, which are endorsed with the company's chop of the Vendor; and

(i) the Vendor and the Purchaser have obtained all necessary internal, third party and regulatory approvals, permits and consents for the transfer and handover of the Properties, including but not limited to obtaining the shareholder or board approval of the Vendor and the Purchaser and the Company has complied with all relevant requirements in accordance with the Listing Rules and as required by the relevant regulatory authorities.

The Purchaser shall inspect the Properties within three days from the date of receipt of the handover notice from the Vendor. Subsequent to the Purchaser's inspection, the Vendor shall deliver the keys of the Properties to the Vendor. The date of handover of the Properties shall be the earlier of (a) the date of delivering the keys of the Properties to the Purchaser; or (b) the 4th day from the date of receipt of the handover notice by the Purchaser from the Vendor should the Purchaser fail to inspect the Properties. The Vendor and the Purchaser shall use their best endeavours to complete the handover of the Properties within three months from the date when the Real Estate Registration Centre has issued the real estate certificate for the transfer of the Properties. In the event that the Vendor fails to hand over the Properties to the Purchaser within the aforesaid timeframe (after expiration of a one-month grace period), the Vendor shall pay the Purchaser a penalty of 0.05% of the unpaid amount on a daily basis.

### Information on the Purchaser

The Purchaser, a company incorporated in Shanghai, the PRC with limited liability, is principally engaged in design, manufacturing and printing of packaging boxes mainly for pharmaceutical companies.

As at 1 June 2022, the Purchaser was beneficially owned (i) as to approximately 36.00% by Chen Jianwen (陳建文); (ii) as to approximately 27.95% by Chen Jianxin (陳建新); (iii) as to approximately 12.97% by Chen Hui (陳輝); and (iv) as to approximately 23.08% by Shanghai Pudong Huanglou Industry & Trading Co., Ltd.* (上海浦東黃樓工貿公司) which was wholly-owned by Shanghai Wanglou Agriculture Industry and Commerce Industry Company* (上海旺樓農工商實業公司) ("**Shanghai Wanglou**"). Shanghai Wanglou was in turn wholly-owned by the People's Government of Chuansha Town, Pudong New Area, Shanghai* (上海市浦東新區川沙鎮人民政府).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its beneficial owners are third parties independent of the Company and its connected persons.

### Information on the Group and the Vendor

The Group is principally engaged in sales of power storage products and lithium battery products and the investment, development, construction and operation of solar photovoltaic power stations.

The Vendor, a wholly-owned subsidiary of the Company, is principally engaged in manufacturing and sales of solar wafers and related products. As at 1 June 2022, the Group has fully suspended the upstream manufacturing business including manufacturing and sales of solar wafers and related products.

### Financial Effects of the Disposals and Use of Proceeds

For illustrative purposes, the Group is expected to record an unaudited gain on the disposal (the "**Disposal**") of approximately RMB22 million, which is calculated based on the Consideration less the aggregate of the carrying amount of the Properties of approximately RMB120 million as at 31 December 2021 and the relevant expenses and tax. Shareholders should note that the actual gain of the Disposal will be calculated based on the relevant figures as at the date of Completion and subject to audit and therefore might be different from the aforementioned amount.

The net proceeds from the Disposal after deducting the relevant expenses and tax are estimated to be approximately RMB142 million, among which approximately RMB115 million shall be used to repay the Loan (including the accrued interest) and approximately RMB27 million shall be applied towards general working capital of the Group.

### Reasons for and Benefits of the Disposal

The Group has fully suspended its upstream manufacturing business including manufacturing and sales of solar wafers and related products which recorded operating losses in the last few years and focused on developing its downstream solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of power storage products. Hence, the Directors has been continually looking for opportunities to increase Shareholders' return through disposing properties with low utilisation and realising their value. The industrial property market in the PRC has remained stagnant in the past year. The Disposal represents a good opportunity for the Company to maximise Shareholders' return, given that the Purchaser has a genuine relocation need within the same area, and the location and the size of the Properties meet the requirement and need of the Purchaser. Therefore, the Directors consider that the Purchaser has made a favourable offer to acquire the Properties.

In addition, the Disposal is expected to reduce the debt and therefore the interest burden of the Group. For the year ended 31 December 2021, the Group recorded an unaudited net loss attributable to the Shareholders of approximately RMB45.0 million. As at 31 December 2021, the Group had unaudited net current liabilities and net liabilities of approximately RMB296.4 million and RMB97.1 million, respectively, among which (i) bank balances and cash were approximately RMB6.8 million; (ii) trade and other payables and accruals were approximately RMB164.2 million; and (iii) interest-bearing borrowings were approximately RMB137.9 million. These factors indicate the existence of a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, as stated in the 2021 Interim Report. Given the net proceeds from the Disposal shall be applied towards the settlement of the Loan and the general working capital of the Group, the Disposal is expected to lower the gearing and improve the working capital of the Group. The Disposal will strengthen the financial position and enhance the cash flow of the Group. The Board believes that, through the Disposal, the Company will be able to allocate its resources more effectively.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. You may refer to the announcement of the Company on 1 June 2022.

As disclosed in the announcement dated 1 June 2022, a circular (the "**Circular**") containing, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 June 2022.

As additional time is required to finalise certain information to be included in the Circular, the despatch date of the Circular will be postponed to a date on or before 29 July 2022.

The transaction of the Disposal is yet completed. It is subject to the fulfilment of all conditions precedent set out in the Sale and Purchase Agreement.

## OUTLOOK

### *Strategic Cooperation Framework Agreement*

On 16 March 2021, the Company entered into a strategic cooperation framework agreement with Jiangsu Changzhou Tianning Economic Development Zone Management Committee and Changzhou Tianning Investment Service Centre. Pursuant to the said strategic cooperation framework agreement, the respective parties agreed to launch comprehensive cooperation in new energy asset trading platform, intelligent logistics and renewable energy business based on the principle of "equality and mutual benefit" so as to take complimentary advantages of their respective resources, expertise and experience. The details of the said strategic cooperation framework agreement are set out in the announcement of the Company dated 18 March 2021.

### *Asset reallocation and deleveraging*

As we have completed our corporate restructuring in 2020 and 2021, we are currently executing our plans of disposing assets and properties with low utilization and we plan to redistribute these resources to improve our capital structure and lowering our gearing ratio when opportunities arise.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. John Yi Zhang ("Mr. Zhang")**, aged 59, 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 12 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.

## NON-EXECUTIVE DIRECTOR

**Mr. Dai Ji ("Mr. Dai")**, aged 43, is a non-executive Director and the vice chairman of the Board of the Company. Mr. Dai is primarily engaged in investing in a portfolio of companies in the biomedical technologies and big data industries in the People's Republic of China (the "**PRC**"). Mr. Dai has over nine years of managerial experience in financial industry. Mr. Dai joined Minsheng Financial Leasing Co., Ltd.* (民生金融租賃股份有限公司) ("**MSFL**"), a company primarily engaged in provision of financial leasing services, at the time when it was founded in 2008 in the PRC. Since joining MSFL in 2008, Mr. Dai had assumed various roles including but not limited to its director and vice president and was primarily responsible for its operations and capital financing until July 2017 when he departed from MSFL. Mr. Dai received his bachelor's degree in finance and master of business administration degree from the Hawaii Pacific University in 2002 and 2004 respectively. Mr. Dai holds the certificate of senior banking management personnel in the PRC and the certificate of professional senior management of private equity fund in the PRC.

**Mr. Qiao Fenglin ("Mr. Qiao")**, aged 42, was appointed as a non-executive Director, a member of the nomination committee and a member of the remuneration committee of the Board in March 2020. Mr. Qiao has experience in investment, financing and asset management in industries such as real estate, renewable energy, healthcare and education. From February 2018 to date, Mr. Qiao has been the chief executive officer of Tianjin Jinhe Private Equity Fund Management Co., Ltd. From September 2009 to February 2018, Mr. Qiao was a deputy director of marketing at MSFL. Mr. Qiao Fenglin received his bachelor's degree in economics from the Tianjin College of Commerce in June 2002 and a master degree in industrial economics from Nankai University in July 2005.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON EXECUTIVE DIRECTORS

**Mr. Ma Teng ("Mr. Ma")**, aged 64, was appointed as an independent non-executive Director, a member of the nomination committee of the Board and a member of the remuneration committee of the Board in March 2020. Mr. Ma is a senior economist and has extensive experience in the financial industry. Mr. Ma joined China Everbright Group Company Limited ("**CEB Group**") in March 2009 and he has acted as the general manager of its financial management department and an executive director and executive vice president of China Everbright Bank Company Limited ("**CEB**") before his retirement in April 2018. In additions, he joined China Bohai Bank Company Limited ("**China Bohai Bank**") in July 2005 and acted as chief executive office of China Bohai Bank from February 2006 to January 2009. Mr. Ma Teng graduated from Dongbei University of Finance and Economics in July 1984, and obtained a bachelor's degree in economics and a doctoral degree in political economics from Zhongnan University of Economics and Law in December 2002.

**Mr. Jiang Qiang ("Mr. Jiang")**, aged 49, was appointed as an independent non-executive Director, the chairman of the audit committee and the remuneration committee of the Board, and a member of the nomination committee and the corporate governance committee of the Board in March 2021. Mr. Jiang has accumulated over 19 years of experience in audit, corporate finance and financial management. From June 2002 to March 2012, Mr. Jiang has been serving as the deputy manager and chief financial officer of Shandong Weigao Group Medical Polymer Company Limited*, a company listed on the Stock Exchange (stock code: 1066), being responsible for overall management in finance, strategy plan and investment of the group. Thereafter, during the period from March 2012 to March 2015, Mr. Jiang had also been the chief operation officer, director and the chairman of strategic committee of Biosensors International Group Ltd., a company listed on the Singapore Exchange Limited (SGX: B20). Also, since 2015 to present, Mr. Jiang has been serving as the chairman of the board of Ming Yi Zhong He Technology (Beijing) Limited* (明醫眾禾科技(北京)有限責任公司) and Qingdao Yi Sheng Jian Medical Management Limited* (青島頤生健醫療管理有限公司). Mr. Jiang Qiang graduated from Harbin Institute of Technology with a Bachelor Degree in Business Administration, and obtained his Master Degree in International Finance Management from the Dongbei University of Finance and Economics.

**Dr. Yan Ka Shing ("Dr. Yan")**, aged 36, was appointed as an independent non-executive Director and a member of the audit committee, the nomination committee and the remuneration committee of the Board in July 2021. Dr. Yan has more than 10 years of experience in the medical industry and has been employed by the Hospital Authority since July 2011. He completed his housemanship in the Hospital Authority from July 2011 to June 2012. He then became a registered doctor and has served as a medical officer in various hospitals managed by the Hospital Authority in Hong Kong, since July 2012. Dr. Yan obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) degree from the University of Hong Kong in November 2011, the Membership of the Royal Colleges of Physicians of the United Kingdom (MRCP (UK)), a postgraduate medical diploma in the United Kingdom, in March 2016, and the Postgraduate Diploma in Infectious Diseases from the University of Hong Kong (PDipID (HK)) in October 2019. He was admitted as a member of the Hong Kong College of Physicians in January 2017, then became Fellow and Specialist in Endocrinology, Diabetes and Metabolism, and has held fellowships from the Hong Kong College of Physicians and the Hong Kong Academy of Medicine (Medicine), since September 2020 and December 2020, respectively. Also, he has been a member of the Hong Kong Medical Association since July 2011. Dr. Yan was appointed and has been an independent non-executive director of Victory Securities (Holdings) Limited (stock code: 8540) and China United Venture Investment Limited (formerly known as Glory Mark Hi-Tech (Holdings) Limited) (stock code: 8159) since 14 June 2018 and 5 December 2019 respectively, where he is primarily responsible for providing independent advice to the board.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Che Xiaoxi ("Mr. Che")**, aged 33, is the Chief Operation Officer of the Company, responsible for investor and governmental relations and project finance. Mr. Che joined the Company in July 2017 as an assistant to the chief executive officer of the Company. He served as chief investment officer of 華夏融(北京)資產管理有限公司 (Huaxiarong (Beijing) Asset Management Co., Ltd.*) from October 2015 to June 2017, and investment manager of 深圳市祥駿投資發展有限公司 (Shenzhen Xiangjun Investment Development Co., Ltd.*), responsible for project investment and management before and after project investment, from December 2013 to September 2015. Mr. Che received his bachelor's degree in Applied Finance and master's degree in Finance from Macquarie University in Australia in April 2014.

# REPORT OF THE DIRECTORS

The Directors is pleased to present their report together with the audited consolidated financial statements for the Period.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaging in the solar business which specifically focuses on rooftop distributed generation projects in industrial, commercial and residential building as well as its lithium battery systems businesses for electric vehicles and power storage customers and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power.

## SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2021 are set out in note 38 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 2021 are set out in the consolidated financial statements on pages 85 to 188 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 statements, respectively.

## DISTRIBUTABLE RESERVES

There was no reserve available for distribution to Shareholders as at 31 December 2021.

## CHARITABLE DONATIONS

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

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Period are set out in note 13(a) 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 32 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 (resigned on 25 January 2021)

### Non-Executive Director

Mr. Dai Ji
Mr. Qiao Fenglin

### Independent Non-Executive Directors

Mr. Leung Ming Shu (resigned on 10 February 2021)
Mr. Kang Sun (resigned on 20 March 2021)
Mr. Xu Erming (resigned on 29 January 2021)
Mr. Ma Teng
Mr. Jiang Qiang (appointed on 12 March 2021)
Mr. Li Shu Pai (appointed on 22 February 2021; resigned on 12 March 2021)
Dr. Yan Ka Shing (appointed on 1 July 2021)

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 articles of the Company's articles of association, Mr. John Yi Zhang, Mr. Qiao Fenglin and Mr. Ma Teng will retire from the Board by rotation at the forthcoming annual general meeting. Mr. John Yi Zhang, Mr. Qiao Fenglin and Mr. Ma Teng, being eligible, offer themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 15 to 17 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 2021 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 2021, 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 Consolidated 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 | 143,470,887 | 18.12% |
| Mr. Dai Ji | Beneficial owner | 67,500,000 | 8.53% |

*Notes:*

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 131,513,461 Consolidated Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 11,957,426 Consolidated Shares which are beneficially owned by Zhang Trusts For Descendants as the founder of the trust.

Save as disclosed above, as at 31 December 2021, 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 2021, 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:

### Long positions in the Company

| Name of Shareholders | Nature of interest | Number of Consolidated shares interested | Approximate percentage of interest in the issued share capital of the Company |
|---|---|---|---|
| Fonty Holdings Limited | Beneficial owner | 131,513,461 | 16.61% |
| Ms. Carrie Wang[1] | Interest of spouse | 143,470,887 | 18.12% |
| Harmony Gold Ventures Corp[2] | Beneficial owner | 38,662,827 | 4.88% |
| Shanghai Hengqu Internet Technology Co., Ltd.*[2] | Interest in a controlled corporation | 38,662,827 | 4.88% |
| Jiangyin Jinqu Capital Management Co., Ltd.*[2] | Interest in a controlled corporation | 38,662,827 | 4.88% |
| Mr. Wang Yixin (王藝新)[2] | Interest in a controlled corporation | 38,662,827 | 4.88% |
| Advanced Gain Limited[3] | Beneficial owner | 47,728,179 | 6.03% |
| Mr. Wu Zheqiang[3] | Interest in a controlled corporation | 47,728,179 | 6.03% |
| Mr. Sun Da | Beneficial owner | 104,885,179 | 13.25% |

*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 38,662,827 Consolidated 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 47,728,179 Consolidated Shares held by Advanced Gain Limited.

Save as disclosed above, as at 31 December 2021, 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.

## PARTIAL CONVERSION OF CONVERTIBLE BONDS

### Partial Conversion Shares I

Foregoing the convertible bonds in the aggregate principal amount of US$10 million due 2021 with interest rate per annum of 10% issued by the Company to Putana Limited (the "**Subscriber**"), the Company received conversion notices from the Subscriber for the exercise of the conversion rights attached to the Convertible Bonds in respect of the aggregate principal amount of US$2 million. Pursuant to the Conversion Price of HK$0.696 per Conversion Share which is the adjusted Conversion Price after implementation of the share consolidation effected by the Company on 26 August 2019, a total number of 22,556,896 Conversion Shares (the "**Partial Conversion Shares I**") have been issued to the Subscriber on 5 March 2021. Immediately after the allotment and issue of the Partial Conversion Shares I, the number of issued shares of the Company increased to 755,731,606 Shares.

### Partial Conversion Shares II

The Company received further conversion notices from the Subscriber for the exercise of the conversion rights attached to the Convertible Bonds in respect of the aggregate principal amount of US$2 million. Pursuant to the Conversion Price of HK$0.696 per Conversion Share which is the adjusted Conversion Price after implementation of the share consolidation effected by the Company on 26 August 2019, a total number of 22,556,896 Conversion Shares (the "**Partial Conversion Shares II**") have been issued to the Subscriber on 18 March 2021. Immediately after the allotment and issue of the Partial Conversion Shares II, the number of issued shares of the Company increased to 778,288,502 Shares.

For the details, please refer to the announcements of the Company published on 5 and 18 March 2021 respectively.

## SHARE OPTION SCHEMES

### Share Option Scheme

The Company adopted a share option scheme (the "**Old 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.

As at 30 June 2022, being the date of the 2021 Annual Report, the total number of shares of the Company under the Old Share Option Scheme which may be issued upon exercise of all outstanding share options was 33,408,544 (after the Share Consolidation), representing approximately 4.22% of the shares of the Company in issue on 30 June 2022. Since the old share option scheme was terminated on 1 October 2019, no further options can be granted under it. However, the share options granted under the Old Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

In view of, among others, the fact that the Old Share Option Scheme expired on 1 October 2019, and for the same purposes above, the Company conditionally adopted a new share option scheme (the "**New Share Option Scheme**") on 31 December 2018 (the "**Adoption Date**"). The New Share Option Scheme became unconditional and took effect on 17 January 2019 upon the Listing Committee's granting the listing of, and permission to deal in the Shares falling to be issued pursuant to the exercise of option under the New Share Option Scheme, and the Old Share Option Scheme was terminated on even date.

Under the New Share Option Scheme, the aggregate number of Shares in respect of which options (including both exercised and outstanding options) may be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed 10% of the total number of Shares in issue on the Adoption Date, i.e. 209,770,358 Unconsolidated Shares.

As at 30 June 2022, the total number of shares of the Company under the New Share Option Scheme which may be issued upon exercise of all outstanding share options was 52,442,589 (after the Share Consolidation), representing approximately 6.74% of the shares of the Company in issue on 30 June 2022.

No option may be granted to any participant of the New 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 New 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 New 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 New Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be granted or offered.

Details of the share options exercised and lapsed under the Old Share Option Scheme during the Period are as follows:

| | | | After share consolidation | | | | | |
|---|---|---|---|---|---|---|---|---|
| Grantee | Date of grant | Exercise price per Share | Balance as at 1 January 2021 | Share options granted during the Period | Exercised during the Period | Lapsed during the Period | Cancelled during the Period | Balance as at 31 December 2021 |
| **Director** | | | | | | | | |
| Mr. Chau Kwok Keung | 2 May 2017 | HK$1.340 | 375,000 | – | – | – | – | 375,000 |
| Mr. Kang Sun[13] | 2 May 2017 | HK$1.340 | 50,000 | – | – | – | – | 50,000 |
| Mr. Leung Ming Shu[13] | 2 May 2017 | HK$1.340 | 50,000 | – | – | – | – | 50,000 |
| Mr. Xu Erming[13] | 2 May 2017 | HK$1.340 | 50,000 | – | – | – | – | 50,000 |
| Mr. Zhang Zhen | 2 May 2017 | HK$1.340 | 375,000 | – | – | – | – | 375,000 |
| **Other participants** | | | | | | | | |
| Employees | 15 June 2018 | HK$0.604 | 1,150,000 | – | – | – | – | 1,150,000 |
| Employees | 2 May 2017 | HK$1.340 | 1,975,000 | – | – | – | – | 1,975,000 |
| Consultants | 15 June 2018 | HK$0.604 | 4,171,544 | – | – | – | – | 4,171,544 |
| Consultants | 2 May 2017 | HK$1.340 | 2,600,000 | – | – | – | – | 2,600,000 |
| Consultants | 9 September 2016 | HK$2.240 | 4,500,000 | – | – | – | – | 4,500,000 |
| Consultants | 25 November 2015 | HK$2.944 | 10,650,000 | – | – | – | – | 10,650,000 |
| Consultants | 26 June 2015 | HK$6.000 | 5,000,000 | – | – | – | – | 5,000,000 |
| Consultants | 31 March 2014 | HK$5.544 | 225,000 | – | – | – | – | 225,000 |
| Consultants | 30 September 2013 | HK$7.480 | 1,005,000 | – | – | – | – | 1,005,000 |
| Consultants | 27 December 2012 | HK$5.048 | 1,212,500 | – | – | – | – | 1,212,500 |
| Consultants | 28 June 2012 | HK$3.920 | 12,500 | – | – | – | – | 12,500 |
| Total | | | 33,401,544 | – | – | – | – | 33,401,544 |

*Notes:*

(1) All Share options granted under the Old Share Option Scheme on 24 May 2010 have either lapsed or been cancelled by the grantees.

(2) Share options granted under the Old 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 Old 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 Old 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 Old 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**"):

| 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 |

(6) All Share options granted under the Old Share Option Scheme on 11 May 2015 have either lapsed or been cancelled by the grantees.

(7) Share options granted under the Old 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 2016 | 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 Old 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 2015 | 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 Old 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 Old 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 2,875,000 (after the Share Consolidation) 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 2,600,000 (after the Share Consolidation) 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 8,100,000 (after the Share Consolidation) Share Options on 2 May 2017, among which 1,050,000 (after the Share Consolidation) were not accepted by the relevant grantees.

