THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

卡姆丹克

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)

VERY SUBSTANTIAL DISPOSAL
IN RELATION TO DISPOSAL OF PROPERTIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

A letter from the Board is set out on pages 3 to 12 of this circular.

A notice convening the EGM of the Company to be held at Room 2, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 4:15 p.m. on Monday, 27 February 2023 is set out on pages 54 to 55 of this circular. A form of proxy for the EGM is enclosed herein. Whether or not you intend to attend and vote in person at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page (ii) of this circular for the measures to be implemented at the EGM by the Company against the epidemic to protect the attendees from the risk of infection of the Novel Coronavirus ("**COVID-19**"), including:

1. compulsory body temperature check
2. compulsory wearing of surgical face mask
3. no distribution of corporate gifts and no serving of refreshments

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company wishes to advise the Shareholders that you may appoint the chairman of the EGM as your proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

30 December 2022

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement necessary preventive measures at the EGM to protect attending Shareholders, proxy and other attendees from the risk of infection, including:

(i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry in to the EGM venue or be required to leave the EGM venue.

(ii) Attendees are required to prepare his/her own surgical face masks and wear the same inside the EGM venue at all times, and to maintain a safe distance between seats.

(iii) No corporate gifts will be distributed and no refreshments will be served.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all attendees' health and safety, the Company wishes to advise the Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

The proxy form, which can also be downloaded from the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.comtecsolar.com**), is enclosed to this circular. If you are not a registered Shareholder (i.e., if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

"Announcement"	the announcement of the Company dated 1 June 2022 in relation to the Disposal
"Board"	the board of Directors
"Company"	Comtec Solar System Group Limited (卡姆丹克太陽能系統集團有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 712)
"Completion"	completion of the Disposal
"connected person(s)"	has the same meaning ascribed to it in the Listing Rules
"Consideration"	the consideration for the Disposal in the amount of RMB180 million
"Director(s)"	the director(s) of the Company
"Disposal"	the transactions contemplated under the Sale and Purchase Agreement
"EGM"	the extraordinary general meeting of the Company to be convened to consider and approve the Disposal
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Latest Practicable Date"	30 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"PRC"	the People's Republic of China
"Properties"	the properties to be transferred by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement including land use rights and factory buildings
"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

"Remaining Group"	the Group after completion of the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sales and purchase agreement dated 1 June 2022 in relation to the disposal of the Properties
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) of HK$0.004 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company from time to time
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuer"	Beijing Zhongwei Chenguang Asset Appraisal Co. Ltd.* (北京中威辰光資產評估有限公司), an independent valuer
"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
"%"	per cent

* *For identification purpose only*

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)

Executive Director:
Mr. John Yi Zhang *(Chairman)*

Non-Executive Directors:
Mr. Dai Ji
Mr. Qiao Fenglin

Independent non-executive Directors:
Mr. Jiang Qiang
Dr. Yan Ka Shing

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

Principal Office in Hong Kong:
RM 2301-02, 23/F.
Shanghai Industrial Investment Building
48-62 Hennessy Road
Wan Chai, Hong Kong

30 December 2022

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
IN RELATION TO DISPOSAL OF PROPERTIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 1 June 2022 in relation to the Disposal.

The purpose of this circular is to provide you with (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.

THE DISPOSAL

On 1 June 2022, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Properties (together with the ancillary facilities) located in Shanghai, the PRC, at the Consideration of RMB180 million.

THE SALE AND PURCHASE AGREEMENT

Date:

1 June 2022

Parties:

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 including power distribution facilities, firefighting facilities, pipes and lifts) 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 reports of the Company for the two years ended 31 December 2021, 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. According to the valuation report set out in Appendix IV to this circular, the Properties were either vacant, self-occupied or rented out to certain tenants (the "**Tenants**").

As at the date of the Announcement, the Properties were pledged (the "**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 loans (the "**Loans**") provided by the Creditor which have matured in April and May 2021. As at the date of the Announcement, the outstanding principal and accrued interests were approximately RMB99 million and RMB10 million, respectively.

Under the Sale and Purchase Agreement, part of the Consideration shall be used to settle the Loans, 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 (the "**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 the 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 (the "**Arrangement**"):

(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 Loans 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.

The Directors consider that the Arrangement will not trigger any event of the default of the Loans given (i) the Escrow Account, which was opened at the Creditor, was established by the Vendor, the Purchaser and the Creditor pursuant to the Escrow Agreement, indicating that the Creditor has consented to such Arrangement; and (ii) the Loans have already matured in April and May 2021.

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, which was arrived at after arm's length negotiation among the parties.

The Consideration was determined after arm's length negotiations between the parties with reference to (i) the carrying amount of the Properties of approximately RMB150.5 million as at 31 December 2021; and (ii) the preliminary independent valuation of the Properties of approximately RMB169 million as at 31 December 2021. As at 30 June 2022, the carrying amount of the Properties was approximately RMB142.5 million. According to the valuation report set out in Appendix IV to this circular, the Properties was valued by the Valuer at approximately RMB133 million as at 30 September 2022 (the "**Valuation**").

In arriving at the Valuation, the Valuer has valued land use rights by the comparison method with reference to comparable sales evidence as available in the relevant market and has valued buildings by the cost method. In addition, the Valuer also adopted the income method by considering the capitalised potential income derived from the Properties at an appropriate market yield for the remaining term of the land use rights of the Properties.

Details of the Valuation of the Properties (including detailed inputs and assumptions) are set out in Appendix IV to this circular.

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 Loans have 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 Vendor shall arrange handover notice upon fulfilment of the conditions (a), (b), (c), (d) and (i) above. 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, which was arrived at after arm's length negotiation among the parties. The Group expects to hand over the Properties to the Purchaser within the aforesaid timeframe.

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 the Latest Practicable Date, 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 provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products.