(12) Share options granted under the Old 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 5,496,544 (after the Share Consolidation) Share Options granted, 4,171,544 (after the Share Consolidation) 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 1,150,000 (after the Share Consolidation) 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 |

(13) Mr. Kang, Mr. Leung and Mr. Xu resigned as a Director on 20 March 2021, 10 February 2021 and 29 January 2021 respectively.

Detail of the movement of the share options granted under the New Share Option Scheme during the Period are as follows:

| | | | After share consolidation | | | | | |
|---|---|---|---|---|---|---|---|---|
| Grantee | Date of grant | Exercise price per Share | Balance as at 1 January 2021 | Share options granted during the Period | Exercised during the Period | Lapsed during the Period | Cancelled during the Period | Balance as at 31 December 2021 |
| **Director** | | | | | | | | |
| Mr. Zhang Zhen | 29 May 2019 | HK$0.280 | 5,000,000 | – | – | – | – | 5,000,000 |
| Mr. Chau Kwok Keung | 29 May 2019 | HK$0.280 | 5,000,000 | – | – | – | – | 5,000,000 |
| Mr. Kang Sun[(2)] | 29 May 2019 | HK$0.280 | 150,000 | – | – | – | – | 150,000 |
| Mr. Leung Ming Shu[(2)] | 29 May 2019 | HK$0.280 | 100,000 | – | – | – | – | 100,000 |
| **Other participants** | | | | | | | | |
| Employees | 29 May 2019 | HK$0.280 | 3,325,000 | – | – | – | – | 3,325,000 |
| Consultants | 29 May 2019 | HK$0.280 | 22,828,456 | – | – | – | – | 22,828,456 |
| Total | | | 36,403,456 | – | – | – | – | 36,403,456 |

*Notes:*

(1) Share options granted under the New Share Option Scheme on 29 May 2019 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 |
|---|---|
| 29 May 2019 | 50% of the total number of Share Options granted |
| 29 August 2019 | 12.5% of the total number of Share Options granted |
| 29 November 2019 | 12.5% of the total number of Share Options granted |
| 29 February 2020 | 12.5% of the total number of Share Options granted |
| 29 May 2020 | 12.5% of the total number of Share Options granted |

(2) Mr. Kang and Mr. Leung resigned as a Director on 20 March 2021 and 10 February 2021 respectively.

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

Further details of the Old Share Option Scheme and the New Share Option Scheme are set out in note 33 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

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## 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.

# REPORT OF THE DIRECTORS

## 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.

Saved as the exceptions subsequently disclosed under the Corporate Governance Report, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 for the most of time throughout the Period.

## 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 include 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.

# REPORT OF THE DIRECTORS

## 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 9 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 33 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 2021 were 63.6% and 82.5% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers during the year of 2021 were 26.6% and 83.3% 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 twelve 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.

# REPORT OF THE DIRECTORS

## 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

UniTax Prism (HK) CPA Limited has been appointed as the external auditor of the Group with effect from 24 March 2021, to fill the casual vacancy following the resignation of Mazars CPA Limited to hold office until the conclusion of the next 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 2021.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowing of the Group as at 31 December 2021 are set out in note 24 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 2021 is set out on page 190 of this annual report.

On behalf of the Board
**John Yi Zhang**
*Chairman*

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE CODE

The Company strives to establish good corporate governance practices and procedures with a view to being a transparent and responsible organisation, open and accountable to the Shareholders. The Board perseveres to uphold 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 Board trusts that effective corporate governance is an essential ingredient 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 optimise return for Shareholders.

The Company complied with the Corporate Governance Code for the most of time in 2021 except for those expressly disclosed in this report.

## BOARD OF DIRECTORS

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

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy and procedures, 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 Board makes decisions objectively in the interests of the Company.

Pursuant to Corporate Governance Code Provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Chairman of the Group is responsible for leading the Board to ensure that it operates effectively and performs its duties, while Chief Executive Officer of the Group is responsible for the overall implementation of the Group's business development and general management. The Company currently has no Chief Executive Officer following the resignation of Mr. Zhang Zhen in January 2021. The daily operation and management of the Company is undertaken and monitored by Mr. John Yi Zhang, an executive Director, and Mr. Che Xiaoxi, the chief operating officer. Meanwhile, Mr. Che Xiaoxi is also responsible for the day-to-day management, administration and operation of the Company. The delegated functions and work tasks are periodically reviewed. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the Corporate Governance Code and align with the latest developments.

# CORPORATE GOVERNANCE REPORT

As at the date of this annual report, the Board comprises six Directors, consisting of one executive Director, Mr. John Yi Zhang (the chairman of the Board), two non-executive Directors, Mr. Dai Ji and Mr. Qiao Fenglin and three independent non-executive Directors, Mr. Ma Teng, Mr. Jiang Qiang and Dr. Yan Ka Shing. 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.

In accordance to Rule 3.10(1) of the Listing Rules, the Company should appoint at least three independent non-executive Directors. With reference to the announcement published by the Company on 22 March 2021, during the period from 20 March 2021 to 30 June 2021, the Company has two independent non-executive Directors in the Board.

Pursuant to Rules 3.27A of the Listing Rules, a majority of the members of the nomination committee should be independent non-executive directors. During the period from 20 March 2021 to 30 June 2021, the composition of nomination committee of the Company is one executive Director, one non-executive Director and two independent non-executive Directors.

Following the appointment of Dr. Yan Ka Shing on 1 July 2021 as an independent non-executive Director, a member of the remuneration committee, the Company fully complies with the requirements under Rules 3.5 of the Listing Rules.

Throughout the Period, 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 independent non-executive Directors representing more than one-third of the Board throughout the Period and is in compliance with Rule 3.10A of the Listing Rules.

### Board Diversity Policy

The Board 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 scrutinising 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 advice 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 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 C.1.4 of the Corporate Governance Code regarding continuous professional development.

During the Reporting Period, all newly appointed directors, namely Mr. Jiang Qiang and Dr. Yan Ka Shing had read through the induction package provided and all Directors had read through a number of written material with regards to Director's duties and on-going obligations of listed companies.

### 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 | 14/14 | 1/1 |
| Mr. Zhang Zhen (resigned on 25 January 2021) | 0/0 | 0/0 |
| **Non-Executive Directors** | | |
| Mr. Dai Ji | 14/14 | 1/1 |
| Mr. Qiao Fenglin | 14/14 | 1/1 |
| **Independent non-executive Directors** | | |
| Mr. Leung Ming Shu (resigned on 10 February 2021) | 2/2 | 0/0 |
| Mr. Kang Sun (resigned on 20 March 2021) | 7/7 | 0/0 |
| Mr. Xu Erming (resigned on 29 January 2021) | 0/0 | 0/0 |
| Mr. Ma Teng | 14/14 | 1/1 |
| Mr. Jiang Qiang (appointed on 12 March 2021) | 10/10 | 1/1 |
| Mr. Li Shu Pai (appointed on 22 February 2021; resigned on 12 March 2021) | 2/2 | 0/0 |
| Dr. Yan Ka Shing (appointed on 1 July 2021) | 2/2 | 0/0 |

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

Mr. Zhang Zhen resigned as an executive Director and Chief Executive Officer on 25 January 2021.

Mr. Xu Erming resigned as an independent non-executive Director on 29 January 2021.

Mr. Li Shu Pai was appointed as an Independent non-executive Director on 22 February 2021 and resigned as an independent non-executive Director on 12 March 2021.

Mr. Jiang Qiang was appointed as an independent non-executive Director on 12 March 2021.

Dr. Yan Ka Shing was appointed as an independent non-executive Director on 1 July 2021.

Mr. John Yi Zhang being the executive Director of the Company has entered into a service contract with the Company for a specific term of two years commencing from 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. Dai Ji 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 23 September 2019 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.

Mr. Qiao Fenglin 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 19 March 2020 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.

Mr. Ma Teng being an independent non-executive Director of the Company, has entered into a service contract with the Company for a specific term of two years commencing from 19 March 2020, 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.

Mr. Jiang Qiang being an independent non-executive Director of the Company, has entered into a service contract with the Company for a specific term of two years commencing from 12 March 2021, 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.

Dr. Yan Ka Shing being an independent non-executive Director of the Company, has entered into letter of appointment with the Company for a specific term of three years, and will automatically continue for another three years thereafter until terminated by not less than three month's notice in writing served by either party on the other, which notice shall not expire until after the fixed-term.

The above service contracts or letters of appointment 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; (iv) corporate governance committee; and (v) significant payments 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. As at the date of this report, the audit committee comprised of three members, namely, three independent non-executive Directors, Mr. Jiang Qiang, Mr. Ma Teng and Dr. Yan Ka Shing, Mr. Jiang Qiang is the chairman of the audit committee.

The Group's unaudited interim results for the six months ended 30 June 2021, 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, seven 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. Jiang Qiang | 7/7 |
| Mr. Ma Teng | 7/7 |
| Dr. Yan Ka Shing | 1/1 |
| Mr. Leung Ming Shu | 0/0 |
| Mr. Kang Sun | 1/1 |
| Mr. Xu Erming | 0/0 |

### 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. As at the date of this report, the remuneration committee comprised of five members, namely, Mr. John Yi Zhang, an executive Director, one non-executive Director, Mr. Qiao Fenglin and three independent non-executive Directors, Mr. Jiang Qiang, Mr. Ma Teng and Dr. Yan Ka Shing. Mr. Jiang Qiang 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, three 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. Jiang Qiang | 2/2 |
| Mr. John Yi Zhang | 3/3 |
| Mr. Ma Teng | 3/3 |
| Mr. Qiao Fenglin | 3/3 |
| Dr. Yan Ka Shing | 1/1 |
| Mr. Leung Ming Shu | 0/0 |
| Mr. Kang Sun | 1/1 |
| Mr. Xu Erming | 0/0 |

### 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. As at the date of this report, the nomination committee comprised of five members, namely, Mr. John Yi Zhang, an executive Director and the chairman of the Board, one non-executive Director, Mr. Qiao Fenglin and three independent non-executive Directors, Mr. Jiang Qiang, Mr. Ma Teng and Dr. Yan Ka Shing. 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 2021.

Throughout the Period, three meetings were 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 | 3/3 |
| Mr. Qiao Fenglin | 3/3 |
| Mr. Jiang Qiang | 2/2 |
| Mr. Ma Teng | 3/3 |
| Dr. Yan Ka Shing | 0/0 |
| Mr. Kang Sun | 2/2 |
| Mr. Leung Ming Shu | 0/0 |
| Mr. Xu Erming | 0/0 |

## 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 two Directors, namely Mr. John Yi Zhang, an executive Director, and Mr. Jiang Qiang, 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. Jiang Qiang | 2/2 |
| Mr. Leung Ming Shu | 0/0 |

## Company Secretary

The secretary of the Company is Ms. Lau Ling Yun Agnes. Ms. Lau is a solicitor as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong) and hence complies with the requisite qualifications under rules 3.28 and 8.17 of the Listing Rules to discharge the functions of the company secretary of the Company under the Listing Rules. Ms. Lau obtained Bachelor of Laws and Professional Certificate in Laws from the University of Hong Kong and has extensive experience in general business practices, corporate finance transactions, mergers and acquisitions, corporate restructuring and compliance with the Listing Rules and securities-related laws of Hong Kong.

Ms. Lau has been informed of the requirement of the Rule 3.29 of the Listing Rules. Ms. Lau has informed the Company that she took not less than 15 hours of training covering corporate governance and company secretarial 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 Accounting 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 UniTax Prism (HK) CPA Limited, 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 (if any case). The Company engages UniTax Prism (HK) CPA Limited as its external auditor with effect from 24 March 2021 following the resignation of Mazars CPA Limited with effect on 8 March 2021. Details of the fees paid to UniTax Prism (HK) CPA Limited and Mazars CPA Limited throughout the Period are as follows:

| | Non-audit Services RMB'000 | Audit Services RMB'000 |
|---|---|---|
| Mazars CPA Limited | 187.5 | 280.7 |
| UniTax Prism (HK) CPA Limited | — | — |

## 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 risks. 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 2019 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 Internal Audit Department and Accounting and Finance Department of the Company have continuously reminded 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 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 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 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 9 & 11, Lee Garden One, 33 Hysan Ave, Causeway Bay, 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 Chairman of the Company by mail at Level 9 & 11, Lee Garden One, 33 Hysan Ave, Causeway Bay, Hong Kong or by email at john_zhang@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

## SCOPE AND REPORTING PERIOD

This is the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") presented by the Company in compliance with the mandatory disclosure requirements and the "comply or explain" provisions of the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules. As the Group's operations are substantially based in the PRC, this ESG Report focuses on the environmental and social performance of the major operating subsidiaries of the Company in PRC during the Period.

## REPORTING PRINCIPLES

| | |
|---|---|
| **Materiality** | The Company performed substantial assessments and research by ways of distributing standard online questionnaires to all relevant stakeholders and viewing historical documents and information, and, in line with the Group's mission and vision as well as the core items of the ESG report in order to identify and assess significant environmental, social and governance issues that have a material impact on the ESG report. The Board has determined the relevant ESG issues as disclosed in the ESG Report which are sufficiently important to investors and other stakeholders that they should be reported. |
| **Quantitative** | The Group has established the management system in terms of social responsibility and environmental protection based on the business characteristics so as to enhance the Company's ESG policies and management system. The Group actively strengthen our ESG performance by consistently reviewing and improving our management systems. The Group endeavors to promote the culture of environmental protection and social responsibility so as to facilitate the incorporation of the ESG concept into the business operation and promote the sustainable development of the Company. The key performance indicators ("**KPIs**") are measurable with respective calculation methodologies and thus the performance of the Group's ESG can be evaluated and validated continuously. |
| **Balance** | The information provided in this ESG Report is based on the Group's policies, documents, and recorded practices. It provides an objective unbiased overview of the Group's ESG performance and areas of improvement. This ESG report avoids selections omissions or present formats that might inappropriately influence a decision of or judgement by the report reader. |
| **Consistency** | This ESG Report adopts methodologies that are consistent with previous years, which allows for meaningful comparisons of ESG information and data over time. |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## BOARD STATEMENT

The Board has overall responsibility for the development of the ESG strategies, policies and measures. The Board periodically conducts ESG assessment by identifying potential impacts, risks, and opportunities posed to the operation, reviews senior management and functional departments' competence is executing ESG responsibilities, The Board also ensure that appropriate and effective ESG risk management and internal control systems are in place.

The Company has established internal control policies and systems to ensure compliance with the applicable rules and regulations of the jurisdiction which it operates. The management keeps regular communication and supervision to ensure the appropriate operation and confirms to the Board that these systems are in place and effective. Risk and defects identified will be discussed and reported to the board.

Through questionnaires completed by stakeholder, the Board has identified, reviewed and assessed the ESG management approach and strategy, including the process used to evaluate, priorities and manage material ESG-related issues, including the ESG risks to the solar business of the Group. The Board has examined and assessed our performance in various aspects within the ESG scope such as environmental, employment and other social aspects. The Board has reviewed the progress made against ESG-related goals and targets by benchmarking against the ESG data within the industry and segmenting objectives and ensure the effectiveness of the ESG risk control.

Throughout the Period, the Group confirmed that it has established appropriate management systems for ESG issues and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

Please read this ESG Report in conjunction with the section "Risk Management and Internal Controls" of this Annual Report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG STRATEGY AND POLICY

The Group is dedicated to maintaining a high standard of corporate social responsibility ("**CSR**"). Our long-term vision in CSR is to focus on minimizing the impact of our operations on the environment and cultivating environmental awareness among employees and the public. We believe that the Group can play a constructive role in the development of local communities through our community investments. We treat all employees with fairness and respect and strive to facilitate their career development.

The following ESG policies guide the Group's business and operational decisions, and deliver our commitments:

- complying with all applicable legal and regulatory requirements on CSR matters
- pursuing good CSR practices in our operations
- minimizing the Group's adverse impact on the environment
- cultivating environmental awareness among employees and the public
- minimizing the Group's carbon footprints through efficient use of resources and engaging green office initiatives
- providing a safe and healthy working environment for employees
- engaging our stakeholders and taking into account their interests to achieve sustainable business growth

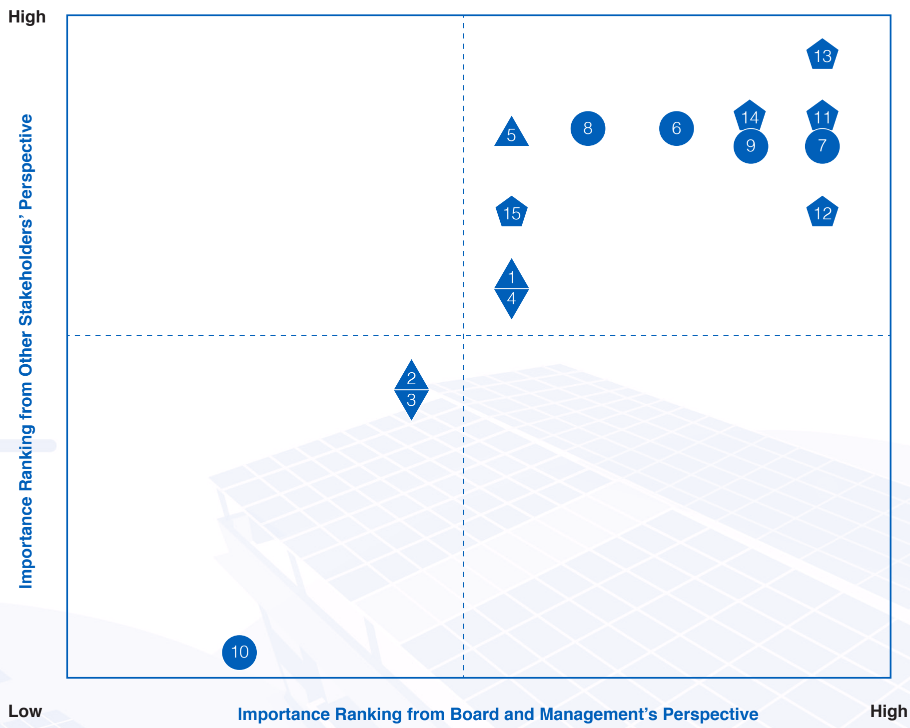
## STAKEHOLDER ENGAGEMENT

To gain a deep insight into interests of the Group's stakeholders, the Group actively communicated with the key stakeholders who are deemed to be significantly affected by the Group's operating activities and be reasonably expected to affect the effectiveness of the Group's strategies and policy related to the ESG issues.

The Group for the first time conducted an ESG-specific stakeholder engagement exercise to align the existing ESG priorities, strategies and policies with key stakeholder's expectations and thus gave a materiality assessment analysis.

## MATERIALITY ASSESSMENT

The ESG-specific stakeholder engagement exercise mainly involved a materiality assessment of ESG issues that were identified to be material to the Group according to the historical experience of the management and current business practice. A standard online questionnaire that classified the ESG issues into three categories, i.e., Environment and Resources, People and Community and Operating Practices, was distributed to the Board and management, the Group's employees, suppliers/business partners, etc., who then rated the relative importance of the corresponding ESG issues. The structure of the ESG Report reflects the importance ranking of three categories shown below in the materiality assessment where the general importance of each category is measured by an average score.




| Environment and Resources (Tier 1) | People and Community (Tier 2) | Operating Practices (Tier 3) |
|---|---|---|
| 1. Operate Environmental Management System; | 6. Promote Equal Opportunity, Diversity, and Inclusion; | 11. Ensure Product Quality; |
| 2. Control Air and GHG Emissions; | 7. Recruit Management and Attract Talents; | 12. Satisfy Customers and Clients' Needs; |
| 3. Reduce Noise, Effluent and Waste; | 8. Provide Professional Training; | 13. Uphold Ethical Business Codes; |
| 4. Optimise Resource Consumption; | 9. Ensure Occupational Health and Safety; | 14. Manage Supply Chain; |
| 5. Identify and Mitigate Environmental Risk. | 10. Devote in Philanthropic Activities. | 15. Green Procurement. |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PART I ENVIRONMENT AND RESOURCES

### 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 (wastewater, waste gases, solid wastes, and noise). In 2020 and 2021, the Group had completed corporate restructuring and had suspended those businesses of capital intensive, less efficient and not profitable manufacturing business. The Group is always committed to developing and introducing new technologies, and higher efficiency of pollutant treatment.

For the year ended 31 December 2021, the principal operating facilities of the Group are based in the PRC. The Group strictly complies with the rules and regulations of the PRC in regards to emission. In addition, the Company has a greenhouse gas monitoring system in place to monitor greenhouse gas emissions. In 2021, the major source of greenhouse gas emissions of the Group was consumption of purchased electricity subject to Scope 2 as shown in the following table.

| **Scope – Source in 2020** | **Unit: tCO2e** |
|---|---|
| Scope 2 – Purchased Electricity | 1,009.02 |

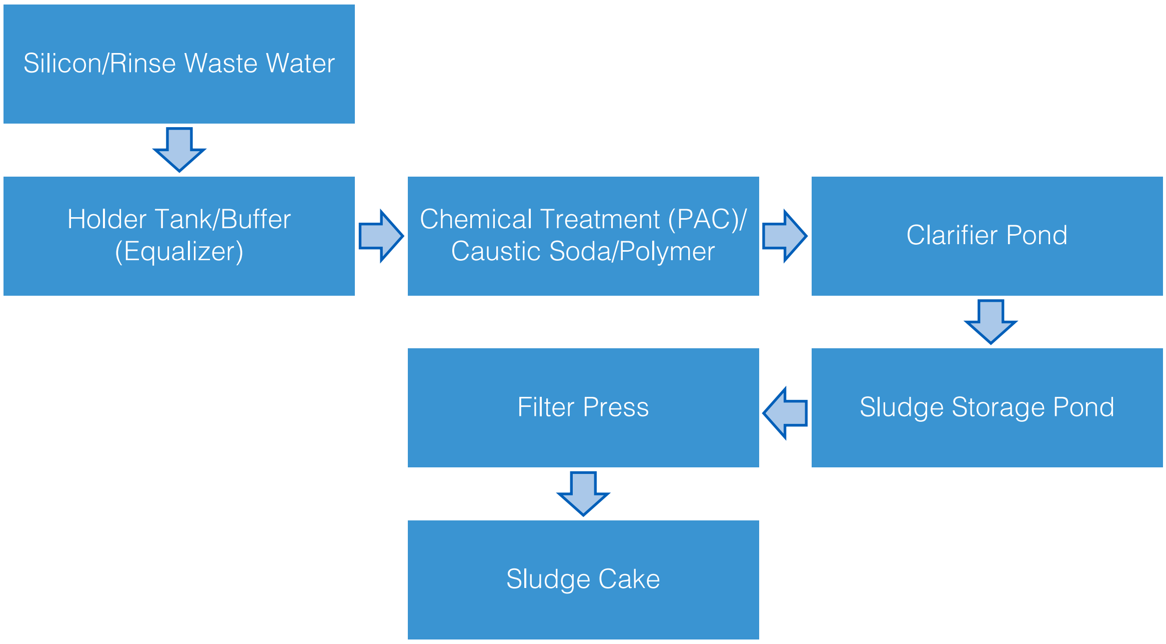
| **Scope – Source in 2021** | **Unit: tCO2e** |
|---|---|
| Scope 2 – Purchased Electricity | 1,734.97 |

The main non-hazardous waste generated during the production used to be dust and sludge, most of which is duly processed by our waste water treatment process. Due to the suspension of the sales of monocrystalline solar ingots, the Group recorded zero waste sludge and waste dust. The Group was not subject to any penalties or fines as a result of non-compliance with environment laws and regulations.

GHG Emission: The emission factors for GHG Scope 2 are derived in accordance with the “2019 China Regional Power Grid Baseline Emission Factors” published by the Climate Change Department of the National Development and Reform Commission of the PRC.

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 business 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 2021, 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 endeavor to further reduce waste generation and emission in the future and actively address environmental issues in a responsible manner by continuing to refine the operating process and upgrade existing wasting process unit, establishing a waste monitoring system, modifying pollution treatment facilities, establishing a corporate culture that values environmental protection.

## Uses of Resources

The Group has minimised energy consumption in operation and strived for clean production by continuously promoting effective energy-saving operating processes, so as to achieve sustainable development. Purchased electricity and water are mainly energy used by the Group for the daily operation. The Group always cultivates employees' awareness of 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. For example, the Group 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.

| **Electricity consumption in 2020** | **Unit: kWh** |
|---|---|
| Operating Facilities of the Group | 1,273,858 |

| **Electricity consumption in 2021** | **Unit: kWh** |
|---|---|
| Operating Facilities of the Group | 2,190,343 |

| **Water resources consumption in 2020** | **Unit: tonne** |
|---|---|
| Plants of the Group | 24,134 |

| **Water resources consumption in 2021** | **Unit: tonne** |
|---|---|
| Plants of the Group | 24,476 |

During the Period, the Group had yet to consume packaging materials (including paper boxes, foam materials, and sponges) in transit to downstream solar business from its manufacturing business.

### Targets Setting

In order to reduce emissions and optimize resource consumption, the Group referenced the ESG Reporting Guide and approaches from other list companies in photovoltaic solar energy industry to set long-term targets in three aspects, i.e., emissions, energy and water.

- With respect to “Emissions”, the Group intends to maintain waste emissions intensity (by full-time employees) to be zero as of 2025, which is the same as 2020;

- With respect to “Energy”, as of 2025, the Group will pursue the goal of reducing purchased electricity consumption intensity (by full-time employees) by 24.5%, relative to 2020; and

- With respect to “Water”, the Group plans to achieve a 32% reduction in water usage by 2025 compared to 2020.

The Group will be committed to driving down the use of resources for targets achievement via implementing green office practices, cultivating employees’ energy-saving awareness, and promoting energy saving.

### The Environment and Natural Resources

In response to the government’s call on environment protection and energy-saving as well as the Group’s targets by 2025, the Group continues to take mitigation measures, including the use of energy-saving lighting and recycled paper, the minimization 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 monitoring 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, to reduce negative impacts on the environment and natural resources.

### 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 beings as a result of the greenhouse effect. The Group referred to the Task Force on Climate-related Financial Disclosures (“**TCFD**”) to analyze and evaluate its climate-related risks.

The climate-related risks are categorized into physical and transition risks by TCFD definition. The Group considered the corresponding severity and frequency and thus identified extreme precipitation, typhoons, flood, and thunderstorms as its potentially material climate-related risks according to its operating characteristic. Also, the Group faces material transition risk, i.e., enhanced emissions-reporting obligations.

Physical risks such as extreme precipitation, typhoons, flood, and thunderstorms may lead to the disturbance of on-site work hours, photovoltaic module failures with potential repair/maintenance fee increase, etc. Transition risks such as enhanced emissions-reporting obligation may increase the cost for the Group to consult the professional organization. To mitigate the above risks, the Group would develop strategies such as overseeing the weather forecast and implementing a special working arrangement in time under extreme weather conditions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PART II PEOPLE AND COMMUNITY

### Employment and Labour Practices

#### *Employment*

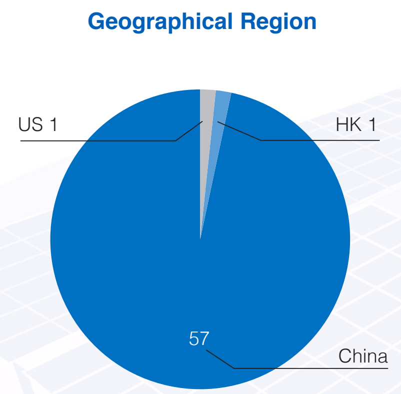
Understanding that staff is one of our most valuable assets, we have established comprehensive staff policies and welfare guidelines to attract, motivate and retain talent. We strive to ensure a safe and healthy workplace, which also serves as a platform for staff to excel in career and personal growth.

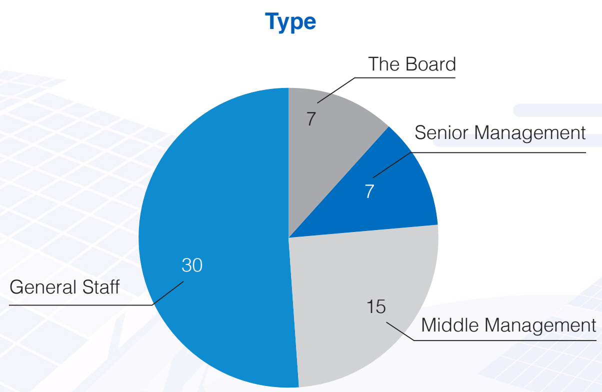
As at 31 December 2021, the Group had 59 employees (2020: 62).

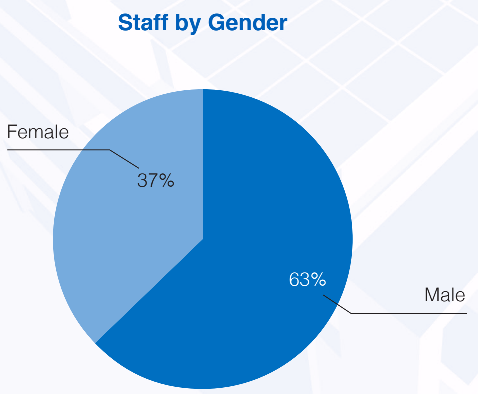
#### *Statistic of workforce*

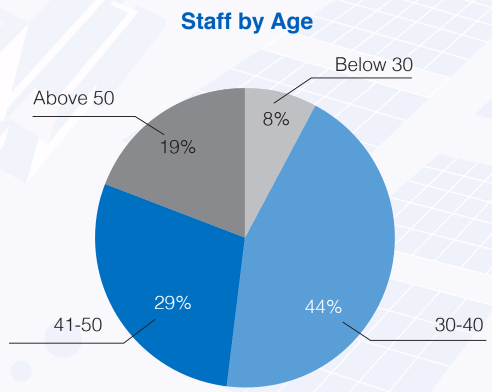
The Board recognizes that employees are important and valuable assets to the Group. Due to the outbreak of the COVID-19 affecting operation of businesses locally and globally, the operation and financial performance of the Group have unfortunately been adversely impacted, and the Group, although reluctantly, has to streamline the Group. The overall employee turnover rate, net of replacement and recruitment, in the year ended 31 December 2021 was approximately 5%.

As of 31 December 2021, the composition of the Group are illustrated as follows:



| Employee Turnover Rate | 2021 Performance | 2020 Performance |
|---|---|---|
| **By Gender** | | |
| Male | 5% | 53% |
| Female | 4% | 43% |
| **By Age Group** | | |
| <30 | 0% | 71% |
| 30-40 | 4% | 38% |
| 41-50 | 11% | 59% |
| >50 | 0% | 39% |
| **By Geographical Region** | | |
| HK | 0% | 0% |
| China | 5% | 50% |
| US | 0% | 0% |

The Group has minimized the impacts of the streamlining of the business by realigning employees within the Group. In addition, the Group will continue to explore ways to lower the employee turnover rate, by enhancing employee benefits and strengthening communication with employees.

We have internal policies to request all local operations to comply with the relevant rules and regulations relating to labour use and labour 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 Period, 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 highly committed to ensuring our employees' health and safety as they are integral to our smooth operation. 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.

In view of the COVID-19 pandemic, the Group is highly concerned with the potential health and safety impacts brought to our employees and other stakeholders. Having prioritized the health and safety of our employees, customers and every community member as top priority, we immediately implement all necessary precautions. In addition to performing intensified cleaning and disinfection works at our offices and keeping our customers updated on the latest situation regarding the impact on our business, we have also implemented the following precautions to keep our employees safe:

- flexible work arrangements including work from home and work shift arrangements
- mandatory body temperature checks before entering our offices
- ensuring sufficient disinfection suppliers like face masks and hand sanitizers in our offices
- using online video conferencing tools and other technologies to avoid non-compulsory face-to-face contacts

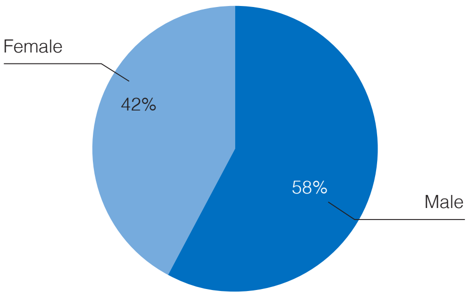
| Health and safety performance | 2021 Performance | 2020 Performance |
|---|---|---|
| Number of work-related fatalities | 0 | 0 |
| Lost days due to work injury | 0 | 0 |
| Number of accidents | 0 | 0 |

During the year of 2021, 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.

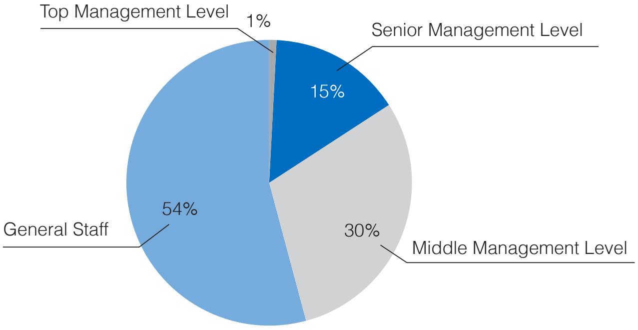
## Development and Training

The Group is committed to forging an ideal career development platform and cultivating the allocates annual training budgets as necessary for employees to support an 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 health and safety knowledge, information system, the quality management, anti-corruption, management skills, communication skills, and specific technical skills, which help strengthen their professional knowledge and improve their safety awareness. The Group also encourages staff's self-learning to support employees' personal development. During the Period, the Group organized 912 such training hours (2020: 98 hours).

**Total Training Hours by Gender**




**Total Training Hours by Type**




During this year, due to the impact of the recurring epidemic and to protect the health and safety of our employees, the Group cancelled some on-site training.

### 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 and 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 labour laws. In 2021, there were no instances of discrimination, child labour, forced labour or violations of employees' interests.

During the year of 2021, the Group followed the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

### 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.

## PART III 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 attaches importance to the green procurement and 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 | 154 |

### Product Responsibility

The Group has policies to request all departments including sales and production to ensure all businesses and operations comply with rules and regulations. Management communicates with staff and department heads and customers regularly and would review if any complaints, charges, or lawsuits in these areas.

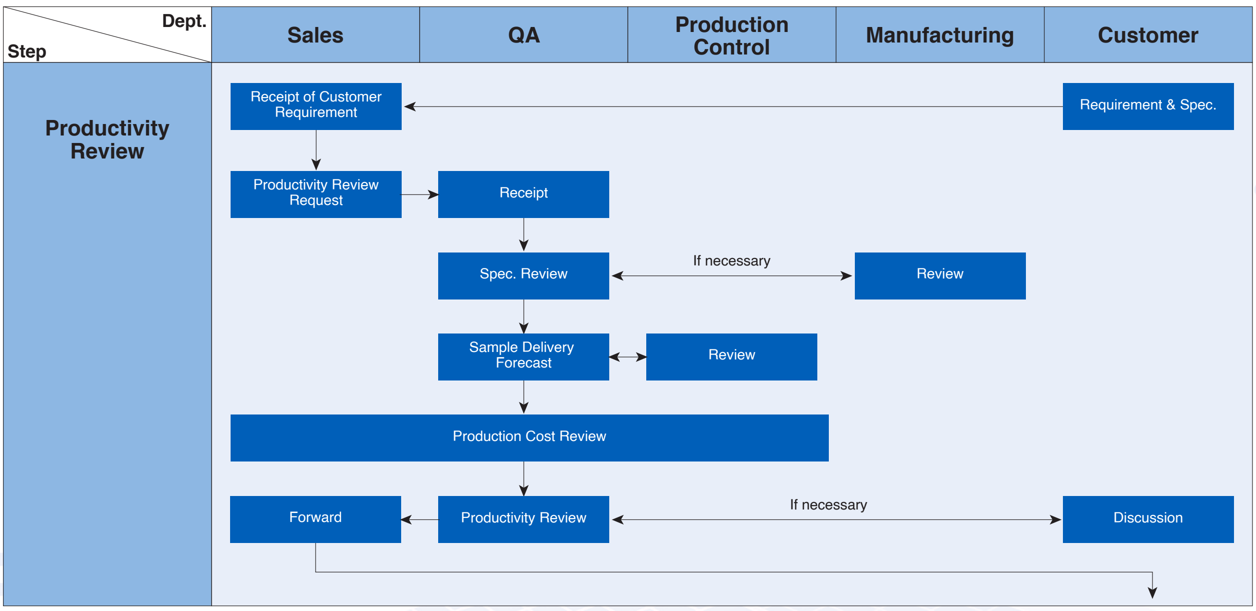
As the Group has been actively investing and improving the efficiency of the power storage system as well as designing solar photovoltaic power station solutions for potential rooftop distributed power generation projects, in 2021, research and development expenses increased compared to 2020. The Group 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 avoid infringements of its intellectual property rights and take necessary proceedings to protect its intellectual property rights. The Group requires employees to ensure all data be kept securely and be protected from unauthorized use, disclosure or delivery. The Group also has Q&A and Complaint processes to make sure after sale service qualities.

To regulate production and management, improve product quality and reduce the 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 consortia, monitored process quality control indices and thus uncovering and resolving product quality problems on a timely basis.

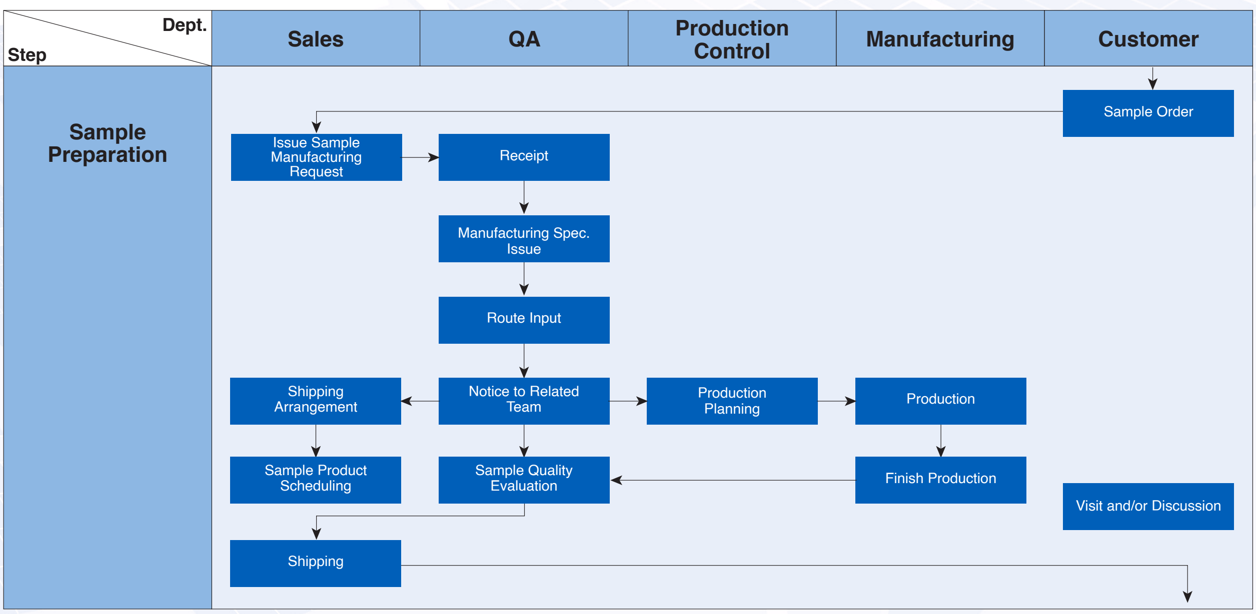
In order to provide consumers with genuine high-quality products, the Group has developed "a system" to strengthen rights protection against competing products suspected of infringing the patent of the Group. In the meantime, the Group has also developed "International Patent Application Process", gradually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

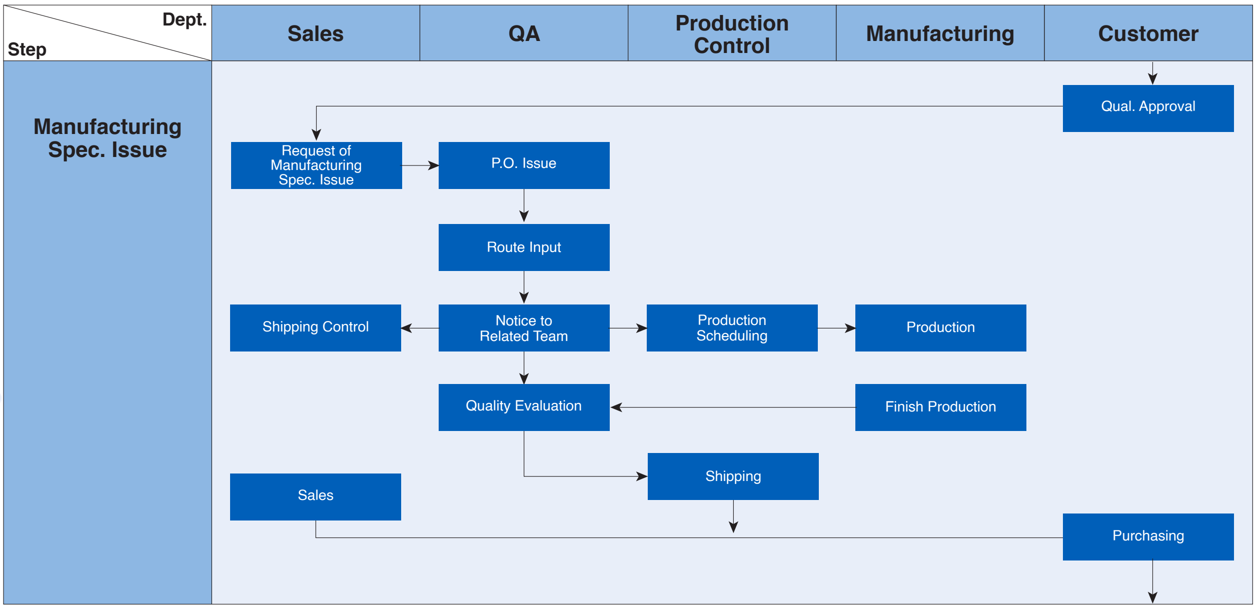
**General Waste Water Treatment Process**



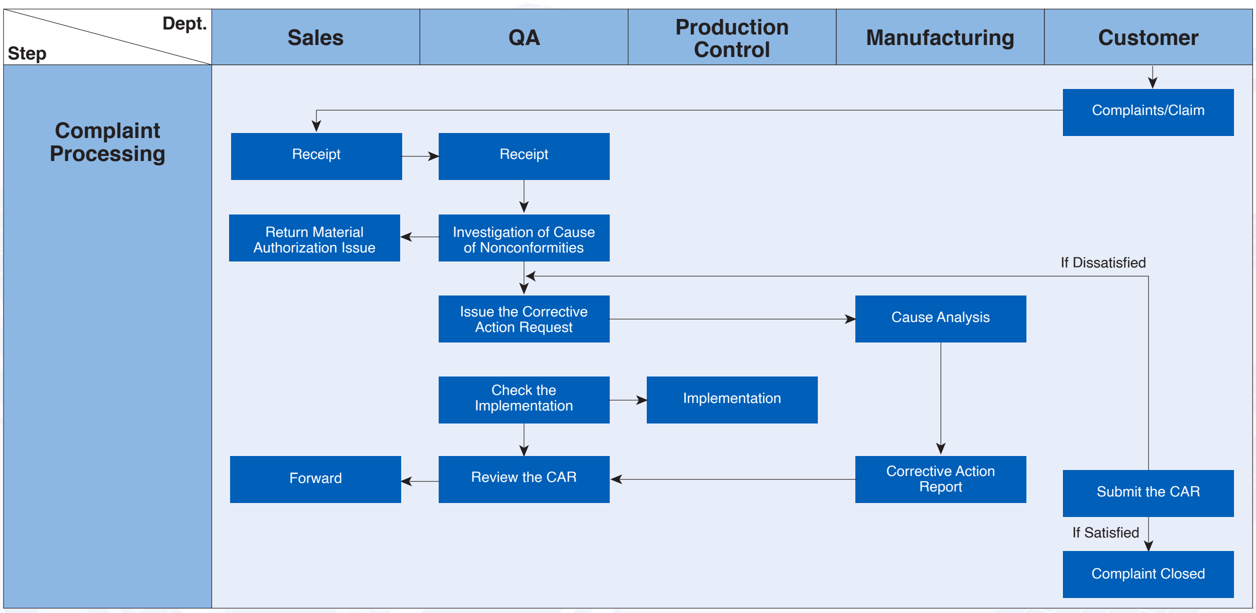

**Quality Assurance Flow Chart – Sample Preparation**



### Quality Assurance Flow Chart – Spec. Issue




### Quality Assurance Flow Chart – Complaint Processing



During the Period, there was no case reported of disobedience against the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling, and privacy matters relating to products and services provided and methods of redress, and the Group was not aware of any cases of products and service-related complaints or product recalls for safety and health reasons.