The Vendor, a wholly-owned subsidiary of the Company, is principally engaged in manufacturing and sales of solar wafers and related products. As at the Latest Practicable Date, the Group has ceased the upstream manufacturing business including manufacturing and sales of solar wafers and related products.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

For illustrative purposes, assuming Completion had been taken place on 30 June 2022, the Group is expected to record an unaudited gain on the Disposal of approximately RMB47.0 million, which is calculated based on the Consideration of RMB180 million less the aggregate of the carrying amount of the Properties of approximately RMB142.5 million as at 30 June 2022 and the relevant expenses and tax. The relevant expenses and tax mainly consist of direct expenses and taxes, deferred tax and land appreciation tax. For details, please refer to note 3 of the Appendix III to this circular.

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 Loans (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

In the second half of 2020, 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 have 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 a net loss attributable to the Shareholders of approximately RMB53.2 million. For the six months ended 30 June 2022, the Group recorded a net loss attributable to the Shareholders of approximately RMB12.2 million. As at 30 June 2022, the Group had net current liabilities and net liabilities of approximately RMB301.9 million and RMB117.7 million, respectively. 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. Given the net proceeds from the Disposal shall be applied towards the settlement of the Loans and the general working capital of the Group, the Disposal is expected to lower the gearing and improve the working capital of the Group. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Completion took place on 30 June 2022, the net liabilities of the Group would decrease from approximately RMB117.7 million as at 30 June 2022 to approximately RMB101.8 million and total liabilities would decrease from approximately RMB440.5 million as at 30 June 2022 to approximately RMB260.3 million. As such, the Disposal will strengthen the financial position 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.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

EGM

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. Accordingly, no Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the Sale and Purchase Agreement and the transactions thereunder.

The EGM will be held at Room 2, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 4:15 p.m. on Monday, 27 February 2023 for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. The resolution approving the Sale and Purchase Agreement and the transactions thereunder will be conducted by way of a poll at the EGM and an announcement on the results of the EGM will be made by the Company after the EGM.

A notice convening the EGM of the Company to be held at Room 2, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 4:15 p.m. on Monday, 27 February 2023 is set out on pages 54 to 55 of this circular. A form of proxy for the EGM is enclosed herein. Whether or not you intend to attend and vote in person at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Wednesday, 22 February 2023 to Monday, 27 February 2023, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 21 February 2023.

RECOMMENDATION

The Directors consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

WARNING

As completion of the Disposal is subject to the satisfaction of a number of conditions precedent as set out in the Sale and Purchase Agreement, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the board of
Comtec Solar Systems Group Limited
Qiao Fenglin
Non-executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.comtecsolar.com).

- annual report of the Group for the year ended 31 December 2019 published on 27 April 2020 (Pages 74 to 192)

  (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701441.pdf)

- annual report of the Group for the year ended 31 December 2020 published on 2 May 2021 (Pages 45 to 145)

  (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0502/2021050200161.pdf)

- annual report of the Group for the year ended 31 December 2021 published on 30 June 2022 (Pages 78 to 190)

  (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0630/2022063002933.pdf)

- interim report of the Group for the six months ended 30 June 2022 published on 30 September 2022 (Pages 20 to 25)

  (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0930/2022093002471.pdf)

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

	RMB'000
Interest-bearing borrowings	33,920
Bank loans－secured and guaranteed *(note i)*	9,833
Other borrowings－unsecured *(note ii)*	24,087
Loan from shareholders *(note iii)*	4,966
Convertible bonds *(note iv)*	42,319
Lease liabilities	8,736
	89,941

Notes:

(i) 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.

(ii) The Group's other borrowings are unsecured, interest-bearing at rates ranging from 5.2% to 24.0% per annum and repayable within twelve months.

(iii) The loans from shareholders are unsecured, interest bearing at 15% per annum and repayable on demand.

(iv) The Company issued USD denominated convertible bonds at an aggregate principal amount of USD10,000,000 with interest rate of 10% per annum on 27 July 2018 for a term of three years. Such convertible bonds were secured by the shares of two wholly-owned subsidiaries of the Company. As at 31 October 2022, the bonds of the aggregate principal amount of USD6,000,000 is overdue.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal payables and accruals in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, guarantees, material capital commitment or other material contingent liabilities outstanding as at the close of business on 31 October 2022.

3. WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds and the existing borrowings, and based on the assumptions that the relevant lenders of the existing borrowings will not exercise their rights to demand immediate payment of the relevant borrowings prior to their scheduled contractual repayment dates, in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

For the six months ended 30 June 2022, the Group incurred loss attributable to the Shareholders of approximately RMB12.2 million. As at 30 June 2022, the Group had net current liabilities and net liabilities of approximately RMB301.9 million and RMB117.7 million, respectively. As advised by the Directors, the Group has the following plans to ensure that it would have sufficient working capital for at least the next twelve months from the date of this circular:

(i) Mr. John Yi Zhang, the chairman and executive Director, has committed to providing 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;

(ii) Mr. Dai Ji, a Shareholder, has committed to providing 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;

(iii) 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 that it will continue to be able to do so for the foreseeable future;

(iv) 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; and

(v) The Group is adopting strict control of operating and investing activities.

In the event that none of the above plans could be effectively implemented, the Company will consider and seek for other appropriate alternative plan(s), including but not limited to potential equity or debt fund raising exercise, in order to ensure that the Group will have sufficient working capital.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that, save as disclosed below, there has been no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date:

(i) Revenue decreased by approximately 66.3% from approximately RMB50.4 million for the six months ended 30 June 2021 to approximately RMB17.0 million for the six months ended 30 June 2022, which was primarily due to the disturbance of sales of power storage products caused by the downturn of macro-economic environment;

(ii) The Group recorded gross profit of approximately RMB5.8 million for the six months ended 30 June 2022, representing a decrease of approximately 27.1% from the gross profit of approximately RMB7.9 million for the six months ended 30 June 2021, as a result of the decrease in revenue;

(iii) Excluding the impact from reversal of impairment loss on financial assets, net loss increased from approximately RMB18.8 million for the six months ended 30 June 2021 to approximately RMB20.6 million for the six months ended 30 June 2022, primarily due to the decrease in revenue and gross profit; and

(iv) The net liabilities increased from approximately RMB113.5 million as at 31 December 2021 to approximately RMB117.7 million as at 30 June 2022, which was mainly due to the net loss for the six months ended 30 June 2022.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Group is principally engaged in provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products.