### 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 that implicitly forbids any corruption and designated personnel to be the contact person for the staff if any such case is noted.

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

To propagate the anti-corruption business culture, the Group in 2021 provided 4-hour anti-corruption training covering theory and illustrative cases to both management and general staff.

During the Period, the Group was not aware of any cases of anti-corruption 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## HKEX ESG REPORTING GUIDE CONTENT INDEX

### Mandatory Disclosure Requirements

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Governance Structure** | A statement from the board containing the following elements: | BOARD STATEMENT |
| | (i) a disclosure of the board's oversight of ESG issues; | ESG STRATEGY AND POLICY |
| | (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's businesses); and | |
| | (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. | |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Reporting Principles** | A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: | REPORTING PRINCIPLES<br><br>STAKEHOLDER ENGAGEMENT |
| | Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. | MATERIALITY ASSESSMENT |
| | Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. | |
| | Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison. | |
| **Reporting Boundary** | A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change. | SCOPE AND REPORTING PERIOD |

## "Comply or explain" Provisions

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **A. Environmental** | | |
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | PART III ENVIRONMENTAL AND RESOURCES<br>– Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | PART III ENVIRONMENTAL AND RESOURCES<br>– Emissions |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | PART III ENVIRONMENTAL AND RESOURCES<br>– Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | PART III ENVIRONMENTAL AND RESOURCES<br>– Emissions |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | PART III ENVIRONMENTAL AND RESOURCES<br>– Emissions |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | PART III ENVIRONMENTAL AND RESOURCES – Targets Setting |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | PART III ENVIRONMENTAL AND RESOURCES – Emissions |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | PART III ENVIRONMENTAL AND RESOURCES – Uses of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | PART III ENVIRONMENTAL AND RESOURCES – Uses of Resources |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | PART III ENVIRONMENTAL AND RESOURCES – Uses of Resources |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | PART III ENVIRONMENTAL AND RESOURCES – Targets Setting |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | PART III ENVIRONMENTAL AND RESOURCES – Targets Setting |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | PART III ENVIRONMENTAL AND RESOURCES – Uses of Resources |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimizing the issuer's significant impacts on the environment and natural resources. | PART III ENVIRONMENTAL AND RESOURCES – The Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | PART III ENVIRONMENTAL AND RESOURCES – The Environment and Natural Resources |
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | PART III ENVIRONMENTAL AND RESOURCES – Environmental Protection and Sustainable Development |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | PART III ENVIRONMENTAL AND RESOURCES – Environmental Protection and Sustainable Development |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **B. Social** | | |
| ***Employment and Labour Practices*** | | |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | PART II PEOPLE AND COMMUNITY – Employment and Labour Practices |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | PART II PEOPLE AND COMMUNITY – Employment and Labour Practices |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | PART II PEOPLE AND COMMUNITY – Employment and Labour Practices |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to providing a safe working environment and protecting employees from occupational hazards. | PART II PEOPLE AND COMMUNITY – Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | PART II PEOPLE AND COMMUNITY – Health and Safety<br><br>Remark: The number and rate of work-related fatalities occurred in each of the past three years including the Period is 0 |
| KPI B2.2 | Lost days due to work injury. | PART II PEOPLE AND COMMUNITY – Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | PART II PEOPLE AND COMMUNITY – Health and Safety |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | PART II PEOPLE AND COMMUNITY – Development and Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | PART II PEOPLE AND COMMUNITY – Development and Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | PART II PEOPLE AND COMMUNITY – Development and Training |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | PART II PEOPLE AND COMMUNITY – Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | PART II PEOPLE AND COMMUNITY – Labour Standards |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | PART II PEOPLE AND COMMUNITY – Labour Standards |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| ***Operating Practices*** | | |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | PART I OPERATING PRACTICES – Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | PART I OPERATING PRACTICES – Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | PART I OPERATING PRACTICES – Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | PART I OPERATING PRACTICES – Supply Chain Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | PART I OPERATING PRACTICES – Supply Chain Management |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress. | PART I OPERATING PRACTICES – Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | PART I OPERATING PRACTICES – Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | PART I OPERATING PRACTICES – Product Responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | PART I OPERATING PRACTICES – Product Responsibility |
| KPI B6.4 | Description of quality assurance process and recall procedures. | PART I OPERATING PRACTICES – Product Responsibility |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | PART I OPERATING PRACTICES – Product Responsibility |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to bribery, extortion, fraud and money laundering. | PART I OPERATING PRACTICES – Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | PART I OPERATING PRACTICES – Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | PART I OPERATING PRACTICES – Anti-corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | PART I OPERATING PRACTICES – Anti-corruption |

| Aspects, General Disclosures and KPIs | Description | Relevant Chapter or Remarks |
|---|---|---|
| **Community** | | |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | PART II PEOPLE AND COMMUNITY – Community Investment |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | PART II PEOPLE AND COMMUNITY – Community Investment |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | PART II PEOPLE AND COMMUNITY – Community Investment |

# INDEPENDENT AUDITOR'S REPORT

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**TO THE SHAREHOLDERS OF COMTEC SOLAR SYSTEMS GROUP LIMITED**
卡姆丹克太陽能系統集團有限公司
*(Incorporated in the Cayman Islands with limited liabilities)*

## OPINION

We have audited the consolidated financial statements of Comtec Solar Systems Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 85 to 188, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2021 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 ("**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 International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board (the "**IAASB**"). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1(c)(i) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of approximately RMB61,000,000 for the year ended 31 December 2021 and had net current liabilities and net liabilities of approximately RMB313,000,000 and RMB113,000,000 as at that date respectively. These conditions, along with other matters as set forth in note 1(c)(i) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able 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 judgement, 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.

**Valuation of Investment properties**

*Refer to note 13 to the consolidated financial statements and the accounting policies on page 97.*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2021, the carrying amount of the Group's investment properties is approximately RMB127,362,000. During the year ended 31 December 2021, the Group recognised a fair value gain of approximately RMB5,140,000. Independent valuer was engaged by the management of the Group for the fair value determination of investment properties as at 31 December 2021.<br><br>We have identified the fair value determination of investment properties as a key audit matter because the carrying amount is significant to the consolidated financial statements as a whole and there is involvement of significant judgements and estimates, including use of significant unobservable inputs, made by the management of the Group and the independent valuer when determining the fair value of investment properties at the end of the reporting period. | Our audit procedures were designed to review the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value determination by the management of the Group and the independent valuer.<br><br>We have discussed with the independent valuer on the valuation methodology. And we have challenged the reasonableness of the underlying assumptions and data used by the management of the Group and the independent valuer in the fair value assessment by reviewing its basis of calculation and comparing the input data to market sources. |

**Impairment assessment of goodwill**

*Refer to note 15 to the consolidated financial statements and the accounting policies on page 96 and pages 105 to 106.*

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2021, the carrying amount of the Group's goodwill is approximately RMB6,573,000, which is allocated to different cash-generating units. The management of the Group performed impairment testing on the goodwill based on value-in-use calculations of each cash-generating unit. No impairment loss was recognised for the year ended 31 December 2021.<br><br>We have identified the impairment of goodwill as a key audit matter because the carrying amounts of goodwill is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group when performing the impairment testing. | Our audit procedures were designed to review the management's assessment, and its estimations and judgements used in the impairment testing on goodwill.<br><br>We have assessed the reasonableness of the identification of each cash-generating unit and the allocation of the goodwill to each cash-generating unit for impairment assessment.<br><br>We have also assessed the impairment testing performed by the management of the Group. We have tested the underlying data and assumptions used in the profit forecasts and cash flow projections by agreeing the budgets approved by the management of the Group and compared with actual results available up to the report date. We have also challenged the reasonableness of the management's judgements and estimates used in the profit forecasts and cash flow projections, including the forecasted revenue and growth rate, against latest available information. We have also challenged the discount rate adopted by the management of the Group and the independent valuer in the value-in-use calculations by reviewing its basis of calculation and comparing the input data to market sources. |

**Expected credit losses for trade and other receivables**

*Refer to note 18 and note 19 to the consolidated financial statements and the accounting policies in on pages 101 to 104.*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2021, the carrying amount of the Group's trade and other receivables are approximately RMB7,486,000 and RMB29,906,000 respectively, net of accumulated loss allowance on trade and other receivables are approximately RMB55,836,000 and RMB2,218,000 respectively.<br><br>We have identified the loss allowance on trade and other receivables as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of management's judgements and estimates involved in assessing the expected credit loss ("**ECL**") model, based on the historical credit loss experience and forward-looking information specific to the debtors and their economic environments. | Our audit procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on trade and other receivables.<br><br>We have obtained an understanding of the methodology used, its development processes and relevant controls adopted by the management of the Group in the ECL model.<br><br>We have also assessed the reasonableness of assumptions and judgements made by the management of the Group on the ECL model adopted, parameters selected and the internal credit rating used. We have also examined the key data used in the ECL model on a sample basis to assess their accuracy and reasonableness. |

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 THE DIRECTORS AND AUDIT COMMITTEE 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 of the Company 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 of the Company 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.

Audit Committee 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. This report is made 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 ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 of the Company.

- Conclude on the appropriateness of the Company's 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.

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

- 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 audit committee 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.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with audit committee, 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 this independent auditor's report is Dai Tin Yau.

**UniTax Prism (HK) CPA Limited**
*Certified Public Accountants*
**Dai Tin Yau**
Practising Certificate Number: P06318

Hong Kong, 30 June 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | *Notes* | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| **Revenue** | 3 | **54,829** | 55,015 |
| Cost of sales and services | | **(48,064)** | (51,152) |
| **Gross profit** | | **6,765** | 3,863 |
| Other income | 4 | **12,575** | 8,230 |
| Other net gains (losses) | 5 | **14,933** | (11,105) |
| Selling and distribution expenses | | **(1,224)** | (1,014) |
| Administrative expenses | | **(36,934)** | (35,674) |
| Research and development expenses | | **(3,439)** | (1,112) |
| Impairment loss on financial assets, net of reversal | | **(22,641)** | (10,474) |
| Share of profit of a joint venture | | **–** | 134 |
| Finance costs | 6 | **(29,950)** | (23,770) |
| **Loss before taxation** | | **(59,915)** | (70,922) |
| Income tax (expense) credit | 7 | **(1,337)** | 4,087 |
| **Loss and total comprehensive expense for the year** | 8 | **(61,252)** | (66,835) |
| **Loss and total comprehensive expense for the year attributable to:** | | | |
| Owners of the Company | | **(53,196)** | (65,704) |
| Non-controlling interests | | **(8,056)** | (1,131) |
| | | **(61,252)** | (66,835) |
| | | **RMB cents** | RMB cents |
| **Loss per share** | 12 | | |
| – Basic | | **(6.85)** | (9.18) |
| – Diluted | | **(6.85)** | (9.18) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **99,016** | 147,804 |
| Investment properties | 13 | **127,362** | 82,914 |
| Intangible assets | 14 | **915** | 2,135 |
| Goodwill | 15 | **6,573** | 6,573 |
| Interest in an associate | 16 | **–** | 159 |
| Deposits paid for acquisition of property, plant and equipment | 19 | **691** | 691 |
| | | **234,557** | 240,276 |
| **Current assets** | | | |
| Inventories | 17 | **3,163** | 17,215 |
| Trade receivables | 18 | **7,486** | 30,699 |
| Deposits, prepayment and other receivables | 19 | **39,778** | 69,809 |
| Pledged bank deposits | 20 | **137** | 21,214 |
| Cash and cash equivalents | 20 | **6,768** | 5,126 |
| | | **57,332** | 144,063 |
| **Current liabilities** | | | |
| Trade payables | 21 | **66,759** | 65,557 |
| Other payables and accruals | 22 | **97,430** | 71,887 |
| Contract liabilities | 23 | **6,380** | 34,720 |
| Interest-bearing borrowings | 24 | **130,369** | 164,481 |
| Loans from shareholders | 25 | **17,669** | – |
| Tax liabilities | | **5,829** | 5,808 |
| Deferred income | 26 | **840** | 840 |
| Consideration payable | 27 | **5,130** | 5,130 |
| Lease liabilities | 28 | **2,125** | 1,591 |
| Convertible bonds | 29 | **38,254** | 84,587 |
| | | **370,785** | 434,601 |
| **Net current liabilities** | | **(313,453)** | (290,538) |
| **Total assets less current liabilities** | | **(78,896)** | (50,262) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 24 | **7,500** | 10,300 |
| Deferred tax liabilities | 30 | **12,826** | 11,541 |
| Deferred income | 26 | **6,489** | 7,329 |
| Lease liabilities | 28 | **7,753** | 9,713 |
| | | **34,568** | 38,883 |
| **NET LIABILITIES** | | **(113,464)** | (89,145) |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 32 | **2,752** | 2,556 |
| Reserves | | **(110,383)** | (89,580) |
| **Equity attributable to owners of the Company** | | **(107,631)** | (87,024) |
| **Non-controlling interests** | | **(5,833)** | (2,121) |
| **TOTAL DEFICIT** | | **(113,464)** | (89,145) |

The consolidated financial statements on pages 85 to 188 were approved and authorised for issue by the board of directors on 30 June 2022 and are signed on its behalf of:

**John Yi Zhang**
*Director*

**Dai Ji**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 32) | Share premium RMB'000 (note i) | Share options reserve RMB'000 (note ii) | Special reserve RMB'000 (note iii) | Statutory surplus reserve RMB'000 (note iv) | Property revaluation reserve RMB'000 (note v) | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **At 1 January 2020** | 2,179 | 1,524,284 | 119,594 | 21,726 | 84,583 | 31,040 | (1,814,312) | (30,906) | (990) | (31,896) |
| Loss and total comprehensive expense for the year | – | – | – | – | – | – | (65,704) | (65,704) | (1,131) | (66,835) |
| Equity settled share-based payment | – | – | 454 | – | – | – | – | 454 | – | 454 |
| Shares issued upon subscription in February 2020 (note 32) | 377 | 8,755 | – | – | – | – | – | 9,132 | – | 9,132 |
| **At 31 December 2020** | 2,556 | 1,533,039 | 120,048 | 21,726 | 84,583 | 31,040 | (1,880,016) | (87,024) | (2,121) | (89,145) |
| **At 1 January 2021** | **2,556** | **1,533,039** | **120,048** | **21,726** | **84,583** | **31,040** | **(1,880,016)** | **(87,024)** | **(2,121)** | **(89,145)** |
| Loss and total comprehensive expense for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(53,196)** | **(53,196)** | **(8,056)** | **(61,252)** |
| Shares issued upon conversion of convertible bonds (note 29) | **152** | **33,779** | **–** | **–** | **–** | **–** | **–** | **33,931** | **–** | **33,931** |
| Shares issued upon exercise of share options (note 33) | **44** | **4,819** | **(1,861)** | **–** | **–** | **–** | **–** | **3,002** | **–** | **3,002** |
| Acquisition of non-controlling interests in subsidiaries (note 31) | **–** | **–** | **–** | **(4,344)** | **–** | **–** | **–** | **(4,344)** | **4,344** | **–** |
| **At 31 December 2021** | **2,752** | **1,571,637** | **118,187** | **17,382** | **84,583** | **31,040** | **(1,933,212)** | **(107,631)** | **(5,833)** | **(113,464)** |

*Notes:*

(i) Share premium

Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

(ii) Share options reserve

The share-based payment reserve comprises the grant date fair value of unexercised share options granted to and other share-based payment transactions with employees of the Group and is dealt with in accordance with the accounting policy as set out in note 1(r)(ii).

(iii) Special reserve

This reserve comprises (i) the difference between the nominal value of the shares acquired and the acquisition consideration of RMB11,012,000 arising on a group reorganisation which took place in the year ended 31 December 2007; and (ii) the difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, on changes in the Group's interests in subsidiaries that do not result in the Group losing control.

(iv) 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.

(v) Property revaluation reserve

Property revaluation reserve comprises accumulated gains and losses arising on the revaluation of leasehold land and buildings that have been recognised in other comprehensive income.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Operating activities** | | |
| Loss before taxation | **(59,915)** | (70,922) |
| Adjustments for: | | |
| Interest income | **(20)** | (146) |
| Interest expenses | **29,950** | 23,770 |
| Depreciation | **18,377** | 12,274 |
| Amortisation of intangible assets | **1,220** | 1,660 |
| Share-based payment expenses | **–** | 454 |
| Fair value (gain) loss on investment properties | **(5,140)** | 3,113 |
| Impairment loss on financial assets, net of reversal | **22,641** | 10,474 |
| (Gain) loss on fair value change of derivative component of convertible bonds | **(6,268)** | 9,926 |
| Release of deferred income | **(840)** | (553) |
| Share of profit of a joint venture | **–** | (134) |
| Loss on deemed disposal of a joint venture | **–** | 3,780 |
| Gain on disposal of property, plant and equipment | **–** | (1,134) |
| Gain on derecognition of right-of-use assets and lease liabilities, net | **–** | (1,223) |
| Loss on disposal of equity instruments at FVTPL | **–** | 861 |
| Loss on deregistration of an associate | **159** | – |
| Gain on deregistration of subsidiaries | **(904)** | – |
| Reversal of impairment loss of property, plant and equipment | **(7,904)** | – |
| Loss on written-off of property, plant and equipment and inventories | **6,815** | – |
| Net foreign exchange gain | **(663)** | (5,635) |
| | **(2,492)** | (13,435) |
| Changes in working capital: | | |
| Decrease in inventories | **12,135** | 5,197 |
| Increase in trade and other receivables | **(9,050)** | (7,558) |
| Increase in trade and other payables | **14,082** | 19,929 |
| Decrease in contract liabilities | **(13,038)** | (16,600) |
| Increase in deferred income | **–** | 2,747 |
| Cash generated from (used in) operations | **1,637** | (9,720) |
| Tax paid | **(31)** | (25) |
| **Net cash generated from (used in) operating activities** | **1,606** | (9,745) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Investing activities** | | |
| Interest received | **20** | 146 |
| Proceeds from disposal of property, plant and equipment | **–** | 9,697 |
| Proceeds from disposal of equity instruments at FVTPL | **–** | 6,445 |
| Withdrawal of pledged bank deposits | **21,077** | — |
| Deposits paid for acquisition of property, plant and equipment | **–** | (240) |
| Purchase of property, plant and equipment | **(671)** | (830) |
| **Net cash generated from investing activities** | **20,426** | 15,218 |
| **Financing activities** | | |
| Proceeds from issue of new shares | **3,120** | 9,273 |
| Expenses on issue of new shares | **(118)** | (141) |
| Interest paid on convertible bonds | **(647)** | (1,998) |
| Interest-bearing borrowings raised | **7,880** | 15,621 |
| Proceeds from shareholders' loan | **17,669** | – |
| Interest paid | **(1,343)** | (6,360) |
| Repayment of interest-bearing borrowings | **(44,475)** | (6,675) |
| Repayment of lease liabilities | **(2,476)** | (2,452) |
| Acquisition of subsidiaries | **–** | (10,901) |
| **Net cash used in financing activities** | **(20,390)** | (3,633) |
| **Net increase in cash and cash equivalents** | **1,642** | 1,840 |
| **Cash and cash equivalents at 1 January** | **5,126** | 3,286 |
| **Cash and cash equivalents at 31 December** | **6,768** | 5,126 |

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### (a) General information

Comtec Solar Systems Group Limited ("**the Company**") is a public limited company incorporated in the Cayman Islands, 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 immediate holding and ultimate holding company is Fonty Holdings Limited ("**Fonty**"), a company 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 a director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company is Level 9 & 11, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to the "**Group**") 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 principal subsidiaries are set out in note 38.

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

### (b) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Basis of preparation

(i) The Group incurred a net loss of approximately RMB61,000,000 for the year ended 31 December 2021 and had net current liabilities and net liabilities of approximately RMB313,000,000 and RMB113,000,000 as at that date respectively. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- Mr. Zhang has committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;

- The another shareholder Mr. Dai Ji have committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;

- Historically, the Group has been able to roll over or obtain replacement borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity. The Group has assumed it will continue to be able to do so for the foreseeable future;

- The Group has been actively negotiating with a few interested parties who would be interested to restructure the debts of the Company, such that the interested party will negotiate with the lenders to waive/refinance/extend the repayment of loans, and also look into possible equity/debt investment into the Company;

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

- The leasehold land, buildings and investment properties owned by the wholly-owned subsidiary will dispose and provide additional working capital to the Group; and

- The directors of the Company have carried out a detail review of the working capital forecast of the Group for the twelve months ending 31 December 2022, which took into account the projected future working capital of the Group.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Basis of preparation *(continued)*

(i) *(continued)*

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its ultimate controlling parties and existing convertible bonds holder.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

(ii) The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— convertible bonds (see note 1(q)); and

— investment properties (see note 1(h)).

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark
- Amendments to IFRS 16, COVID-19 – Related Rent Concessions Reform – Phase 2

None of these developments have had a material effect on how the Group's results and consolidated financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### (e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n)(v), (n)(vi) or (q) depending on the nature of the liability.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(f)).

In the Company's statement of consolidated financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)).

### (f) Associates

An associate is an entity in which the Group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(g) and (l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit loss ("**ECL**") model to such other long-term interests where applicable (see note 1(l)(i)).

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Associates *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of consolidated financial position, interest in an associate is stated at cost less impairment losses (see note 1(l)).

### (g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(v).

### (i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

— interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 1(k));

— right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs on related borrowed funds, to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment. Capitalisation of these costs ceases and the construction in progress is transferred to relevant categories of other property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the appropriate authorities. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Property, plant and equipment *(continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— The Group’s interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings’ estimated useful lives, being no more than 20 years after the date of completion.

| | | |
|---|---|---|
| — | Plant and machinery | 3–20 years |
| — | Furniture, fixtures and equipment | 5 years |
| — | Motor vehicles | 5 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

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

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### *(i) As a lessee*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(l)(iii)), except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(h).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (k) Leased assets *(continued)*

#### *(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(u)(v).

### (l) Credit losses and impairment of assets

#### *(i) Credit losses from financial instruments and lease receivables*

The Group recognises a loss allowance for ECLs on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

— lease receivables.

Other financial assets measured at fair value are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate; and

— lease receivables: discount rate used in the measurement of the lease receivable.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Credit losses and impairment of assets *(continued)*

#### *(i) Credit losses from financial instruments and lease receivables (continued)*

*Measurement of ECLs (continued)*

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Credit losses and impairment of assets *(continued)*

#### *(i) Credit losses from financial instruments and lease receivables (continued)*

*Significant increases in credit risk (continued)*

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

— failure to make payments of principal or interest on their contractually due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Basis of calculation of interest income*

Interest income recognised in accordance with note 1(u)(vii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Credit losses and impairment of assets *(continued)*

#### *(i) Credit losses from financial instruments and lease receivables (continued)*

*Basis of calculation of interest income (continued)*

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

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

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

*Write-off policy*

The gross carrying amount of a financial asset and lease receivable are written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written-off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### *(ii) Credit losses from financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Credit losses and impairment of assets *(continued)*

#### *(ii) Credit losses from financial guarantees issued* (continued)

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

#### *(iii) Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries and interest in an associate in the Company's statement of financial position.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Credit losses and impairment of assets *(continued)*

#### *(iii) Impairment of other non-current assets* *(continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (n) Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (n) Financial Instruments *(continued)*

#### *(i) Financial assets*

All regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on a trade date basis.

#### *(ii) Trade and other receivables*

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method, less allowance for credit losses (see note 1(l)(i)).

#### *(iii) Financial liabilities and equity instruments*

Debt and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### *(iv) 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 Group are recognised at the proceeds received, net of direct issue costs.

#### *(v) Trade and other payables*

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### *(vi) Interest-bearing borrowings*

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(w)).

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (o) Contract assets and contract liabilities

A contract asset is recognised when the group recognises revenue (see note 1(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(n)(ii)).

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue (see note 1(u)). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n)(ii)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(u)).

### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(l)(i).

### (q) Convertible bonds

#### *(i) Convertible bonds that contain an equity component*

Convertible bonds that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Convertible bonds *(continued)*

#### *(i) Convertible bonds that contain an equity component* *(continued)*

If the bonds are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the capital reserve is released directly to retained profits.

#### *(ii) Other convertible bonds*

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 1(q)(iii)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 1(q)(iii). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

#### *(iii) Derivative financial instruments*

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

### (r) Employee benefits

#### *(i) Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (r) Employee benefits *(continued)*

#### *(ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

#### *(iii) Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

### (u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

#### *(i) Sale of products*

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

#### *(ii) Provision of consulting services*

Revenue is recognised when the relevant services are rendered.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (u) Revenue and other income *(continued)*

#### *(iii) Installation services for photovoltaic power stations*

Provided the outcome of the performance obligation can be reasonably measured, the Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation in respect of installation services for photovoltaic power stations because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

#### *(iv) Power generation*

The progress towards complete satisfaction of a performance obligation in respect of power generation is measured based on the 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.

#### *(v) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

#### *(vi) Dividends*

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (u) Revenue and other income *(continued)*

#### *(vii) Interest income*

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

#### *(viii) Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### (v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (y) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 on-going 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.

### Critical judgements in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimates, that management has made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

*Going concern and liquidity*

As explained in note 1(c)(i), the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into the considerations as detailed in note 1(c)(i). The directors of the Company also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2021.

*Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Key sources of estimation uncertainty

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

*(i) Impairment of assets*

In accordance with accounting policies as set out in note 1(l)(iii), the Group reviews the carrying amounts of other non-current assets at the end of each reporting period to determine whether there is objective evidence of impairment. When an indication of impairment is identified, management prepares discounted cash flow forecasts to assess the differences between the carrying amount and value in use or fair value less costs of disposal (if higher) and provides for any impairment losses. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease the provision for impairment losses and affect the net asset value of the Group.

In measuring ECLs for trade receivables, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. Any changes in the assumptions adopted in measuring ECLs would increase or decrease the provision for impairment losses and affect the net asset value of the Group.

An increase or decrease in the above impairment loss would affect the results of the Group in future years.

*(ii) Fair value of investment properties*

At 31 December 2021, the Group's investment properties amounted to approximately RMB127,362,000 (2020: RMB82,914,000). They are stated at estimated fair value, determined by the Directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. Favourable and unfavourable changes to these factors would result in changes in the valuation of the Group's investment properties.

*(iii) Fair value measurement of convertible bonds*

The derivative component of convertible bonds amounting to nil (2020: RMB10,127,000) as at 31 December 2021 is measured at fair value 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 value. See note 40(f) for further disclosures.

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Key sources of estimation uncertainty *(continued)*

#### *(iv) Write-down of inventories*

The Group reviews the carrying amounts of inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with accounting policy as set out in note 1(m). Management estimates the net realisable value based on the current market situation and historical experience of similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written-down or the related reversals of write downs made in prior years and affect the Group's net asset value.

#### *(v) Income taxes*

The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

## 3 REVENUE AND SEGMENT REPORTING

### (a) Revenue

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 production and sales of power storage products. Further details regarding the Group's principal activities are disclosed in note 3(b).

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (a) Revenue *(continued)*

#### *(i) Disaggregation of revenue from contracts with customers*

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of IFRS 15** | | |
| Disaggregated by major products or service lines | | |
| – Sales of power storage products | **40,733** | 41,563 |
| – Installation services for photovoltaic power stations | **3,406** | 3,523 |
| – Power generation | **10,084** | 8,380 |
| – Consulting services for construction | **606** | 456 |
| – Sales of mono-crystalline solar wafers | **—** | 454 |
| – Sales of polysilicon | **—** | 629 |
| – Sales of others | **—** | 10 |
| | **54,829** | 55,015 |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b)(i).

#### *(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

The Group has applied the practical expedient in IFRS 15 to all its contracts such that no information regarding revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date is disclosed because either the remaining performance obligation is part of a contract that has an original expected duration of one year or less or the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker (the "**CODM**") for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Mono-crystalline and solar products* – Production and sales of efficient mono-crystalline products and trading of solar products

- Solar and power storage# – Provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products

* The name of this segment was "upstream" prior to 2021. During the year, the name was changed as the Group considered it represents the business nature of this segment and its recent development more specifically.

\# The name of this segment was "downstream solar and power storage" prior to 2021. During the year, the name was changed as the Group considered it represents the business nature of this segment and its recent development more specifically.

#### *(i) Segment revenue and results*

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results attributable to each reportable segment on the following bases:

Segment result includes revenue and expenses that are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

In addition, the CODM is provided with segment information concerning revenue and other information relevant to the assessment of segment performance and allocation of resources between segments.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### (i) *Segment revenue and results* *(continued)*

For the year ended 31 December 2021

| | Mono-crystalline and solar products RMB'000 | Solar and power storage RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | |
| Point in time | – | 40,733 | 40,733 |
| Over time | – | 14,096 | 14,096 |
| Total revenue | – | 54,829 | 54,829 |
| Segment loss | (539) | (4,692) | (5,231) |
| Unallocated income | | | 25,926 |
| Unallocated corporate expenses | | | (42,123) |
| Unallocated finance costs | | | (28,155) |
| Impairment loss on financial assets, net of reversal | | | (10,332) |
| Loss before taxation | | | (59,915) |

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### *(i) Segment revenue and results* *(continued)*

For the year ended 31 December 2020

| | Mono-crystalline and solar products RMB'000 | Solar and power storage RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | |
| Point in time | 1,093 | 40,470 | 41,563 |
| Over time | — | 13,452 | 13,452 |
| Total revenue | 1,093 | 53,922 | 55,015 |
| Segment loss | (21,607) | (9,609) | (31,216) |
| Unallocated income | | | 16,816 |
| Unallocated corporate expenses | | | (36,085) |
| Share of profit of a joint venture | | | 134 |
| Unallocated finance costs | | | (19,499) |
| Impairment loss on financial assets, net of reversal | | | (1,072) |
| Loss before taxation | | | (70,922) |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss of each segment without allocation of central and other operating expenses, certain unallocated other income and finance cost. This is the measure reported to the directors of the Company with respect to the resource allocation and performance assessment.

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### *(ii) Segment assets and liabilities*

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

*Segment assets*

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Mono-crystalline and solar products | **3,697** | 56,919 |
| Solar and power storage | **108,408** | 148,483 |
| Total segment assets | **112,105** | 205,402 |
| Corporate and other assets | **179,784** | 178,937 |
| Total assets | **291,889** | 384,339 |

*Segment liabilities*

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Mono-crystalline and solar products | **6,278** | 9,952 |
| Solar and power storage | **55,586** | 78,993 |
| Total segment liabilities | **61,864** | 88,945 |
| Corporate and other liabilities | **343,489** | 384,539 |
| Total liabilities | **405,353** | 473,484 |

For the purposes of monitoring segment performance and allocating resources between segments:

– All assets are allocated to operating segment, other than unallocated property, plant and equipment, unallocated right-of-use assets, investment properties, intangible assets, interest in an associate, goodwill, unallocated deposits, prepayments and other receivables, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### *(ii) Segment assets and liabilities* *(continued)*

*Segment liabilities* *(continued)*

– All liabilities are allocated to operating segments, other than unallocated other payables and accruals, unallocated lease liabilities, unallocated interest-bearing borrowings, convertible bonds, consideration payable, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

#### *(iii) Other segment information*

*For the year ended 31 December 2021*

| | Mono-crystalline and solar products RMB'000 | Solar and power storage RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Amounts include in the measure of segment profit or loss of segment assets: | | | | |
| Depreciation and amortisation | 94 | 10,694 | 8,809 | 19,597 |
| Impairment loss on financial assets, net of reversal | 279 | 12,030 | 10,332 | 22,641 |
| Loss on written-off of property, plant and equipment | – | 1,795 | 5,020 | 6,815 |
| Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets: | | | | |
| Finance costs | – | 1,795 | 28,155 | 29,950 |
| Income tax expenses | – | – | 1,337 | 1,337 |

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### *(iii) Other Segment information (continued)*

*For the year ended 31 December 2020*

| | Mono-crystalline and solar products RMB'000 | Solar and power storage RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Amounts include in the measure of segment profit or loss of segment assets: | | | | |
| Depreciation and amortisation | 4,812 | 3,961 | 5,161 | 13,934 |
| Impairment loss on financial assets, net of reversal | 1,896 | 7,506 | 1,072 | 10,474 |
| Gain on disposal of property, plant and equipment | – | 1,134 | – | 1,134 |
| Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets: | | | | |
| Finance costs | 2,047 | 2,224 | 19,499 | 23,770 |
| Income tax credit | – | – | (4,087) | (4,087) |

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### *(iv) Geographic information*

No geographic information has been presented as most of the Group's operating activities are carried in the PRC (including Hong Kong).

#### *(v) Information about major customers*

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Customer A | **34,883** | 31,068 |

*Note:* Revenue from customer A is generated from solar and power storage segment.

## 4 OTHER INCOME

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Release of deferred income | **840** | 553 |
| Government grant *(note)* | **–** | 311 |
| Interest income | **20** | 146 |
| Rental income | **8,099** | 4,507 |
| Others | **3,616** | 2,713 |
| | **12,575** | 8,230 |

*Note:* The government grant mainly represents 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 are attached to the grant.

## 5 OTHER NET GAINS (LOSSES)

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment | — | 1,134 |
| Gain on deregistration of subsidiaries | 904 | — |
| Loss on deemed disposal of a joint venture | — | (3,780) |
| Loss on disposal of equity instruments at FVTPL | — | (861) |
| Gain (loss) on fair value change of derivative component of the convertible bonds (note 29) | 6,268 | (9,926) |
| Loss on written-off of property, plant and equipment and inventories | (6,815) | — |
| Loss on deregistration of an associate (note 16) | (159) | — |
| Net foreign exchange gains | 1,879 | 8,316 |
| Others | (188) | (2,875) |
| Reversal of impairment loss of property, plant and equipment (note 13) | 7,904 | — |
| Fair value gain (loss) on investment properties (note 13) | 5,140 | (3,113) |
| | 14,933 | (11,105) |

## 6 FINANCE COSTS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Interest on bank borrowings | 11,566 | 7,265 |
| Interest on other borrowings | 8,953 | 6,431 |
| Interest on loans from shareholders | 2,671 | — |
| Interest on lease liabilities | 858 | 1,032 |
| Interest on convertible bonds *(note)* | 5,902 | 9,042 |
| | 29,950 | 23,770 |

*Note:* Imputed interest included.

## 7 INCOME TAX (EXPENSE) CREDIT

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| **Current tax — PRC Enterprise Income Tax** | | |
| Under-provision in respect of prior years | **(52)** | (43) |
| **Deferred tax** | | |
| Origination and reversal of temporary differences (note 30) | **(1,285)** | 4,130 |
| | **(1,337)** | 4,087 |

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable profits for the years ended 31 December 2021 and 2020.

PRC subsidiary is subject to PRC Enterprise Income Tax ("**EIT**") at 25%. No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the years ended 31 December 2021 and 2020.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2021 and 2020.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7 INCOME TAX (EXPENSE) CREDIT *(continued)*

The income tax (expense) credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive loss as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Loss before taxation | **(59,915)** | (70,922) |
| Tax at the domestic EIT rate at 25% | **(14,979)** | (17,731) |
| Tax effect of share of profit of a joint venture | **—** | (34) |
| Tax effect of expenses not deductible for tax purpose | **568** | 211 |
| Tax effect of income not taxable for tax purpose | **(3,979)** | – |
| Tax effect of temporary difference not recognised | **5,660** | 3,831 |
| Tax effect of unrecognised tax losses | **14,015** | 9,714 |
| Under-provision in respect of prior years | **52** | 43 |
| Others | **—** | (121) |
| Income tax expense (credit) | **1,337** | (4,087) |

Details of the deferred taxation are set out in note 30.

## 8 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

### (a) Staff costs

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Directors' emoluments (note 9) | **1,551** | 3,471 |
| Other staffs costs (exclude of director's emoluments) | | |
| — Salaries, wages, bonus and other benefits | **7,585** | 9,855 |
| — Retirement benefits schemes contributions | **646** | 1,011 |
| — Share-based payments expenses | **—** | 183 |
| Total staff costs | **9,782** | 14,520 |

## 8 LOSS FOR THE YEAR *(continued)*

### (b) Other items

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Depreciation charge | | |
| — owned property, plant and equipment | **14,872** | 10,435 |
| — right-of-use assets | **3,505** | 1,839 |
| | **18,377** | 12,274 |
| Amortisation cost of intangible assets | **1,220** | 1,660 |
| Auditor's remuneration | **1,100** | 1,100 |
| Amount of inventories recognised as an expense | **38,758** | 41,802 |
| Impairment loss on trade receivables | **20,423** | 10,474 |
| Impairment loss on other receivables | **2,218** | – |

## 9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | Fees<br>RMB'000 | Basic salaries and allowance<br>RMB'000 | Share-based payments expense<br>RMB'000 | Retirement benefits schemes contributions<br>RMB'000 | 2021 Total<br>RMB'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. John Yi Zhang | — | 600 | — | 15 | 615 |
| Mr. Zhang Zhen (note h) | — | 52 | — | 1 | 53 |
| **Non-executive directors** | | | | | |
| Mr. Dai Ji | 200 | — | — | — | 200 |
| Mr. Qiao Fenglin | 200 | — | — | — | 200 |
| **Independent non-executive directors** | | | | | |
| Mr. Ma Teng | 200 | — | — | — | 200 |
| Mr. Jiang Qiang (note b) | 161 | — | — | — | 161 |
| Dr. Yan Ka Shing (note a) | — | — | — | — | — |
| Mr. Li Shu Pai (note c) | 11 | — | — | — | 11 |
| Mr. Kang Sun (note e) | 72 | — | — | — | 72 |
| Mr. Leung Ming Shu (note f) | 23 | — | — | — | 23 |
| Mr. Xu Erming (note g) | 16 | — | — | — | 16 |
| | 883 | 652 | — | 16 | 1,551 |

## 9 DIRECTORS' EMOLUMENTS *(continued)*

| | Fees RMB'000 | Basic salaries and allowance RMB'000 | Share-based payments expense RMB'000 | Retirement benefits schemes contributions RMB'000 | 2020 Total RMB'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. John Yi Zhang | – | 600 | – | 16 | 616 |
| Mr. Chau Kwok Keung (note i) | – | 480 | 132 | 5 | 617 |
| Mr. Zhang Zhen (note h) | – | 825 | 132 | 16 | 973 |
| **Non-executive directors** | | | | | |
| Mr. Dai Ji | 200 | – | – | – | 200 |
| Mr. Qiao Fenglin (note d) | 157 | – | – | – | 157 |
| **Independent non-executive directors** | | | | | |
| Mr. Leung Ming Shu (note f) | 200 | – | 3 | – | 203 |
| Mr. Kang Sun (note e) | 344 | – | 4 | – | 348 |
| Mr. Xu Erming (note g) | 200 | – | – | – | 200 |
| Mr. Ma Teng (note d) | 157 | – | – | – | 157 |
| | 1,258 | 1,905 | 271 | 37 | 3,471 |

*Notes:*

(a) Appointed on 1 July 2021.

(b) Appointed on 12 March 2021.

(c) Appointed on 22 February 2021 and resigned on 12 March 2021.

(d) Appointed on 19 March 2020.

(e) Resigned on 20 March 2021.

(f) Resigned on 10 February 2021.

(g) Resigned on 29 January 2021.

(h) Resigned on 25 January 2021.

(i) Resigned on 31 January 2020.

(j) The remuneration includes remuneration received from the Group by the directors in his capacity as an employee of the subsidiaries.

No chief executive was appointed during the years ended 31 December 2021 and 2020.

No directors of the Company waived or agreed to waive the emolument paid by the Group during the years ended 31 December 2021 and 2020.

No emoluments were paid by the Group to the directors as an inducement for joining the Group or as compensation for loss of office during the years end of the Company 31 December 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group included one (2020: four) director(s) of the Company during the year ended 31 December 2021, whose emoluments are included in the analysis presented above. Details of emoluments paid to the remaining four (2020: one) individuals of the Group during the year ended 31 December 2021 were as follow:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Salaries, wages, bonus and other benefits | **2,121** | 427 |
| Retirement benefits schemes contributions | **512** | 16 |
| | **2,633** | 443 |

Their emoluments were within the following levels:

| | **2021 Number of individuals** | 2020 Number of individuals |
|---|---|---|
| Nil — HK$1,000,000 (equivalent to approximately RMB817,600 (2020: RMB841,600)) | **4** | 1 |

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2021 and 2020.

## 11 DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

## 12 LOSS PER SHARE

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Loss** | | |
| Loss for the year attributable to owners of the Company | **(53,196)** | (65,704) |
| **Number of shares** | | |
| Weighted average number of ordinary shares | **777,104,090** | 715,693,847 |

There were potential dilutive shares in existence during the years ended 31 December 2021 and 2020.