Riding on the global concern on climate change and the trend on environmental justice since 2020, the Group expects it can benefit from such trend and will have a continuous improvement in the revenue and profit.

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 which, the respective parties agreed to launch comprehensive cooperation in new energy asset trading platform, intelligent logistics and renewable energy business.

As the Group has completed corporate restructuring in 2020 and 2021, the Group is currently executing its plans of disposing assets and properties with low utilization and plan to redistribute these resources to improve its capital structure and lowering its gearing ratio when opportunities arise.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

There will be no change to the principal business of the Group as a result of the Disposal. Upon the Completion, the Group will continue to be principally engaged in the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products.

Set out below is the management discussion and analysis of performance and other information of the Group (i) for the year ended 31 December 2021 principally extracted from the annual report of the Company for the year ended 31 December 2021; and (ii) for the six months ended 30 June 2022 principally extracted from the interim report of the Company for the six months ended 30 June 2022.

Business Review

For the year ended 31 December 2021 and the six months ended 30 June 2022, the Group is principally engaging in the solar businesses which focus on (i) consulting services for investment, engineering, procurement, development, and operation of solar photovoltaic power stations; (ii) operations of rooftop distributed power generation projects in industrial, commercial and residential buildings; as well as (iii) sales of lithium battery power storage systems businesses for electric vehicles and power storage customers.

For the year ended 31 December 2021 and the six months ended 30 June 2022, the Group continue to persevere in developing its solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products. The Group provides Solar EPC services for rooftop distributed generation projects to customers mainly from Guangdong, Fujian, Tianjin, Zhejiang, Shandong, Anhui, Hebei, Henan, Hubei, and Hunan. The Group is optimistic that with the Chinese electric vehicle industry, green energy and the power storage industry being the focal points of the globe, its profit will grow diversely and constantly in the future.

Financial Review

For the year ended 31 December 2021

Revenue

For the year ended 31 December 2021, the Group recorded total revenue of approximately RMB54.8 million, representing a decrease of approximately 0.3% from approximately RMB55.0 million for the year ended 31 December 2020, which is mainly due to the decrease in revenue generated from installation services for photovoltaic power stations which was largely offset by the increase in revenue from both sales of power storage product and rooftop distributed power generation projects.

Cost of sales and services

For the year ended 31 December 2021, cost of sales and services of the Group amounted to approximately RMB48.1 million, representing a decrease of approximately 6.1% from RMB51.2 million for the year ended 31 December 2020, which was mainly due to the increase in power storage products sold, partially offset by the reduced installation services and reduced production of solar wafers and polysilicon.

Gross profit

For the year ended 31 December 2021, the Group recorded a gross profit of approximately RMB6.8 million, representing a significant increase of approximately 74.4% as compared to that of approximately RMB3.9 million for the year ended 31 December 2020. Such increase is mainly attributable to a larger proportion of revenue was generated from power generation business which entails a higher gross profit margin.

Other income

Other income amounted to approximately RMB12.6 million for the year ended 31 December 2021, representing an increase of 53.7% from approximately RMB8.2 million for the year ended 31 December 2020, which was mainly due to the increase in rental income received.

Other net gains (losses)

Other net gains were approximately RMB14.9 million for the year ended 31 December 2021, representing an increase from other losses of approximately RMB11.1 million for the year ended 31 December 2020, mainly due to the decrease in fair value loss on investment properties and fair value loss of derivative component of convertible bonds.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 20.0%, from approximately RMB1.0 million for the year ended 31 December 2020 to approximately RMB1.2 million for the year ended 31 December 2021, which was mainly due to the increase in marketing effort to increase sales.

Administrative and general expenses

The Group's administrative and general expenses increased to approximately RMB36.9 million for the year ended 31 December 2021 from approximately RMB35.7 million for the year ended 31 December 2020.

Research and development expenses

Research and development expenses increased by approximately 209.1% from approximately RMB1.1 million for the year ended 31 December 2020 to approximately RMB3.4 million for the year ended 31 December 2021 as the Group has been actively investing and improving the efficiency of power storage system as well as designing solar photovoltaic power stations solutions for its potential rooftop distributed power generation projects.

Interest expenses

Interest expenses amounted to approximately RMB30.0 million for the year ended 31 December 2021, representing an increase of approximately 26.0% from approximately RMB23.8 million for the year ended 31 December 2020. Such increase was mainly attributable to the increase in interest expenses arising from bank borrowings.

Net profit (loss)

The Group's net loss amounted to approximately RMB61.3 million for the year ended 31 December 2021, representing a decrease of approximately 8.2% as compared to that of approximately RMB66.8 million for the year ended 31 December 2020.

Liquidity and financial resources

The Group's principal sources of working capital for the year ended 31 December 2021 included cash inflow from operating activities, bank borrowings and the proceeds from issue of equity securities. 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 at 31 December 2021 (31 December 2020: approximately RMB290.5 million). Also, the Group recorded net liabilities of approximately RMB113.5 million as at 31 December 2021 (31 December 2020: net liabilities of approximately RMB89.1 million).

Charges on group assets

As at 31 December 2021, the Group had restricted cash of approximately RMB0.1 million, 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.

Capital commitments

As at 31 December 2021, there was no capital commitment. 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.

Capital structure

As at 31 December 2021, the total number of issued shares of the Company was 778,288,502.

Contingent liabilities

As at 31 December 2021, there was no material contingent liability.

Exposure to fluctuations in exchange rates

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. Therefore, the Group is exposed to risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

Employees and emolument policy

As at 31 December 2021, the Group had a workforce of 59 employees. The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

Material acquisitions, disposals and significant investments

For the year ended 31 December 2021, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies. As at 31 December 2021, the Group did not hold any significant investments.