The outstanding share options and conversion option of the convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the years ended 31 December 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

| | Leasehold land RMB'000 | Buildings RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Sub-total RMB'000 | Investment properties RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or fair value** | | | | | | | | | |
| At 1 January 2020 | 16,434 | 202,387 | 271,675 | 4,479 | 2,858 | 18,050 | 515,883 | 86,027 | 601,910 |
| Additions | – | 95 | 784 | 44 | – | – | 923 | – | 923 |
| Acquisition of subsidiaries | – | 1,172 | 9,729 | – | – | – | 10,901 | – | 10,901 |
| Disposals | – | – | (26,705) | (413) | (254) | – | (27,372) | – | (27,372) |
| Termination of leases | – | (6,553) | – | – | – | – | (6,553) | – | (6,553) |
| Fair value loss | – | – | – | – | – | – | – | (3,113) | (3,113) |
| At 31 December 2020 | 16,434 | 197,101 | 255,483 | 4,110 | 2,604 | 18,050 | 493,782 | 82,914 | 576,696 |
| **Representing:** | | | | | | | | | |
| Cost | 16,434 | 197,101 | 255,483 | 4,110 | 2,604 | 18,050 | 493,782 | – | 493,782 |
| Fair value | – | – | – | – | – | – | – | 82,914 | 82,914 |
| | 16,434 | 197,101 | 255,483 | 4,110 | 2,604 | 18,050 | 493,782 | 82,914 | 576,696 |
| At 1 January 2021 | **16,434** | **197,101** | **255,483** | **4,110** | **2,604** | **18,050** | **493,782** | **82,914** | **576,696** |
| Additions | **–** | **263** | **5,177** | **529** | **14** | **–** | **5,983** | **–** | **5,983** |
| Termination of leases | **–** | **(95)** | **–** | **–** | **–** | **–** | **(95)** | **–** | **(95)** |
| Transfer to investment properties | **(4,600)** | **(114,424)** | **–** | **–** | **–** | **–** | **(119,024)** | **39,308** | **(79,716)** |
| Transfer to plant and equipment | **–** | **–** | **7,904** | **–** | **–** | **(7,904)** | **–** | **–** | **–** |
| Fair value gain | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **5,140** | **5,140** |
| Written-off | **(126)** | **–** | **(92,362)** | **(2,084)** | **(1,353)** | **(9,808)** | **(105,733)** | **–** | **(105,733)** |
| At 31 December 2021 | **11,708** | **82,845** | **176,202** | **2,555** | **1,265** | **338** | **274,913** | **127,362** | **402,275** |
| **Representing:** | | | | | | | | | |
| Cost | **11,708** | **82,845** | **176,202** | **2,555** | **1,265** | **338** | **274,913** | **–** | **274,913** |
| Fair value | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **127,362** | **127,362** |
| | **11,708** | **82,845** | **176,202** | **2,555** | **1,265** | **338** | **274,913** | **127,362** | **402,275** |

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (a) Reconciliation of carrying amount *(continued)*

| | Leasehold land RMB'000 | Buildings RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Sub-total RMB'000 | Investment properties RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment:** | | | | | | | | | |
| At 1 January 2020 | 3,289 | 125,741 | 200,902 | 2,549 | 2,411 | 17,712 | 352,604 | – | 352,604 |
| Charge for the year | 353 | 9,246 | 1,961 | 435 | 279 | – | 12,274 | – | 12,274 |
| Acquisition of subsidiaries | – | 118 | 2,607 | – | – | – | 2,725 | – | 2,725 |
| Written back on disposals | – | – | (18,596) | (272) | (141) | – | (19,009) | – | (19,009) |
| Termination of leases | – | (2,616) | – | – | – | – | (2,616) | – | (2,616) |
| At 31 December 2020 | 3,642 | 132,489 | 186,874 | 2,712 | 2,549 | 17,712 | 345,978 | – | 345,978 |
| At 1 January 2021 | **3,642** | **132,489** | **186,874** | **2,712** | **2,549** | **17,712** | **345,978** | **–** | **345,978** |
| Charge for the year | **255** | **4,300** | **13,508** | **292** | **22** | **–** | **18,377** | **–** | **18,377** |
| Reversal of impairment | **–** | **–** | **–** | **–** | **–** | **(7,904)** | **(7,904)** | **–** | **(7,904)** |
| Termination of leases | **–** | **(24)** | **–** | **–** | **–** | **–** | **(24)** | **–** | **(24)** |
| Transfer to investment properties | **(981)** | **(78,735)** | **–** | **–** | **–** | **–** | **(79,716)** | **–** | **(79,716)** |
| Written-off | **(126)** | **–** | **(87,586)** | **(1,975)** | **(1,319)** | **(9,808)** | **(100,814)** | **–** | **(100,814)** |
| At 31 December 2021 | **2,790** | **58,030** | **112,796** | **1,029** | **1,252** | **–** | **175,897** | **–** | **175,897** |
| **Net book value:** | | | | | | | | | |
| At 31 December 2021 | **8,918** | **24,815** | **63,406** | **1,526** | **13** | **338** | **99,016** | **127,362** | **226,378** |
| At 31 December 2020 | 12,792 | 64,612 | 68,609 | 1,398 | 55 | 338 | 147,804 | 82,914 | 230,718 |

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

As at 31 December 2021, the Group pledged its buildings and plant and machinery with total carrying amount of approximately RMB23,689,000 (2020: RMB63,487,000) to banks to secure banking facilities granted to the Group (see note 36).

Included in the amount of leasehold land, buildings, and investment properties as at 31 December 2021, approximately RMB124,685,000 (2020: nil) is a pledged assets which included in the mediation arrangement and enforcement notice under the People's Court of Pudong New Area of Shanghai (see Note 24a).

On 1 June 2022, the Group announced that the wholly-owned subsidiary entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings and investment properties located in Shanghai, of which carrying amounts as at 31 December 2021 were approximately RMB8,918,000, RMB23,689,000 and RMB92,078,000 respectively.

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (b) Fair value measurement of investment properties

#### *(i) Fair value hierarchy*

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

| | **Fair value at 31 December 2021** | **Fair value measurements as at 31 December 2021 categorised into** | | |
|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Recurring fair value measurement** | | | | |
| Investment properties: | | | | |
| — Industrial properties located in Shanghai | **92,078** | **—** | **—** | **92,078** |
| — Industrial properties located in Jiangsu | **35,284** | **—** | **—** | **35,284** |
| | **127,362** | **—** | **—** | **127,362** |

| | Fair value at 31 December 2020 | Fair value measurements as at 31 December 2020 categorised into | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Recurring fair value measurement** | | | | |
| Investment properties: | | | | |
| — Industrial properties located in Shanghai | 82,914 | — | — | 82,914 |

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (b) Fair value measurement of investment properties *(continued)*

#### *(i) Fair value hierarchy (continued)*

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2021. The valuations were carried out by an independent firm of surveyors, Beijing Zhongwei Chenguang Asset Appraisal Co., Ltd and Shanghai BaDaGooray & Henry Chartered Valuation Surveyors Co. Ltd (2020: Beijing Zhongwei Chenguang Asset Appraisal Co., Ltd), who have among their staff China Appraisal Society with recent experience in the location and category of property being valued. The directors of the Company have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

#### *(ii) Information about Level 3 fair value measurements*

| | Valuation techniques | Unobservable input | Range |
|---|---|---|---|
| Investment properties: Industrial properties located in China | Income approach | Market yield | 4% (2020: 5%) |
| | | Market rent per sq.m per year | RMB310-RMB328 (2020: RMB255) |
| | Market approach | Market price per sq.m | RMB4,306-RMB4,403 (2020: RMB972-RMB1,377) |

The fair value of investment properties located in China is determined by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value measurement is positively correlated to the market rent per square metre per year, and negatively correlated to the market yield.

The fair value of investment properties located in China is determined using market comparison approach by reference to the recent sales price of comparable transactions, adjusted for a premium or a discount specific to the quality of the Group's land compared to the recent sales.

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (b) Fair value measurement of investment properties *(continued)*

#### *(ii) Information about Level 3 fair value measurements* *(continued)*

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Investment properties – Industrial properties – Mainland China: | | |
| At 1 January | **82,914** | 86,027 |
| Transfer from property, plant and equipment | **39,308** | — |
| Fair value adjustments | **5,140** | (3,113) |
| At 31 December | **127,362** | 82,914 |

Fair value adjustments of investment properties are recognised in the line item "fair value gain (loss) on investment properties" included in other net gains (losses) (see note 5).

### (c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

| | *Notes* | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| Ownership interests in leasehold land held for own use, carried at depreciated cost in China, with remaining lease term between 10 and 50 years | (i) | **8,918** | 12,792 |
| Other properties leased for own use, carried at depreciated cost | (ii) | **1,125** | 1,125 |
| Plant and machinery, carried at depreciated cost | (iii) | **7,640** | 5,651 |
| | | **8,765** | 6,776 |
| Ownership interests in leasehold investment property situated in China, carried at fair value, with remaining lease term of between 10 and 50 years | | **127,362** | 82,914 |
| | | **145,045** | 102,482 |

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (c) Right-of-use assets *(continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Ownership interests in leasehold land held for own use | **255** | 353 |
| Other properties leased for own use | **191** | 1,189 |
| Plant and machinery | **3,059** | 297 |
| | **3,505** | 1,839 |
| Interest on lease liabilities (note 6) | **858** | 1,032 |
| Expense relating to short-term leases | **260** | 287 |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | **579** | 417 |

During the year, additions to right-of-use assets were approximately RMB5,312,000 (2020: RMB95,000), which related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(e) and 40(e), respectively.

#### *(i) Ownership interests in leasehold land and buildings held for own use*

The leasehold land represents the land use rights situated in the PRC. As at 31 December 2021, the Group pledged its leasehold land with carrying amount of approximately RMB8,918,000 (2020: RMB12,792,000) to banks to secure banking facilities granted to the Group (see note 36).

Included in the amount of leasehold land, buildings, and investment properties as at 31 December 2021, approximately RMB124,685,000 (2020: nil) is a pledged assets which included in the mediation arrangement and enforcement notice under the People's Court of Pudong New Area of Shanghai (see Note 24a).

On 1 June 2022, the Group announced that the wholly-owned subsidiary entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings and investment properties located in Shanghai, of which carrying amounts as at 31 December 2021 were approximately RMB8,918,000, RMB23,689,000 and RMB92,078,000 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (c) Right-of-use assets *(continued)*

#### *(ii) Other properties leased for own use*

The Group leases various office and factory premises and plant and machinery for its daily operations. Lease terms range from 1 to 20 years, with an option to renew the lease when all terms are renegotiated. Lease payments were usually increased annually to reflect current market rentals.

#### *(iii) Other leases*

The Group leases plant and machinery for its operations. As at 31 December 2021, the Group pledged its leased plant and machinery with carrying amount of approximately RMB7,640,000 (2020: RMB5,651,000) to secure lease liabilities granted to the Group (see note 36).

### (d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated.

During the year ended 31 December 2021, certain owned properties with carrying values of approximately RMB39,308,000 (2020: nil) were transferred to investment properties as these properties are held for rental income upon signing of an operating lease agreement with third parties in 2021.

As at 31 December 2021, the Group pledged its investment properties with carrying amount of approximately RMB127,362,000 (2020: RMB82,914,000) to banks to secure banking facilities granted to the Group (see note 36).

Included in the amount of leasehold land, buildings, and investment properties as at 31 December 2021, approximately RMB124,685,000 (2020: nil) is a pledged assets which included in the mediation arrangement and enforcement notice under the People's Court of Pudong New Area of Shanghai (see Note 24a).

On 1 June 2022, the Group announced that the wholly-owned subsidiary entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings and investment properties located in Shanghai, of which carrying amounts as at 31 December 2021 were approximately RMB8,918,000, RMB23,689,000 and RMB92,078,000 respectively.

## 13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (d) Investment properties *(continued)*

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 1 year | **5,405** | 5,912 |
| After 1 year but within 2 years | **1,635** | 3,769 |
| After 2 years but within 5 years | **3,965** | – |
| Over 5 years | **4,186** | – |
| | **15,191** | 9,681 |

## 14 INTANGIBLE ASSETS

| | Cooperative agreement RMB'000 | Non-compete agreement RMB'000 | Franchise relationship RMB'000 | Backlog RMB'000 | Technology RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 | 51,500 | 24,576 | 5,899 | 970 | 6,100 | 89,045 |
| **Accumulated amortisation and impairment:** | | | | | | |
| At 1 January 2020 | 51,500 | 24,136 | 5,899 | 970 | 2,745 | 85,250 |
| Amortisation | — | 440 | — | — | 1,220 | 1,660 |
| At 31 December 2020 | 51,500 | 24,576 | 5,899 | 970 | 3,965 | 86,910 |
| At 1 January 2021 | **51,500** | **24,576** | **5,899** | **970** | **3,965** | **86,910** |
| Amortisation | **—** | **—** | **—** | **—** | **1,220** | **1,220** |
| At 31 December 2021 | **51,500** | **24,576** | **5,899** | **970** | **5,185** | **88,130** |
| **Net book value:** | | | | | | |
| At 31 December 2021 | **—** | **—** | **—** | **—** | **915** | **915** |
| At 31 December 2020 | — | — | — | — | 2,135 | 2,135 |

## 15 GOODWILL

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Cost | **108,683** | 108,683 |
| Accumulated impairment | **(102,110)** | (102,110) |
| | **6,573** | 6,573 |

The net carrying amount of the goodwill arose from acquisitions of the solar and power storage business.

Impairment review on the goodwill of the Group has been conducted by the management as of 31 December 2021 and 2020 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal ("**FVLCD**") and value-in-use calculations.

## 15 GOODWILL *(continued)*

As of 31 December 2021 and 2020, the recoverable amount of goodwill was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a five-year period. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

| | |
|---|---|
| Revenue growth rate during the forecast period: | 5% |
| Gross profit margin during the forecast period: | 19% to 20% |
| Terminal growth rate: | 2.51% |
| Pre-tax discount rate: | 16.19% |

The Group has engaged an independent external valuer for performing the goodwill impairment assessments. Based on the results of the impairment assessments, no impairment loss on the goodwill was recognised as of 31 December 2021 and 2020.

## 16 INTEREST IN AN ASSOCIATE

Details of the Group's associate at 31 December 2020 is as follows:

| Name of associate | Form of business structure | Place of incorporation and business | Particulars of issued and paid up capital | Group's effective interest | Principal activity |
|---|---|---|---|---|---|
| Comtec Future Energy Technology Development (Tianjin) Co., Ltd.* 卡姆丹克未來能源科技發展(天津)有限公司 | Incorporated | PRC | RMB10,000,000 | 20% | Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business |

The above associate is accounted for using the equity method in the consolidated financial statements.

The associate was being deregistered on 17 September 2020. During the year ended 31 December 2021, loss on deregistration of an associate approximately RMB159,000 was recognised in the consolidated financial statements (see note 5).

* For identification purpose only

## 17 INVENTORIES

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Raw materials | **631** | 4,411 |
| Work-in-progress | **1,739** | 5,421 |
| Finished goods | **793** | 7,383 |
| | **3,163** | 17,215 |

As at 31 December 2021, there was no inventory was pledged to secure financing facilities granted to the Group (2020: RMB7,087,000) (see note 36).

During the year ended 31 December 2021, there was approximately RMB1,896,000 (2020: nil) inventories written-off and recognised as loss on written-off of inventories included in other net gains (losses) (see note 5).

## 18 TRADE RECEIVABLES

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Receivables at amortised cost comprise: | | |
| Trade receivables | **63,322** | 66,112 |
| Less: loss allowance for trade receivables | **(55,836)** | (35,413) |
| | **7,486** | 30,699 |

As at 31 December 2021, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB63,322,000 (2020: RMB66,112,000).

The Group requests prepayment from customers before delivery of goods and allows a credit period of 7 to 180 days for the remaining balance on a case-by-case basis. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 40(d).

## 18 TRADE RECEIVABLES *(continued)*

The following is an aged analysis of trade receivables, net of loss allowance for trade receivables, presented based on the invoice date, which approximates revenue recognition date at the end of each reporting period.

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 1 month | **1,018** | 8,325 |
| 1 to 2 months | **151** | 2,584 |
| 2 to 3 months | **135** | 1,061 |
| 3 to 6 months | **1,703** | 6,766 |
| Over 6 months | **4,479** | 11,963 |
| | **7,486** | 30,699 |

As at 31 December 2021, there was no trade receivables have been pledged to bank to secure banking facilities granted to the Group (2020: RMB501,000) (note 36).

## 19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Deposits | **844** | 734 |
| Value-added tax receivables | **27,332** | 27,903 |
| Other receivables | **4,792** | 7,606 |
| Advance to suppliers | **9,719** | 29,737 |
| | **42,687** | 70,500 |
| Less: loss allowance | **(2,218)** | – |
| | **40,469** | 70,500 |
| Analysis as: | | |
| Current assets | **39,778** | 69,809 |
| Non-current assets | **691** | 691 |
| | **40,469** | 70,500 |

Further details on the Group's credit policy and credit risk arising from other debtors are set out in note 40(d).

## 20 PLEDGED BANK DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Pledged bank deposits

As at 31 December 2021, the Group pledged its bank deposits of approximately RMB137,000 (2020: RMB21,214,000) as security for short-term bank loans and are therefore classified as current assets (see note 36).

The pledged deposits carry floating interest rate range from 0.3% to 0.5% (31 December 2020: 0.3% to 0.5%) per annum.

### (b) Cash and cash equivalents

Bank balances carry interest at market rates which range from 0.3% to 0.5% (31 December 2020: 0.3% to 0.5%) per annum.

## 20 PLEDGED BANK DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities 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 (Note 22) | Convertible bonds RMB'000 (Note 29) | Lease liabilities RMB'000 | Loans from shareholders RMB'000 (Note 25) | Interest–bearing borrowings RMB'000 (Note 24) | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2021** | 14,620 | 84,587 | 11,304 | – | 174,781 | 285,292 |
| Changes from financing cash flows: | | | | | | |
| Financing cash flows | (1,990) | – | (2,476) | 17,669 | (36,595) | (23,392) |
| New leases | – | – | 263 | – | – | 263 |
| Termination of leases | – | – | (71) | – | – | (71) |
| Accrued interest | 25,799 | 3,293 | 858 | – | – | 29,950 |
| Share issued upon conversation of convertible bonds | – | (33,931) | – | – | – | (33,931) |
| Reallocation of accounts | 9,081 | (9,081) | – | – | – | – |
| Fair value adjustment | – | (6,268) | – | – | – | (6,268) |
| Exchange difference | – | (346) | – | – | (317) | (663) |
| At 31 December 2021 | 47,510 | 38,254 | 9,878 | 17,669 | 137,869 | 251,180 |

## 20 PLEDGED BANK DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

### (c) Reconciliation of liabilities arising from financing activities *(continued)*

| | Interest payable RMB'000 (Note 22) | Convertible bonds RMB'000 (Note 29) | Lease liabilities RMB'000 | Interest-bearing borrowings RMB'000 (Note 24) | Total RMB'000 |
|---|---|---|---|---|---|
| **At 1 January 2020** | 7,600 | 72,824 | 12,569 | 157,979 | 250,972 |
| **Changes from financing cash flows:** | | | | | |
| Financing cash flows | (6,360) | (1,998) | (2,452) | 8,946 | (1,864) |
| New leases | — | — | 4,195 | — | 4,195 |
| Termination of leases | — | — | (5,160) | — | (5,160) |
| Acquistion of subsidiaries | — | — | 1,120 | 9,300 | 10,420 |
| Accrued interest | 13,380 | 9,042 | 1,032 | — | 23,454 |
| Fair value adjustments | — | 9,926 | — | — | 9,926 |
| Exchange realignment | — | (5,207) | — | (1,444) | (6,651) |
| At 31 December 2020 | 14,620 | 84,587 | 11,304 | 174,781 | 285,292 |

### (d) Major non-cash transactions

(i) During the year ended 31 December 2021, the Group entered into the new arrangements in respect of lease of assets. Right-of-use assets of approximately RMB5,312,000 (2020: RMB95,000) and lease liabilities of approximately RMB263,000 (2020: RMB5,315,000 including RMB1,120,000 addition due to business acquisition) were recognised at the commencement of the lease.

(ii) During the year ended 31 December 2021, the Group terminated a number of leases for which the carrying amount of right-of-use assets and lease liabilities at the date of termination was approximately RMB71,000 (2020: RMB3,937,000) and RMB71,000 (2020: RMB5,160,000) respectively, resulted in a gain of nil (2020: RMB1,223,000).

(iii) During the year ended 31 December 2021, there was approximately RMB15,302,000 was reallocated from contract liabilities to other payables due to refund to one of its customers.

## 20 PLEDGED BANK DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

### (e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Within operating cash flows | **839** | 712 |
| Within financing cash flows | **2,476** | 2,452 |
| | **3,315** | 3,164 |

## 21 TRADE PAYABLES

The following is the ageing analysis of trade payables based on the invoice date at the end of the reporting period:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Within 1 month | **6,415** | 7,812 |
| 1 to 2 months | **3,895** | 2,111 |
| 2 to 3 months | **142** | 1,312 |
| 3 to 6 months | **1,694** | 2,618 |
| Over 6 months but within 1 year | **10,126** | 12,011 |
| Over 1 year | **44,487** | 39,693 |
| | **66,759** | 65,557 |

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

## 22 OTHER PAYABLES AND ACCRUALS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Interest payables | **47,510** | 14,620 |
| Other payables and accrued charges | **41,054** | 40,294 |
| Payables for acquisition of property, plant and equipment | **8,866** | 16,973 |
| | **97,430** | 71,887 |

## 23 CONTRACT LIABILITIES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Advances from customers | **6,380** | 34,720 |

In general, the Group receives certain percentage of the contract sum as advance payment from the customers upon signing of the sales contracts.

The changes in contract liabilities in 2021 was mainly due to decrease in purchases order from customers in early 2021.

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities as at 31 December 2021 was approximately RMB38,343,000 (2020: RMB27,081,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

The movements and expected timing of revenue recognition of contract liabilities is set out below:

### Movements in contract liabilities

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Balance at 1 January | **34,720** | 51,320 |
| Recognised as revenue | **(38,343)** | (27,081) |
| Receipt of advances | **25,673** | 11,288 |
| Refund of advances | **(15,670)** | (807) |
| Balance at 31 December | **6,380** | 34,720 |

### Expected timing of revenue recognition

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Within 1 year | **6,380** | 19,702 |
| More than 1 year but within 2 years | **—** | 12,861 |
| More than 2 years but within 3 years | **—** | 2,157 |
| Balance at 31 December | **6,380** | 34,720 |

## 24 INTEREST-BEARING BORROWINGS

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| Bank loans | | | |
| — secured | 24(a) | **109,062** | 132,710 |
| Other borrowings | | | |
| — unsecured | 24(b) | **28,807** | 42,071 |
| | | **137,869** | 174,781 |
| Analysis as: | | | |
| Current liabilities | | **130,369** | 164,481 |
| Non-current liabilities | | **7,500** | 10,300 |
| | | **137,869** | 174,781 |

### (a) Bank loans

As at 31 December 2021, the bank loans were repayable as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Within 1 year or on demand | **101,562** | 122,410 |
| After 1 year but within 2 years | **2,800** | 2,800 |
| After 2 years but within 5 years | **4,700** | 7,500 |
| | **7,500** | 10,300 |
| | **109,062** | 132,710 |

As at 31 December 2021, the banking facilities of the Group were secured by its buildings and plant and machinery, leasehold land, investment properties, inventories, trade receivables and bank balances which are disclosed in notes 13(a), 13(c), 13(d), 17, 18 and 20(a) respectively.

The carrying amount of leasehold lands and building approximately of RMB124,685,000 which are disclosed in notes 13(a), 13(c)(i) and 13(d) were pledged by the Vendor in favour of the Creditor to secure a bank loan provided by the Creditor in the outstanding amount of approximately RMB108,810,000 (including accrued interests) as at 31 December 2021.

## 24 INTEREST-BEARING BORROWINGS *(continued)*

### (a) Bank loans *(continued)*

Due to the disputes over the bank loan agreements, Agricultural Bank of China Co., Limited, Shanghai Nanhui branch* (中國農業銀行股份有限公司上海南匯支行) (the "**Creditor**") filed lawsuits to the People's Court of Pudong New Area of Shanghai* (上海市浦東新區人民法院) (the "**Pudong Court**").

In July 2021, The Company negotiate the mediation arrangement with the Creditor under the Pudong Court to settle the outstanding loan balances with accrued interests. If the Company have not performed their repayment obligations, the Creditor can request to sell the pledged assets. Details of the pledged assets included in note 36.

In October 2021, the Company received the enforcement notices from Pudong Court in respect of the disputes over the bank loan agreement and the mediation arrangement in July 2021. If the Company is unable to perform the obligations imposed by the enforcement notices, the pledged assets may be subject to compulsory enforcement.

On 1 June 2022, the wholly-owned subsidiary of the Company entered into the sale and purchase agreement with an individual third party to sell the pledged assets to settle the outstanding loan balances with accrued interests.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 40(e). As at 31 December 2021, none of the covenants relating to drawn down facilities had been breached (2020: nil).

### (b) Other borrowings

At the end of the reporting period, the Group's other borrowings are unsecured, interest-bearing at rates ranging from 5.2% to 73.0% (2020: 5.2% to 73.0%) per annum and repayable within twelve months.

* *For identification purpose only*

## 25 LOANS FROM SHAREHOLDERS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Shareholders: | | |
| Dai Ji | **16,600** | – |
| Sun Da | **1,069** | – |
| | **17,669** | – |
| Analysis as: | | |
| Current | **17,669** | – |

As at 31 December 2021, the loans from shareholders are unsecured, interest bearing at 15% per annum and repayable on demand.

## 26 DEFERRED INCOME

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Government grants | | |
| — current | **840** | 840 |
| — non-current | **6,489** | 7,329 |
| | **7,329** | 8,169 |

In the prior years, the Group received government subsidies which were related to compensation for acquisition of plant and equipment in the PRC. The amounts were treated as deferred income and amortised to income over the useful lives of the relevant assets. During the year ended 31 December 2021, deferred income of RMB840,000 (2020: RMB553,000) was recognised as other income in profit or loss.

## 27 CONSIDERATION PAYABLE

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Consideration payable | **5,130** | 5,130 |

The outstanding consideration payable was arisen from the acquisition of Kexin Power System Design and Research Company Limited* 鎮江科信動力系統設計研究有限公司 ("**Kexin**") in prior years.

## 28 LEASE LIABILITIES

As at 31 December 2021 and 2020, the lease liabilities were repayable as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Current | **2,125** | 1,591 |
| Non-current | **7,753** | 9,713 |
| | **9,878** | 11,304 |
| Amounts payable under lease liabilities | | |
| Within 1 year | **2,125** | 1,591 |
| After 1 year but within 2 years | **2,165** | 2,053 |
| After 2 years but within 5 years | **4,732** | 5,931 |
| After 5 years | **856** | 1,729 |
| | **9,878** | 11,304 |
| Less: Amount due for settlement within 12 months (show under current liabilities) | **(2,125)** | (1,591) |
| Amount due for settlement after 12 months | **7,753** | 9,713 |

During the year ended 31 December 2021, the Group entered into two (2020: three) lease agreements in respect of renting properties and recognised lease liabilities of approximately RMB263,000 (2020: RMB5,315,000 including RMB1,120,000 addition due to business acquisition).

During the year ended 31 December 2021, one (2020: two) lease liabilities amount to approximately RMB71,000 (2020: RMB5,160,000) was derecognised due to termination of lease agreement.

* *For identification purpose only*

## 29 CONVERTIBLE BONDS

The Company issued USD denominated convertible bonds (the "**Bonds**") at an aggregate principal amount of USD10,000,000 with interest rate of 10% per annum on 27 July 2018.

### Principal terms of the Bonds:

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

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

(iii) Interest — The Bonds carry interest at 10% per annum, 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 initial conversion price is HKD0.174 per share, subject to adjustments.

Upon the completion of the share consolidation on 28 August 2019, the conversion price has been increased to HKD0.696 per share.

(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 to be issued shall be calculated based on 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.

## 29 CONVERTIBLE BONDS *(continued)*

**Principal terms of the Bonds:** *(continued)*

The Bonds contain two components: the debt component and the derivative component. The effective interest rate of the 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 Company received the conversion notices from the subscriber for the exercise of the conversation rights attached to the Bonds in respect of the aggregate principal amount of USD2,000,000 and USD2,000,000 on 5 March 2021 and 18 March 2021 respectively. Pursuant to the conversion price of HKD0.696 per conversion share which is the adjusted conversion price after implementation of the share consolidation on 28 August 2019, a total number of 22,556,896 and 22,556,896 conversion shares have been issued to the subscriber on 5 March 2021 and 18 March 2021 respectively.

As at 31 December 2021, the Bonds of the aggregate principal amount of USD6,000,000 is overdue.

The movements of the debt and derivative components of the Bonds for the year are set out below:

| | Debt component RMB'000 | Derivative component RMB'000 |
|---|---|---|
| At 1 January 2020 | 72,600 | 224 |
| Imputed interest | 9,042 | — |
| Interest paid | (1,998) | — |
| Loss on fair value changes | — | 9,926 |
| Exchange difference | (5,184) | (23) |
| At 31 December 2020 and 1 January 2021 | **74,460** | **10,127** |
| Imputed interest | **3,293** | **—** |
| Interest paid | **(9,081)** | **—** |
| Gain on fair value changes | **—** | **(6,268)** |
| Conversion during the year | **(29,852)** | **(4,079)** |
| Exchange difference | **(566)** | **220** |
| At 31 December 2021 | **38,254** | **—** |

## 30 DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| Deferred tax liabilities arising from: | Withholding tax on undistributed profits RMB'000 | Fair value adjustment RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2020 | 6,588 | 10,973 | 17,561 |
| Acquisition of subsidiaries | — | (1,890) | (1,890) |
| Credited to profit or loss | (105) | (4,025) | (4,130) |
| At 31 December 2020 and 1 January 2021 | **6,483** | **5,058** | **11,541** |
| Charge to profit or loss | **—** | **1,285** | **1,285** |
| At 31 December 2021 | **6,483** | **6,343** | **12,826** |

Pursuant to the EIT Law and its detailed implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entities. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiaries. The Hong Kong subsidiaries of the Group enjoyed the preferential tax rate aforementioned. Accordingly, deferred tax liability has been provided for in the consolidated financial statements in respect of the expected dividend stream from the PRC subsidiaries with the applicable tax rate of 5%.

As at 31 December 2021, deferred tax liabilities were provided for the undistributed profits of certain PRC operating subsidiaries in the amount of RMB65,000,000 (2020: RMB65,000,000), as the Group has determined that the remaining portion of the undistributed profits of those PRC operating subsidiaries will not be distributed in the foreseeable future.

At the end of the reporting period, the Group had unrecognised deductible temporary differences and tax losses in aggregate of approximately RMB823,628,000 (2020: RMB1,189,212,000). The deductible temporary differences do not expire while the tax losses expire in 5 years since the losses are incurred.

* For identification purpose only

## 31 ACQUISITION OF INTEREST IN SUBSIDIARIES WITHOUT CHANGE IN CONTROL

On 1 June 2021, the Group acquired the remaining 48.95% equity in Comtec Power Technology (Tianjin) Co., Ltd.* 卡姆丹克电力科技(天津)有限公司 and its subsidiaries with no consideration. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

| | **RMB'000** |
|---|---|
| Carrying amount of non-controlling interest acquired | 4,344 |
| Consideration paid for non-controlling interest | – |
| Difference recognised in special reserve within equity | 4,344 |

## 32 SHARE CAPITAL

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **No. of shares** | **HKD'000** | No. of shares | HKD'000 |
| **Ordinary shares, authorised:** | | | | |
| At 1 January and 31 December | **1,900,000,000** | **7,600** | 1,900,000,000 | 7,600 |
| **Ordinary shares, issued and fully paid:** | | | | |
| At 1 January | **733,174,710** | **2,933** | 628,289,531 | 2,513 |
| Shares issued upon subscription in February 2020 (note) | **–** | **–** | 104,885,179 | 420 |
| Shares issued upon conversion of convertible bonds (note 29) | **45,113,792** | **180** | – | – |
| Shares issued upon exercise of share options (note 33) | **13,420,500** | **54** | – | – |
| At 31 December | **791,709,002** | **3,167** | 733,174,710 | 2,933 |

| | **2021** | 2020 |
|---|---|---|
| **Presented in RMB:** | **RMB'000** | RMB'000 |
| Ordinary shares | **2,752** | 2,556 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

*Note:* On 28 February 2020, the Company issued 104,885,179 new shares pursuant to a subscription agreement dated 31 December 2019 at the subscription price of HKD0.1 per subscription share, with an aggregate net proceed of approximately HKD10,489,000 (equivalent to RMB9,273,000), after deducting related expenses of approximately HKD157,000 (equivalent to RMB141,000).

* *For identification purpose only*

## 33 SHARE-BASED COMPENSATION

### Share Option Scheme

The Company adopted the share option scheme (the "**Share Option Scheme**") on 2 October 2009 for the purpose of motivating eligible persons to optimise 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 the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the 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 the 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 then in issue, 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.

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 HKD1.0 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.

## 33 SHARE-BASED COMPENSATION *(continued)*

### Share Option Scheme *(continued)*

The Share Option Scheme shall be valid and effective for a period of 10 years from 2 October 2009, after which no further options will be granted or offered. The Share Option Scheme expired on 1 October 2019.

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the years ended 31 December 2021 and 2020:

| | 2020 | | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Date of grant | At 1 January 2020 | Cancelled | Lapsed | At 31 December 2020 | Exercise price (HKD) | At 1 January 2021 | Cancelled | Lapsed | At 31 December 2021 | Exercise price (HKD) |
| 15 June 2018 (a) | 5,321,544 | – | – | 5,321,544 | 0.604 | 5,321,544 | – | – | 5,321,544 | 0.604 |
| 2 May 2017 | 5,475,000 | – | – | 5,475,000 | 1.340 | 5,475,000 | – | – | 5,475,000 | 1.340 |
| 9 September 2016 | 4,500,000 | – | – | 4,500,000 | 2.240 | 4,500,000 | – | – | 4,500,000 | 2.240 |
| 25 November 2015 | 10,650,000 | – | – | 10,650,000 | 2.944 | 10,650,000 | – | – | 10,650,000 | 2.944 |
| 26 June 2015 | 5,000,000 | – | – | 5,000,000 | 6.000 | 5,000,000 | – | – | 5,000,000 | 6.000 |
| 31 March 2014 | 225,000 | – | – | 225,000 | 5.544 | 225,000 | – | – | 225,000 | 5.544 |
| 30 September 2013 | 1,005,000 | – | – | 1,005,000 | 7.480 | 1,005,000 | – | – | 1,005,000 | 7.480 |
| 27 December 2012 | 1,212,500 | – | – | 1,212,500 | 5.048 | 1,212,500 | – | – | 1,212,500 | 5.048 |
| 28 June 2012 | 12,500 | – | – | 12,500 | 3.920 | 12,500 | – | – | 12,500 | 3.920 |
| | 33,401,544 | – | – | 33,401,544 | | 33,401,544 | – | – | 33,401,544 | |

All of the above options are fully vested and exercisable as at 31 December 2021 and 2020.

## 33 SHARE-BASED COMPENSATION *(continued)*

### New Share Option Scheme

The Company adopted a new share option scheme (the "**New Share Option Scheme**") on 31 December 2018. The purpose of the New Share Option Scheme is to motivate eligible persons (as mentioned in the following paragraph) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain 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, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions, and/or to provide the Company with a flexible means to remunerate and/or compensate selected participants (including shareholders of the Group who contribute to the Group by enhancing its profile in the investment community and facilitating development of the Company's non-wholly owned subsidiaries) as the Board may approve from time to time.

The basis of eligibility of any of the class of eligible persons to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group (or any member of the Group).

Eligible persons mean: (a) any executive; (b) any director or proposed director (including an independent non-executive director) of any member of the Group; (c) any direct or indirect shareholder of any member of the Group whom the Board considers, in its sole discretion has contributed or will contribute to the Group; (d) any supplier of goods or services to any member of the Group; (e) any customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; or (g) any other person (including any individual staff member of any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Upon adoption, the maximum number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and other share option schemes of the Company is 209,770,358 shares representing 10% of the issued share capital of the Company as at 31 December 2018.

The subscription price in respect of any option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price 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 sheet 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.

## 33 SHARE-BASED COMPENSATION *(continued)*

### New Share Option Scheme *(continued)*

Subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time within 10 years after the adoption date to offer the grant of an option to any eligible person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of shares as the Board may determine.

Subject to the terms of the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on its adoption date. Upon the expiry of the New Share Option Scheme as aforesaid, no further options will be offered but the provisions of the New Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Share Option Scheme.

The options granted are at an exercise price of HKD0.28 per share and shall vest in accordance with the timetable below, each with an exercise period commencing from the relevant vesting date and ending 10 years after the relevant vesting date:

| Vesting date | Percentage of Share Options to vest |
|---|---|
| 29 May 2019 | 50% of the total number of share options granted |
| 29 August 2019 | 12.5% of the total number of share options granted |
| 29 November 2019 | 12.5% of the total number of share options granted |
| 29 February 2020 | 12.5% of the total number of share options granted |
| 29 May 2020 | 12.5% of the total number of share options granted |

Set out below are the details of movements of the outstanding options granted under the New Share Option Scheme during the years ended 31 December 2021 and 31 December 2020:

| Date of grant | At 1 January 2020, 31 December 2020 and 1 January 2021 | Exercise | Cancelled | Lapsed | At 31 December 2021 |
|---|---|---|---|---|---|
| 29 May 2019 | 36,403,456 | (13,420,500) | – | – | 22,982,956 |
| Exercise price (HKD) | 0.280 | | | | 0.280 |
| Exercisable | 36,403,456 | | | | 22,982,956 |

During the year ended 31 December 2021, options were exercised to subscribe for totalling 13,420,500 shares in the Company at aggregate consideration of approximately RMB3,120,000 with issue costs approximately RMB118,000.

## 33 SHARE-BASED COMPENSATION *(continued)*

### New Share Option Scheme *(continued)*

As of the grant date, the fair value of the share options granted on 29 May 2019 was HKD407,000 (equivalent to RMB358,000), HKD1,312,000 (equivalent to RMB1,153,000) and HKD4,200,000 (equivalent to RMB3,692,000) for employees, directors and consultants respectively. The Binomial Option Pricing Model were used to estimate the fair value. Inputs to the model were as follows:

| | Employees/ Directors | Consultants |
|---|---|---|
| Share price | HKD0.068 | HKD0.068 |
| Exercise price | HKD0.070 | HKD0.070 |
| Expected volatility | 60% | 60% |
| 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 maturity on 27 August 2029 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 behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

There was no expense recognised for the year ended 31 December 2021 in relation to the share options granted by the Company (2020: RMB454,000).

## 34 MATERIAL RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the years were as follows:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Short-term employee benefits | **3,351** | 4,885 |
| Post-employment benefits | **–** | 126 |
| Equity compensation benefits | **–** | 271 |
| | **3,351** | 5,282 |

## 35 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 20% to 24% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

During the year ended 31 December 2021, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB662,000 (2020: RMB1,048,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

## 36 PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks to secure the bank borrowing, granted to the Group:

| | Notes | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| Inventories | 17 | **–** | 7,087 |
| Trade receivables | 18 | **–** | 501 |
| Bank deposits | 20(a) | **137** | 21,214 |
| Buildings (note) | 13(a) | **23,689** | 63,487 |
| Leasehold land (note) | 13(c)(i) | **8,918** | 12,792 |
| Plant and machinery | 13(c)(iii) | **7,640** | 5,651 |
| Investment properties (note) | 13(d) | **127,362** | 82,914 |
| | | **167,746** | 193,646 |

*Note:*

The pledged assets which included in the mediation arrangement and enforcement notice are included in the amount of leasehold land, buildings and investment properties (see note 24a).

## 37 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | (i) | **32,190** | 45,541 |
| **Current asset** | | | |
| Cash and cash equivalents | | **72** | 73 |
| **Current liabilities** | | | |
| Other payables and accruals | | **22,728** | 8,394 |
| Interest-bearing borrowings | | **2,869** | 3,587 |
| Convertible bonds | | **38,254** | 84,587 |
| | | **63,851** | 96,568 |
| **Net current liabilities** | | **(63,779)** | (96,495) |
| **NET LIABILITIES** | | **(31,589)** | (50,954) |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **2,752** | 2,556 |
| Reserves | (ii) | **(34,341)** | (53,510) |
| **TOTAL DEFICITS** | | **(31,589)** | (50,954) |

*Notes:*

(i) Interests in subsidiaries

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Investment cost in subsidiaries | **164,646** | 164,646 |
| Amounts due to subsidiaries | **(132,456)** | (119,105) |
| | **32,190** | 45,541 |

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

## 37 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

*Notes: (continued)*

(ii) Movements in reserves

| | Share premium RMB'000 | Share option reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Balance at 1 January 2020** | **1,524,284** | 119,594 | (1,676,109) | (32,231) |
| Total loss and comprehensive expense for the year | **—** | — | (30,488) | (30,488) |
| Issuance of ordinary shares | **8,755** | — | — | 8,755 |
| Recognition of equity-settled share-based payments | **—** | 454 | — | 454 |
| **Balance at 31 December 2020** | **1,533,039** | 120,048 | (1,706,597) | (53,510) |
| **Balance at 1 January 2021** | **1,533,039** | **120,048** | **(1,706,597)** | **(53,510)** |
| **Changes in equity:** | | | | |
| Total loss and comprehensive expense for the year | **—** | **—** | **(17,568)** | **(17,568)** |
| Share issued upon exercise of share options (note 33) | **4,819** | **(1,861)** | **—** | **2,958** |
| Share issued upon conversion of convertible bond (note 29) | **33,779** | **—** | **—** | **33,779** |
| **Balance at 31 December 2021** | **1,571,637** | **118,187** | **(1,724,165)** | **(34,341)** |

Approved and authorised for issue by the board of directors on 30 June 2022 and are signed on its behalf by:

**John Yi Zhang**
*Director*

**Dai Ji**
*Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

| Name of subsidiary | Place of incorporation/ establishment and business | Class of shares held | Issued and fully paid ordinary share capital/registered capital | Percentage of equity interest and voting power attributable to the Company: Direct 2021 | Direct 2020 | Indirect 2021 | Indirect 2020 | Principal activity |
|---|---|---|---|---|---|---|---|---|
| Comtec Clean Energy Group Limited* 卡姆丹克清潔能源集團有限公司 | PRC | Contributed | USD150,000,000 | **–** | – | **100%** | 100% | Investment holding and solar related parts, equipment and products |
| Comtec Renewable Energy Group Limited | Hong Kong | Ordinary | HKD1,158,502 | **–** | – | **100%** | 100% | Investment holding |
| Comtec Solar International (M) Sdn Bhd | Malaysia | Ordinary | MYR266,600,002 | **–** | – | **100%** | 100% | Trading of solar related parts, equipment and products |
| Comtec Solar Trading Limited | Hong Kong | Ordinary | HKD2 | **–** | – | **100%** | 100% | Provision of sourcing, invoicing and support services for group companies |
| Comtec Solar (Cayman) Limited | Cayman Islands | Ordinary | HKD2 | **100%** | 100% | **–** | – | Investment holding |
| Comtec Solar (Hong Kong) Limited | Hong Kong | Ordinary | USD43,500,000 | **–** | – | **100%** | 100% | Investment holding, provision of sourcing, invoicing and support services for group companies |
| Comtec Solar (Jiangsu) Co., Limited* 卡姆丹克太陽能(江蘇)集團有限公司 | PRC | Contributed | USD66,500,020 | **–** | – | **100%** | 100% | Manufacturing and sales of solar wafers and related products |
| Comtec (Asia) Limited | Hong Kong | Ordinary | HKD1,128,840 | **–** | – | **51%** | 51% | Investment holding |
| Future Energy Capital Group Limited | British Virgin Islands | Ordinary | USD2,715,002 | **–** | – | **100%** | 100% | Investment holding |
| Jiangyang Comtec Yuanshuo Solar Co., Ltd.* 江陰卡姆丹克元朔光伏有限公司 | PRC | Contributed | RMB10,000,000 | **–** | – | **100%** | 100% | Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business |
| Kexin | PRC | Contributed | RMB55,555,556 | **–** | – | **53.1%** | 53.1% | Research and development, integration and sales of lithium battery management |
| Shanghai Comtec Solar Technology Co Limited* 上海卡姆丹克太陽能科技有限公司 | PRC | Contributed | USD18,500,000 | **–** | – | **100%** | 100% | Manufacturing and sales of solar wafers and related products |
| Sichuan Sunmell Construction Engineering Co., Ltd* 四川盛淼建設工程有限公司 | PRC | Contributed | RMB20,000,000 | **–** | – | **100%** | 100% | Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business |

*Note:*

(i) The nature of all the legal entities established in PRC is limited liability company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

* For identification purpose only

## 38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of subsidiaries that have non-controlling interests that are material to the Group:

| Name of subsidiaries | Place of incorporation | Proportion of ownership interest and voting rights held by non-controlling interest | | Loss allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2021** | 2020 | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 |
| Kexin | PRC | **46.9%** | 46.9% | **(7,057)** | 2,461 | **(4,102)** | 2,955 |
| Comtec (Asia) Limited | HK | **48.95%** | 48.95% | **(999)** | (1,583) | **(1,731)** | (5,076) |

The summarised financial information in respect of each of the Group's subsidiary or group of subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

The following table lists out the information relating to Kexin and Comtec (Asia) Limited, the subsidiaries of the Group which have a material non-controlling interest ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-company elimination.