For the six months ended 30 June 2022

Revenue

Revenue decreased by approximately 66.3% from approximately RMB50.4 million for the six months ended 30 June 2021 to approximately RMB17.0 million for the six months ended 30 June 2022, which was primarily due to the disturbance of sales of power storage products caused by the downturn of macro-economic environment.

Cost of sales and services

Cost of sales and services decreased from approximately RMB42.4 million for the six months ended 30 June 2021 to approximately RMB11.2 million for the six months ended 30 June 2022, which was in line with the decrease in revenue in our solar businesses.

Gross profit

The Group recorded gross profit of approximately RMB5.8 million for the six months ended 30 June 2022, representing a decrease of approximately 27.1% from the gross profit of approximately RMB7.9 million for the six months ended 30 June 2021, as a result of the decrease in revenue.

Other income

For the six months ended 30 June 2022, other income was approximately RMB4.2 million, representing an increase of approximately 25.3%, from approximately RMB3.3 million for the six months ended 30 June 2021, primarily due to the government grants which mainly represent the amount received from the local government by operating subsidiaries of the Group to encourage activities aimed out by the Group in clean energy industry and high-technology advancement.

Other losses

Other losses were approximately RMB9.3 million for the six months ended 30 June 2022, representing an increase by 194.0% from other losses of approximately RMB3.2 million for the six months ended 30 June 2021, primarily due to the decrease in fair value of the investment properties in Shanghai, which has been adversely impacted by COVID-19.

Selling and distribution expenses

Selling and distribution expenses decreased from approximately RMB0.4 million for the six months ended 30 June 2021 to approximately RMB0.3 million for the six months ended 30 June 2022, which was primarily due to the cut in sales and marketing expense on solar business. The Group also made continuous efforts to reduce operating expenses.

Administrative expenses

Administrative expenses decreased from approximately RMB17.5 million for the six months ended 30 June 2021 to approximately RMB12.9 million for six months ended 30 June 2022, which was mainly due to the decrease in legal and professional fees, depreciation and salary.

Research and development expenses

Research and development expenses increased from approximately RMB1.7 million for the six months ended 30 June 2021 to approximately RMB1.8 million for the six months ended 30 June 2022.

Interest expenses

Interest expenses increased from approximately RMB7.2 million for the six months ended 30 June 2021 to approximately RMB7.8 million for the six months ended 30 June 2022, which was due to an increase in interest expenses arising from borrowings and convertible bonds in 2022.

Net profit (loss)

The Group recorded a loss of approximately RMB4.2 million for the six months ended 30 June 2022.

Liquidity and financial resources

As at 30 June 2022, the Group's current ratio (current assets divided by current liabilities) was 0.3 (31 December 2021: 0.2). The gearing ratio (total liabilities divided by total equity) was (3.7) (31 December 2021: (3.6)). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB301.9 million as of 30 June 2022 (31 December 2021: approximately RMB313.5 million). Also, the Group recorded net liabilities of approximately RMB117.7 million as of 30 June 2022 (31 December 2021: RMB113.5 million).

Charges on group assets

As at 30 June 2022, the Group had restricted cash of approximately RMB0.4 million (31 December 2021: RMB0.1 million), 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 30 June 2022, no other assets of the Group were charged.

Capital commitments

As at 30 June 2022, the Group's capital commitment was nil (31 December 2021: 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.

Capital structure

As at 30 June 2022, the total number of issued shares of the Company was 791,709,002.

Contingent liabilities

As at 30 June 2022, there was no material contingent liability (31 December 2021: nil).

Future plans for material investments or capital assets

The Group is currently executing its plans of disposing assets and properties with low utilization and plans to redistribute these resources to improve its capital structure and lowering its gearing ratio when opportunities arise.

In accordance with paragraph 68(2)(b)(i) of Chapter 14 of the Listing Rules, the Company is required to include in this circular a profit and loss statement for the three years ended 31 December 2019, 2020, 2021 and for the nine months ended 30 September 2022 (the "**Relevant Periods**") on the identifiable net income stream in relation to the Properties which must be reviewed by the reporting accountant to ensure that such information has been properly compiled and derived from the underlying books and records.

The unaudited profit and loss statements of identifiable net income stream attributable to the Properties to be disposed for the Relevant Periods (the "**Unaudited Profit and Loss Statements**") prepared by the Directors are set out below:

	Year ended 31 December			Nine months ended 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Loss) gain from changes in fair value of investment properties, net	–	(3,113)	9,164	(24,273)
Other income *(note)*	4,602	4,507	4,926	812
Administrative expenses	(2,594)	(2,594)	(2,594)	(1,939)
Finance costs	(6,997)	(5,951)	(10,592)	(1,156)
Loss before income tax expense	(4,989)	(7,151)	904	(26,556)

Note: rental income

Pursuant to paragraph 68(2)(b)(i) of Chapter 14 of the Listing Rules, the Directors engaged Prism Hong Kong and Shanghai Limited ("**Prism Hong Kong**"), the reporting accountant of the Company, to perform certain factual finding procedures on the compilation of the Unaudited Profit and Loss Statements as shown above in accordance with International Standard on Related Services 4400 "Engagements to perform Agreed-Upon Procedures Regarding Financial Information" issued by the International Auditing and Assurance Standards Board ("**IAASB**"). The procedures are performed solely to assist the Directors in evaluating whether the amounts shown in the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records for the purpose of satisfying the requirements under paragraph 68(2)(b)(i) of Chapter 14 of the Listing Rules, and are summarised as follows:

1. To obtain the Unaudited Profit and Loss Statements which were prepared by the management of the Company, and check its arithmetical accuracy for the Relevant Periods; and

2. In respect of the Unaudited Profit and Loss Statements obtained, compare the balances shown on the Unaudited Profit and Loss Statements with the relevant amounts in the underlying books and records of the Group for the Relevant Periods.

The reporting accountant's factual findings are as follows:

1. With respect to item 1, Prism Hong Kong obtained the Unaudited Profit and Loss Statements, which were prepared by the management of the Company, and found the amounts in the Unaudited Profit and Loss Statements to be arithmetically accurate.

2. With respect to item 2, Prism Hong Kong obtained the Unaudited Profit and Loss Statements, and compared the amounts shown on the Unaudited Profit and Loss Statements with the relevant amounts in the underlying books and records of the Group for the Relevant Periods and found them to be in agreement.

Prism Hong Kong has performed the above agreed-upon procedures set out in the relevant engagement letter with the Company and reported its factual findings based on the agreed-upon procedures to the Directors. Pursuant to the terms of the relevant engagement letter between the Company and Prism Hong Kong, the reported factual findings should not be used or relied upon by any other parties for any purpose.

In the opinion of the Directors, the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records. The work performed by Prism Hong Kong in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements, International Standards on Assurance Engagements or International Standards on Investment Circular Reporting Engagements issued by the IAASB and, consequently, no assurance has been expressed by Prism Hong Kong on the Unaudited Profit and Loss Statements.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF COMTEC SOLAR SYSTEMS GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Comtec Solar Systems Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net asset statement as at 30 June 2022, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2021, and related notes of the Group ("**Unaudited Pro Forma Financial Information**") as set out on pages 31 to 36 of the circular issued by the Company on 30 December 2022 (the "**Circular**") in connection with the proposed disposal of certain properties pursuant to a sale and purchase agreement dated 1 June 2022 (the "**Proposed Disposal**"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Note 1 to Note 7 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Proposed Disposal on the Group's net assets as at 30 June 2022 and the Group's financial performance for the year ended 31 December 2021 as if the transaction had taken place at 30 June 2022 and 1 January 2021, respectively. As part of this process, information about the Group's net assets as at 30 June 2022 and the Group's financial performance for the year ended 31 December 2021 have been extracted by the directors of the Company from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 dated 31 August 2022 on which an interim report has been published, and information about the Group's financial performance for the year ended 31 December 2021 has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 December 2021 dated 30 June 2022 on which an audit report has been published.

Directors' Responsibility for the Unaudited pro forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Auditing and Assurance Standards Board ("**IAASB**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management ("**HKSQM**") 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the IAASB. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in Circular is solely to illustrate the impact of the Proposed Disposal on unadjusted financial information of the Group as if the Proposed Disposal had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 30 June 2022 or 1 January 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Dai Tin Yau
Practising certificate number: P06318
Hong Kong, 30 December 2022

INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated net assets statement as at 30 June 2022 and unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2021 of Comtec Solar Systems Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") regarding the proposed disposal of certain properties (the "**Properties**") pursuant to a sale and purchase agreement dated 1 June 2022 (the "**Proposed Disposal**") (collectively referred to as the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information**"). The Unaudited Pro Forma Financial Information presented below is prepared to illustrate effects of the Proposed Disposal on the consolidated net assets statement and the consolidated statement of profit or loss of the Remaining Group as if the Proposed Disposal had been completed on 30 June 2022 and 1 January 2021, respectively.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "**Directors**") in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of illustrating the effect of the Proposed Disposal pursuant to the terms of the sale and purchase agreement dated 1 June 2022 entered into among the Group and Shanghai Pudong Zili Color Printing Factory Company Limited (the "**Sale and Purchase Agreement**"). Details of the Sale and Purchase Agreement are set out in the Letter from the Board contained in this circular.

The Unaudited Pro Forma Financial Information of the Remaining Group is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, which has been extracted from the Group's published interim report for the six months ended 30 June 2022 dated 31 August 2022, (ii) the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021, which has been extracted from the Group's published annual report for the year ended 31 December 2021 dated 30 June 2022 and (iii) adjusted on a pro forma basis to reflect the effect of the Proposed Disposal. A narrative description on these pro forma adjustments that are (i) directly attributable to the Proposed Disposal and not relating to future events and decisions; and (ii) factually supportable based on the terms of the Sale and Purchase Agreement.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group. The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport the true picture of the consolidated net assets statement of the Remaining Group as at 30 June 2022 had the Proposed Disposal been completed on 30 June 2022 or the consolidated financial performance of the Remaining Group for the year ended 31 December 2021 had the Proposed Disposal been completed on 1 January 2021 nor purport to predict the future net assets statement or financial performance of the Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with (i) the audited consolidated financial statements of the Group for the year ended 31 December 2021 dated 30 June 2022, (ii) unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2022 dated 31 August 2022 and (iii) other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF THE REMAINING GROUP

	Audited consolidated statement of profit or loss of the Group for the year ended 31 December 2021	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 4)*	*(Note 5)*	
Revenue	54,829	–	–	54,829
Cost of sales	(48,064)	–	–	(48,064)
Gross profit	6,765			6,765
Other income	12,575	–	(4,926)	7,649
Other net gains and losses	14,933	–	(9,164)	5,769
Selling and distribution expenses	(1,224)	–	–	(1,224)
Administrative expenses	(36,934)	–	2,594	(34,340)
Research and development expenses	(3,439)	–	–	(3,439)
Impairment loss on financial assets, net of reversal	(22,641)	–	–	(22,641)
Gain on disposal of properties	–	44,816	–	44,816
Finance costs	(29,950)	–	10,592	(19,358)
(Loss) profit before income tax expense	(59,915)	–	–	(16,003)
Income tax (expense) credit	(1,337)	–	–	(1,337)
(Loss) profit for the period	(61,252)			(17,340)

UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF THE REMAINING GROUP

	Unaudited consolidated net assets statement of the Group as at 30 June 2022	Pro forma adjustments	Unaudited pro forma consolidated net assets statement of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	
Non-current assets			
Property, plant and equipment	91,710	(56,996)	34,714
Investment properties	120,741	(85,456)	35,285
Intangible assets	305	–	305
Goodwill	6,573	–	6,573
	219,329		76,877
Current assets			
Inventories	1,511	–	1,511
Trade receivables	1,097	–	1,097
Deposits, prepayment and other receivables	57,888	–	57,888
Pledged bank deposits	381	–	381
Cash and cash equivalents	42,614	(21,823)	20,791
	103,491		81,668
Current liabilities			
Trade payables	45,599	–	45,599
Other payables and accruals	270,449	(170,000)	100,449
Contract liabilities	1,509	–	1,509
Interest-bearing borrowings	25,494	–	25,494
Loans from shareholders	4,725	–	4,725
Tax liabilities	5,836	–	5,836
Deferred income	4,173	–	4,173
Consideration payable	5,130	–	5,130
Lease liabilities	2,202	–	2,202
Convertible bonds	40,268	–	40,268
	405,385		235,385
Net current liabilities	(301,894)		(153,717)
Total assets less current liabilities	(82,565)		(76,840)

UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF THE REMAINING GROUP

	Unaudited consolidated net assets statement of the Group as at 30 June 2022 *RMB'000* *(Note 1)*	Pro forma adjustments *RMB'000* *(Note 3)*	Unaudited pro forma consolidated net assets statement of the Remaining Group *RMB'000*
Net current liabilities			
Interest-bearing borrowings	6,100	–	6,100
Deferred tax liabilities	11,171	(10,204)	967
Deferred income	11,069	–	11,069
Lease liabilities	6,801	–	6,801
	35,141		24,937
NET LIABILITIES	(117,706)		(101,777)

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in the published interim report of the Group for the six months ended 30 June 2022 dated 31 August 2022.

2. The figures are extracted from the Group's audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 as set out in the published annual report of the Group for the year ended 31 December 2021 dated 30 June 2022.

3. Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to buy the Properties at a consideration of approximately RMB180,000,000 in cash. The adjustment represents the pro forma loss on the Proposed Disposal as if the Proposed Disposal had been taken place on 30 June 2022.

	RMB'000
Calculation of pro forma gain on the Proposed Disposal:	
Consideration	180,000
Less: Carrying value of the Properties as at 30 June 2022	(142,452)
Add: Release of accumulated property valuation reserve	31,041
Estimated gain on disposal before direct expenses and taxes	68,589
Less: Estimate direct expenses and taxes in relation to the Proposed Disposal *(Note a)*	(18,306)
Less: Release of deferred tax and land appreciation tax regarding to the Proposed Disposal *(Note b)*	(3,313)
Gain on Proposed Disposal	46,970
Net increase in bank balance and cash on the Proposed Disposal:	
Consideration	180,000
Less: Estimate direct expenses and taxes in relation to the Proposed Disposal *(Note a)*	(18,306)
Less: Land appreciation tax regarding to the Proposed Disposal *(Note b)*	(13,517)
Consideration	148,177

Note:

a) The amount represents estimated direct expenses and taxes incurred by the Group in relation to the Proposed Disposal which are assumed to be settled in cash.

b) The amount represents the i) release of deferred tax liabilities of RMB10,204,000 arising from the fair value changes on the investment properties; and ii) the PRC land appreciation tax of RMB13,517,000 which is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures which assumed to be settled in cash.

The gain or loss on the Proposed Disposal is subject to changes at the actual date of completion.

4. The adjustment represents the pro forma loss on the Proposed Disposal as if the Proposed Disposal had been taken place on 1 January 2021.

	RMB'000
Calculation of pro forma loss on the Proposed Disposal:	
Consideration	180,000
Less: Carrying value of the Properties as at 1 January 2021	(143,971)
Add: Release of accumulated property valuation reserve	31,041
Estimated gain on disposal before direct expenses and taxes	67,070
Less: Estimate direct expenses and taxes in relation to the Proposed Disposal *(Note a)*	(18,306)
Less: Release of deferred tax and land appreciation tax regarding to the Proposed Disposal *(Note b)*	(3,948)
Gain on Proposed Disposal	44,816
Net increase in bank balance and cash on the Proposed Disposal:	
Consideration	180,000
Less: Estimate direct expenses and taxes in relation to the Proposed Disposal *(Note a)*	(18,306)
Less: Land appreciation tax regarding to the Proposed Disposal *(Note b)*	(13,517)
Consideration	148,177

Note:

a) The amount represents estimated direct expenses and taxes incurred by the Group in relation to the Proposed Disposal which are assumed to be settled in cash.

b) The amount represents the i) release of deferred tax liabilities of RMB9,569,000 arising from the fair value changes on the investment properties; and ii) the PRC land appreciation tax of RMB13,517,000 which is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures which assumed to be settled in cash.

The gain or loss on the Proposed Disposal is subject to changes at the actual date of completion.

5. The adjustments are set forth to illustrate the effect of excluding the results of operation of the Properties from the Group's financial performance for the year ended 31 December 2021 as if the Proposed Disposal had been taken place on 1 January 2021.

   The adjustments in the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2021 reflect the followings:

   a. The decrease in other income of approximately RMB4,926,000, being the reversal of the rental income from the Properties;

   b. The decrease in administrative expenses approximately RMB2,594,000, being the reversal of various expenses incurred in relation to the Properties;

   c. The decrease in finance costs approximately RMB10,592,000, being the reversal of finance costs incurred in relation to the Properties; and

   d. The decrease in gain from changes in fair value of approximately RMB9,164,000, being the reversal of the fair value gain arising from the Properties.

6. The above pro forma adjustments are not expected to have continuing effect on the Remaining Group in the subsequent reporting periods.

7. No adjustments have been made to reflect any operating results or other transactions of the Remaining Group entered into subsequent to 31 December 2021 and 30 June 2022, including the event stated in note 6 in the appendix V of this circular, for the preparation of the unaudited pro forma consolidated statement of profit and loss of the Remaining Group for the year ended 31 December 2021 or the unaudited pro forma consolidated net assets statement of the Remaining Group as at 30 June 2022, respectively.