**2021**

| | **Kexin RMB'000** | **Comtec (Asia) Limited RMB'000** |
|---|---|---|
| Current assets | **21,492** | **2,256** |
| Non-current assets | **14,558** | **—** |
| Current liabilities | **(36,252)** | **(5,792)** |
| Non-current liabilities | **(5,034)** | **—** |
| Net liabilities | **(5,236)** | **(3,536)** |
| Equity attributable to owners of the Company | **(1,134)** | **(1,805)** |
| Non-controlling interests | **(4,102)** | **(1,731)** |
| Revenue | **35,926** | **840** |
| Expenses | **(50,972)** | **(2,881)** |
| Loss for the year | **(15,046)** | **(2,041)** |
| Loss and total comprehensive expense attributable to owners of the Company | **(7,989)** | **(1,042)** |
| Loss and total comprehensive expense attributable to the non-controlling interests | **(7,057)** | **(999)** |
| Loss and total comprehensive expense for the year | **(15,046)** | **(2,041)** |
| Net cash inflow (outflow) from operating activities | **633** | **(9,532)** |
| Net cash (outflow) inflow from investing activities | **(142)** | **8,875** |
| Net cash (outflow) inflow from financing activities | **(55)** | **170** |

## 38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

**2020**

| | Kexin<br>RMB'000 | Comtec (Asia) Limited<br>RMB'000 |
|---|---|---|
| Current assets | 64,004 | 17,662 |
| Non-current assets | 14,463 | 159 |
| Current liabilities | (64,177) | (32,134) |
| Non-current liabilities | (4,480) | (4,790) |
| Net assets (liabilities) | 9,810 | (19,103) |
| Equity attributable to owners of the Company | 6,855 | (14,027) |
| Non-controlling interests | 2,955 | (5,076) |
| Revenue | 36,136 | — |
| Expenses | (30,889) | (3,234) |
| Profit (loss) for the year | 5,247 | (3,234) |
| Profit (loss) and total comprehensive income (expense) attributable to owners of the Company | 2,786 | (1,651) |
| Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interests | 2,461 | (1,583) |
| Profit (loss) and total comprehensive income (expense) for the year | 5,247 | (3,234) |
| Net cash outflow from operating activities | (822) | (4,661) |
| Net cash inflow from investing activities | 80 | 5,603 |
| Net cash inflow (outflow) from financing activities | 43 | (619) |

## 39 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of interest-bearing borrowings as set out in note 24 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and borrowings, balances the Group's overall capital structure through new share issues and raise of new borrowings.

## 40 FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortised cost (including cash and cash equivalents) | **17,118** | 64,688 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **363,111** | 391,815 |

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, other receivables, pledged bank deposits, cash and cash equivalents, trade payables, other payables and accruals, interest-bearing borrowings, considerable payable and convertible bonds. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments included market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented

### Market risk

*(a) Currency risk*

The primary economic environment in 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 receivables, deposits and other receivables, trade payables, other payables and accruals and interest-bearing borrowings that are denominated in foreign currencies, mainly in Hong Kong Dollars ("**HKD**"), United States Dollars ("**USD**") and Malaysian Ringgit ("**MYR**") as at 31 December 2021 and 2020 are set out in respective notes.

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### (a) *Currency risk (continued)*

##### (i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

| | **2021 Exposure to foreign currencies** | | |
|---|---|---|---|
| | **USD RMB'000** | **MYR RMB'000** | **HKD RMB'000** |
| Trade receivables | **107** | **191** | **—** |
| Deposits and other receivables | **63** | **952** | **—** |
| Cash and cash equivalents | **1,470** | **3** | **1,301** |
| Trade payables | **(36,088)** | **(225)** | **—** |
| Other payables and accruals | **(25,447)** | **—** | **(223)** |
| Interest-bearing borrowings | **(8,735)** | **—** | **(822)** |
| Net exposure arising from recognised assets and liabilities | **(68,630)** | **921** | **256** |

| | 2020 Exposure to foreign currencies | | |
|---|---|---|---|
| | USD RMB'000 | MYR RMB'000 | HKD RMB'000 |
| Trade receivables | 211 | 119 | — |
| Deposits and other receivables | 65 | 1,009 | — |
| Cash and cash equivalents | 109 | 82 | 401 |
| Trade payables | (24,100) | (206) | — |
| Other payables and accruals | (18,455) | — | (223) |
| Interest-bearing borrowings | (20,800) | — | — |
| Net exposure arising from recognised assets and liabilities | (62,970) | 1,004 | 178 |

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(a) Currency risk (continued)*

##### *(ii) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Increase/ (decrease) loss after tax and accumulated losses RMB'000** | Increase/ (decrease) in foreign exchange rates | Increase/ (decrease) loss after tax and accumulated losses RMB'000 |
| USD | **5%** | **(2,574)** | 5% | (2,361) |
| | **(5)%** | **2,574** | (5)% | 2,361 |
| HKD | **5%** | **10** | 5% | 7 |
| | **(5)%** | **(10)** | (5)% | (7) |
| MYR | **5%** | **35** | 5% | 38 |
| | **(5)%** | **(35)** | (5)% | (38) |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2020.

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(b) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate risk profile as monitored by management is set out below.

*(i) Interest rate risk profile*

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

| | **Notional amount** | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Fixed rate borrowings:** | | |
| Lease liabilities | **9,878** | 11,304 |
| Bank loans | **10,300** | 13,000 |
| Other borrowings | **28,807** | 42,071 |
| | **48,985** | 66,375 |
| **Variable rate borrowings:** | | |
| Bank loans | **98,762** | 119,710 |

*(ii) Sensitivity analysis*

As at 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by approximately RMB741,000 (2020: RMB898,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) in respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2020.

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(c) Equity price risk*

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 29.

#### *(d) Credit risk*

As at 31 December 2021, 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 on trade balances based on credit risk grade or provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and deposits is limited because majority of counterparties are banks with high credit-ratings and state-owned banks with good reputation.

The Group has concentration of credit risk as 55% (2020: 34%) and 56% (2020: 36%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 December 2021 and 31 December 2020. These customer have good repayment history and credit quality with reference to the track records according to internal assessment of the Group.

In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by regularly review of the credit evaluation of the financial condition and credit quality of its customers and banks to ensure that prompt actions are taken to lower its exposure.

## 40 FINANCIAL INSTRUMENTS *(continued)*

**Market risk** *(continued)*

*(d)* ***Credit risk*** *(continued)*

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

| 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 | The counterparty frequently repays after due dates but usually settles after due date | Lifetime ECL — not credit-impaired | 12-month ECL |
| 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)*

### Market risk *(continued)*

#### *(d) Credit risk (continued)*

The following table provides information about the Group's exposure to credit risk of the Group's trade receivables which are not credit-impaired and credit-impaired as at 31 December 2021 and 2020:

| | 2021 | | |
|---|---|---|---|
| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Not credit-impaired | | | |
| Not past due | 27.88% | 1,413 | 394 |
| 1-30 days past due | 41.92% | 260 | 109 |
| 31-60 days past due | 49.81% | 269 | 134 |
| 61-90 days past due | 53.49% | 3,421 | 1,830 |
| 91-180 days past due | 69.16% | 441 | 305 |
| More than 180 days past due | 86.89% | 33,974 | 29,520 |
| | | 39,778 | 32,292 |
| Credit-impaired | 100% | 23,544 | 23,544 |
| | | 63,322 | 55,836 |

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(d)* ***Credit risk*** *(continued)*

The 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.

| | 2020 | | | |
|---|---|---|---|---|
| | Equivalent to external credit rating | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Non credit-impaired | | | | |
| Low risk | B2-Aa2 | 1.22% | 2,048 | 25 |
| Watch list | Ca-C-B3 | 29.28% | 40,520 | 11,844 |
| | | | 42,568 | 11,869 |
| Credit-impaired | | 100% | 23,544 | 23,544 |
| | | | 66,112 | 35,413 |

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, management accounts and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(d) Credit risk (continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| Balance at 1 January 2021 | **11,869** | **23,544** | **35,413** |
| Impairment losses recognised during the year | **20,423** | **—** | **20,423** |
| Balance at 31 December 2021 | **32,292** | **23,544** | **55,836** |

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| Balance at 1 January 2020 | 1,395 | 23,544 | 24,939 |
| Impairment losses recognised during the year | 10,474 | — | 10,474 |
| Balance at 31 December 2020 | 11,869 | 23,544 | 35,413 |

The Group measures the loss allowance for other receivables at an amount equal to 12-month ECL or lifetime ECL. The Group recognised ECL for other receivables based on the internal credit rating of receivables as follows:

| **At 31 December 2021** | **Expected loss rate %** | **Gross carrying amount RMB'000** | **Loss allowance RMB'000** |
|---|---|---|---|
| Performing | **46%** | **4,792** | **2,218** |
| Default receivable | **—** | **—** | **—** |
| | | **4,792** | **2,218** |

The directors of the Company estimate the ECL on other receivables at 31 December 2020 was insignificant.

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(d)* ***Credit risk*** *(continued)*

The movement in the loss allowance for other receivables is set out below:

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| At 1 January | **—** | — |
| Loss allowance recognised in profit or loss | **2,218** | — |
| At 31 December | **2,218** | — |

#### *(e)* ***Liquidity risk***

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(e) Liquidity risk (continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount at 31 December RMB'000 |
| Trade payables | 66,759 | – | – | – | 66,759 | 66,759 |
| Other payables and accruals | 97,430 | – | – | – | 97,430 | 97,430 |
| Short-term interest-bearing borrowings | 159,568 | – | – | – | 159,568 | 130,369 |
| Long-term interest-bearing borrowings | – | 3,328 | 5,033 | – | 8,361 | 7,500 |
| Loan from shareholders | 21,529 | – | – | – | 21,529 | 17,669 |
| Consideration payable | 5,130 | – | – | – | 5,130 | 5,130 |
| Convertible bonds | 38,254 | – | – | – | 38,254 | 38,254 |
| | 388,670 | 3,328 | 5,033 | – | 397,031 | 363,111 |
| Lease liabilities | 2,903 | 2,532 | 5,801 | 1,195 | 12,431 | 9,878 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount at 31 December RMB'000 |
| Trade payables | 65,557 | – | – | – | 65,557 | 65,557 |
| Other payables and accruals | 71,887 | – | – | – | 71,887 | 71,887 |
| Short-term interest-bearing borrowings | 170,685 | – | – | – | 170,685 | 164,481 |
| Long-term interest-bearing borrowings | 723 | 3,471 | 8,341 | – | 12,535 | 10,300 |
| Consideration payable | 5,130 | – | – | – | 5,130 | 5,130 |
| Convertible bonds | 79,121 | – | – | – | 79,121 | 74,460 |
| | 393,103 | 3,471 | 8,341 | – | 404,915 | 391,815 |
| Lease liabilities | 2,339 | 2,689 | 6,442 | 1,763 | 13,233 | 11,304 |

## 40 FINANCIAL INSTRUMENTS *(continued)*

**Market risk** *(continued)*

*(f) Fair value measurement*

*(i) Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

## 40 FINANCIAL INSTRUMENTS *(continued)*

### Market risk *(continued)*

#### *(f) Fair value measurement (continued)*

##### *(i) Financial assets and liabilities measured at fair value (continued)*

Fair value hierarchy *(continued)*

The Group engaged an independent valuer to perform valuations for the derivative component embedded in convertible bonds which is categorised into Level 3 of the fair value hierarchy. A valuation report is prepared by the valuer at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

| | **Fair value at 31 December 2021** | **Fair value measurements as at 31 December 2021 categorised into** | | | Fair value at 31 December 2020 | Fair value measurements as at 31 December 2020 categorised into | | |
|---|---|---|---|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** | | Level 1 | Level 2 | Level 3 |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Recurring fair value measurements** | | | | | | | | |
| *Assets:* | | | | | | | | |
| Investment properties located in Shanghai | **92,078** | **–** | **–** | **92,078** | 82,914 | – | – | 82,914 |
| Investment properties located in Jiangsu | **35,284** | **–** | **–** | **35,284** | – | – | – | – |
| | **127,362** | **–** | **–** | **127,362** | 82,914 | – | – | 82,914 |
| *Liabilities:* | | | | | | | | |
| Convertible bonds – derivative component | **–** | **–** | **–** | **–** | 10,127 | – | – | 10,127 |

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 40 FINANCIAL INSTRUMENTS *(continued)*

**Market risk** *(continued)*

*(f)* ***Fair value measurement*** *(continued)*

*(i)* *Financial assets and liabilities measured at fair value (continued)*

Fair value hierarchy *(continued)*

Information about Level 3 fair value measurements

| | **Valuation techniques** | **Significant unobservable inputs** |
|---|---|---|
| Convertible bonds — derivative component | Binomial option pricing mode | Expected volatility |

The fair value of derivative component embedded in the convertible bonds is determined using the Binomial option pricing model with parameters including effective interest rate, risk-free rate and volatility.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Convertible bonds — derivative component | | |
| At 1 January | **10,127** | 224 |
| Exchange realignment | **220** | (23) |
| Conversion during the year | **(4,079)** | – |
| Changes in fair value recognised in profit or loss during the year | **(6,268)** | 9,926 |
| At 31 December | **–** | 10,127 |

The gains arising from the remeasurement of the derivative component embedded in the convertible bonds is presented in the "Other net gains (losses)" line item in the consolidated statement of profit or loss.

## 41 LITIGATION

On 27 April 2021, the Company received a writ of summons issued in the High Court of the Hong Kong Special Administrative Region Court of First Instance by the solicitors acting for Putana Limited, as the plaintiff (the "**Plaintiff**"), against the Company for the sum approximately of US$513,000 (equivalent to RMB3,271,000) of the reminded outstanding other borrowings as at 14 December 2020, being money payable by the Company to the Plaintiff for other borrowings by the Plaintiff for the Company.

## 42 EVENT AFTER REPORTING PERIOD

On 1 June 2022, the Group announced that the wholly-owned subsidiary entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings and investment properties in Shanghai of the consideration of RMB180,000,000.

## 43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

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

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021* | 1 April 2021 |
| Amendments to IFRS 3, *Reference to the conceptual framework* | 1 January 2022 |
| Amendments to IAS 16, *Property, plant and equipment: proceeds before intended use* | 1 January 2022 |
| Amendments to IAS 37, *Onerous contracts — cost of fulfilling a contract* | 1 January 2022 |
| *Annual improvements to IFRSs 2018-2020 Cycle* | 1 January 2022 |
| Amendments to IFRS 1, *Classification of Liabilities as Current or Non-current and the Related Amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* | 1 January 2023 |
| Amendments to IFRS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies* | 1 January 2023 |
| Amendments to IAS 8, *Definition of accounting estimates* | 1 January 2023 |
| Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction* | 1 January 2023 |
| IFRS 17, *Insurance Contracts and related Amendments* | 1 January 2023 |
| Amendment to IFRS 17, *Initial Application of IFRS 17 and IFRS 9 – Compartive Information* | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture* | Not yet been determined |
| Accounting Guideline 5 (Revised), *Merger accounting for common control combination* | Effective for common control combinations that occur on or after beginning of the first annual report period on or after 1 January 2022 |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# PARTICULARS OF INVESTMENT PROPERTIES

for the year ended 31 December 2021

Particulars of investment properties held by the Group as at 31 December 2021 are as follows:

| Name/location | Approximate gross floor area | Lease expiry | Type | Effective % held |
|---|---|---|---|---|
| **The PRC** | | | | |
| 16 Yuan Di Road Nanhui Industrial Zone Shanghai, the PRC | 4,400 square meter | 2056 | Industrial | 100% |
| 906 Yuan Zhong Road Nanhui Industrial Zone Shanghai, the PRC | 15,800 square meter | 2058 | Industrial | 100% |
| No.12, Donghai Avenue (East), Chengdong Town, Haian City, Jiangsu, the PRC | 17,392 square meter | 2060 | Non-resident | 100% |

# FIVE YEARS SUMMARY

| Results | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2021 RMB'000 |
|---|---|---|---|---|---|
| Turnover | 489,208 | 172,617 | 93,037 | 55,015 | **54,829** |
| Loss before interest expenses and taxation | (115,275) | (175,645) | (104,691) | (47,152) | **(29,965)** |
| Interest expense | (15,925) | (23,849) | (24,856) | (23,770) | **(29,950)** |
| Loss before taxation | (131,200) | (199,494) | (129,547) | (70,922) | **(59,915)** |
| Taxation | (14,247) | 12,912 | 889 | 4,087 | **(1,337)** |
| Loss and total comprehensive expense for the year | (145,447) | (186,582) | (128,658) | (66,835) | **(61,252)** |
| Loss and total comprehensive expense for the year attributable to | | | | | |
| Owners of the Company | (140,296) | (179,882) | (122,060) | (65,704) | **(53,196)** |
| Non-controlling interests | (5,151) | (6,700) | (6,598) | (1,131) | **(8,056)** |
| | (145,447) | (186,582) | (128,658) | (66,835) | **(61,252)** |

| Assets and liabilities | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2021 RMB'000 |
|---|---|---|---|---|---|
| Total assets | 731,732 | 544,841 | 405,961 | 384,339 | **291,889** |
| Total liabilities | (489,627) | (487,129) | (437,857) | (473,484) | **(405,353)** |
| Shareholders' funds | 242,105 | 57,712 | (31,896) | (89,145) | **(113,464)** |
| Attributable to | | | | | |
| Owners of the Company | 233,144 | 54,881 | (30,906) | (87,024) | **(107,631)** |
| Non-controlling interests | 8,961 | 2,831 | (990) | (2,121) | **(5,833)** |
| | 242,105 | 57,712 | (31,896) | (89,145) | **(113,464)** |

# 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 |
| "1111" | 1111 Limited, a company incorporated under the laws of Hong Kong |
| "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 incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company |
| "Comtec Renewable Energy" | Comtec Renewable Energy Group Limited (formerly known as Joy Boy HK Limited), a company incorporated under the laws of Hong Kong |
| "Convertible Bonds" | the convertible bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018 |
| "Corporate Governance Code" | Code on corporate governance practices contained in Appendix 14 to the Listing Rules |
| "Directors(s)" | the director(s) of the Company |
| "Fonty" | Fonty Holdings Limited, a company incorporated under the laws of the British Virgin Islands |
| "Future Energy Capital" | Future Energy Capital Group Limited, a company incorporated under the laws of the British Virgin Islands |
| "Global Offering" or "IPO" | the listing of the Shares on the Stock Exchange on 30 October 2009 |
| "Group" | the Company and its subsidiaries |
| "HK$ " and "HK cents" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "Hong Kong" | The Hong Kong Special Administrative Region of the People's Republic of China |
| "Kexin" | Zhejiang Kexin Power System Design and Research Company Limited*（鎮江科信動力系統設計研究有限公司）, a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company |
| "Latest Practicable Date" | 30 June 2022, 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 |

# DEFINITIONS

| | |
|---|---|
| "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 and the chairman of the Board |
| "MW" | megawatt, which equals 106 Watt |
| "NDRC" | the National Development and Reform Commission of the PRC |
| "Period" | the year ended 31 December 2021 |
| "PRC" or "China" | the People 's Republic of China which, for the purpose of this report, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan |
| "Prospectus" | the prospectus of the Company dated 19 October 2009 |
| "PV" | Photovoltaic |
| "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$0.004 each in the share capital of the Company |
| "Share Consolidation" | the share consolidation of every four issued and unissued Unconsolidated Shares into one (1) Share |
| "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 |
| "Unconsolidated Share(s)" | ordinary share(s) of HK$0.001 each in the share capital of the Company prior to the Company's share consolidation which took effect on 28 August 2019 |
| "USD" | United States dollars, the lawful currency of the United States of America |
| "*" | For identification only |
| "%" | per cent |