Beijing Zhongwei Chenguang Asset Appraisal Co. Ltd.

Address: 6/F, No.1 Building,
No.1 Zuojiazhuang Front Street,
Chaoyang District, Beijing

Tel: +8610 84482699

Dear Sirs/Madams,

The Properties： **(1) No.906 Yuanzhong Road, Xuanqiao Town, Pudong New District, Shanghai, the People's Republic of China**
(2) No.16 Yuandi Road, Xuanqiao Town, Pudong New District, Shanghai, the People's Republic of China

We refer to your instructions for us to value the captioned properties interest (the "**Properties**") held by Shanghai Comtec Solar Technology Co., Ltd. (上海卡姆丹克太陽能科技有限公司) (the "**Company**") in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Properties as at 30 September 2022 (the "**Date of Valuation**").

We understand that our valuation on the following properties as for use in making decisions on your asset transfer.

We confirm that we are not aware of any conflict of interest preventing us from providing you with an independent valuation of the assets.

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and made reference to international valuation standards issued by International Valuation Standards Council ("**IVSC**").

The Properties were inspected in October 2022 by Mrs. Zhang Xiaoyan and Wu Qiong,the Chinese asset appraiser.

We will be instructed to value the Properties on the basis of Market Value. Market Value shall adopt the definition and conceptual framework settled by the IVSC, and which is defined as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation has been made on the assumption that the properties interest is sold on the (open) market in its existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which might serve to affect the value of the properties interest.

In valuing the properties which are occupied by the Company for the purpose of a business, our opinion of Market Value is that of its continued existing use, and is not necessarily intended to represent the amount that might be realised from piecemeal disposition of the subject assets in the (Open) Market, and is expressed as subject to adequate profitability of the undertaking.

In arriving at our opinion of the Market Value of the Properties, we have valued land use rights by the Comparison Method with reference to comparable sales evidence as available in the relevant market and valued buildings by the Cost Method. In addition, we've also adopted the Income Method by considering the capitalised potential income derived from the properties interest at an appropriate market yield for the remaining term of the land use rights of the properties.

Unless otherwise stated, we have assumed that the owner of the properties interest has enforceable title to the Properties interest, and has free and uninterrupted rights to use the Properties for the whole of the unexpired term as granted subject to payment of annual land use fee and that all requisite land use rights grant premium/purchase consideration payable have been fully settled. Furthermore, we have valued it on the assumption that it is freely disposable and transferable to third parties on the market without paying any additional premium or other onerous payment.

Other special assumptions of the assets, if any, have been stated in the footnotes of the valuation report for the properties.

We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us. Moreover, we have not checked the title of the properties and have not scrutinised the original documents.

We have relied on the advice given by the Company regarding the title to the Properties interest in the PRC. For the purpose of our valuation, we have assumed that the owner has enforceable title to the Properties interest. In our valuation, we have exercised our professional judgment in arriving at the valuation but you are urged to consider our valuation assumptions with caution.

We have inspected the properties as at the time of our valuation. However, no structural survey has been made on the properties and we are therefore unable to report as to whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. Having examined all relevant documentation, we have relied to a considerable extent on the information given by the Company, particularly in respect of planning approvals or statutory notices, easements, tenures, site and floor areas, and in the identification of the properties in which Owner has valid interest. All documents have been used for reference only. Except otherwise stated, all dimensions, measurements and areas included are based on information contained in the documents provided to us by the Company and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised by the Company that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

We assumed that the Properties have not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

Unless otherwise stated, no allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the assets are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed and Circular issued by your company, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

Finally, our valuation report is effective for a term of one year commencing on 30 September 2022 to 29 September 2023 and during this period we have assumed that there have been no material changes to the physical attributes of the properties and the nature of its location as well as to the non-physical attributes of the properties such as planning consents, statutory notices etc.

For and on behalf of
Beijing Zhongwei Chenguang Asset Appraisal Co. Ltd.
Asset appraiser: **Zhang Xiaoyan**
Asset appraiser: **Wu Qiong**

Both Zhang Xiaoyan and Wu Qiong are asset appraiser accredited by China Asset Appraisal Association and have over 10 years of experience in the asset valuation field in China.

22 October 2022

VALUATION REPORT

1. An Industrial Complex Situated at No.906 Yuanzhong Road, Xuanqiao Town, Pudong New District, Shanghai, the People's Republic of China

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market Value of the property in existing status as at 30 September 2022</th></tr>
<tr><td>An Industrial Complex Situated at No.906 Yuanzhong Road, Xuanqiao Town, Pudong New District, Shanghai, the People's Republic of China</td><td>The property comprises five blocks of 1 to 3-storey buildings with Gross Floor Area of approximately 26,725.80 sq.m, Blocks No.1-5 erected on a parcel of roughly rectangular-shaped site with a site area of approximately 27,823.60 sq.m. As quoted in the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Pu Zi (2010)231245, etc, the respective floor areas of each building of the Property which were completed in 2010 are listed as follows:
<table>
<tr><th>Block No.</th><th>Approximate Gross Floor Area
(sq.m.)</th></tr>
<tr><td>Block No.1</td><td>3,973.11</td></tr>
<tr><td>Block No.2</td><td>16,529.52</td></tr>
<tr><td>Block No.3</td><td>5,700.92</td></tr>
<tr><td>Block No 4</td><td>476.19</td></tr>
<tr><td>Block No.5</td><td>46.06</td></tr>
<tr><td>Total:</td><td>26,725.80</td></tr>
</table></td><td>According to the on-site investigation, the property is currently owner-occupied as warehouse, partly subject to a lease and partly vacant.

According to the leasing information provided by the Company, parts of Blocks No. 1, 2 & 4 (with GFA of approximately 12,300 sq.m) are leased to 上海欣妍體育發展中心. The lease term is from 1 December 2017 to 30 November 2022, and the annual rent is RMB3,140,000.

According to the leasing information provided by the Company, parts of Blocks No. 3 (with GFA of approximately 3,500 sq.m) are leased to 上海至盛汽車修理有限公司. The lease term is from 1 December 2017 to 30 November 2022, and the annual rent is RMB972,000.</td><td>The market value of the Industrial property at No. 906 Yuan Yuan Road, Xuanqiao Town under ongoing use on 30 September 2022, the base date of appraisal, is RMB91,739,450.00.</td></tr>
</table>

Property	Description and tenure	Particulars of occupancy	Market Value of the property in existing status as at 30 September 2022
	Block No.1 is a 3-storey building of reinforced concrete construction. The external facade is finished with painted wall, partly metal-clad wall. Block No. 2 is a 2-storey building of reinforced concrete construction. The external facade is finished with painted wall. The interior of the Blocks No.1-2 is finished with carpet/wooden/tiled flooring, tiled/panelled/painted wall, and suspended ceiling throughout the office area. In addition, it is equipped with public washrooms and local central air conditioning. The workshop is finished with epoxy/concrete flooring, painted wall and painted ceiling. At present, Blocks No.1-2 are used as banquet hall, exhibition hall, teaching assistant classroom and workshop. Block No. 3 is a 2-storey building of reinforced concrete construction. Blocks No. 4-5 are two single-storey buildings of reinforced concrete construction. The external facade of Blocks No.3-5 is finished with painted wall. The interior of the Blocks No.3-5 is finished with tiled/epoxy/concrete flooring, painted wall and painted ceiling. Blocks No. 3-4 are catered for workshop use and Block No. 5 is catered for guard room use. As quoted in the Shanghai Certificate of Real Estate Ownership No.Hu Fang Di Pu Zi (2010)231245, the land use rights of the Property for industrial use have been granted for a term of 50 years commencing on 11 August 2008 and expiring 10 August 2058. The property currently forms an industrial complex operating under the trade name of Shanghai Comtec Solar Technology Co., Ltd.		

2. An Industrial Complex Situated at No.16 Yuandi Road, Xuanqiao Town, Pudong New District, Shanghai, the People's Republic of China

Property	Description and tenure	Particulars of occupancy	Market Value of the property in existing status as at 30 September 2022
An Industrial Complex Situated at No.16 Yuandi Road, Xuanqiao Town, Pudong New District, Shanghai, the People's Republic of China	The property comprises two blocks of buildings with Gross Floor Area of approximately 13,312.26 sq.m, Blocks No.1-2 erected on a parcel of roughly rectangular-shaped site with a site area of approximately 12,563.8 sq.m. As quoted in the Shanghai Certificate of Real Estate Ownership No.Hu Fang Di Nan Zi (2008)004738, etc, the respective floor areas of each building of the Property which were completed in 2007 are listed as follows:	According to the on-site investigation, the property is currently owner-occupied as warehouse.	On 30 September 2022, the base date of appraisal, the market value of the industrial property, No. 16 Yuandi Road, Xuanqiao Town, under continuous use is RMB41,052,650.00.

Block No.	Approximate Gross Floor Area *(sq.m.)*
Block No.1	9,628.70
Block No.2	3,683.56
Total:	13,312.26

Property	Description and tenure	Particulars of occupancy	Market Value of the property in existing status as at 30 September 2022
	Block No. 1 is a 1 to 3-storey building of reinforced concrete construction. The external facade is finished with painted wall, partly metal-clad wall. Block No. 2 is a 2-storey building of reinforced concrete construction. The external facade is finished with painted wall. Blocks No. 1-2 are catered for office/workshop use. The interior is finished with carpet/wooden/tiled flooring, painted wall and suspended ceiling throughout the office area. In addition, it is equipped with public washrooms and local central air conditioning. The workshop is finished with concrete flooring, painted wall and painted ceiling. As quoted in the Shanghai Certificate of Real Estate Ownership No.Hu Fang Di Nan Zi (2008)004738, the land use rights of the Property for industrial use have been granted for a term of 50 years commencing on 10 October 2006 and expiring 9 October 2056. The property currently forms an industrial complex operating under the trade name of Shanghai Comtec Solar Technology Co., Ltd. (上海卡姆丹克太陽能科技有限公司).		

Beijing Zhongwei Chenguang Asset Appraisal Co. Ltd.
Asset appraiser: **Zhang Xiaoyan**
Asset appraiser: **Wu Qiong**

Both Zhang Xiaoyan and Wu Qiong are asset appraiser accredited by China Asset Appraisal Association and have over 10 years of experience in the asset valuation field in China.

22 October 2022

Notes

Section I: Title Documents of the Properties

1. Pursuant to the Shanghai Certificate of Real Estate Ownership No.Hu Fang Di Pu Zi (2010)231245, the building ownership of the Property which situated at No.906 Yuanzhong Road, Xuanqiao Town, Pudong New District, with total gross floor area of approximately 26,725.80 sq.m. is vested in Shanghai Comtec Solar Technology Co., Ltd. (上海卡姆丹克太陽能科技有限公司). The land use rights of the Property with a site area of approximately 27,823.60 sq.m. have been granted for a land use term commencing on 11 August 2008 and expiring 10 August 2058 for industrial uses.

2. Pursuant to the Shanghai Certificate of Real Estate Ownership No.Hu Fang Di Nan Zi (2008)004738, the building ownership of the Property which situated at No.16 Yuandi Road, Xuanqiao Town, Pudong New District, with total gross floor area of approximately 13,312.26 sq.m. is vested in Shanghai Comtec Solar Technology Co., Ltd. (上海卡姆丹克太陽能科技有限公司). The land use rights of the Property with a site area of approximately 12,563.8 sq.m. have been granted for a land use term commencing on 10 October 2006 and expiring 9 October 2056 for industrial uses.

3. Pursuant to the business license (copy) issued by the Market Supervision Administration of Shanghai Pudong New District on 16 November 2020, Registration No. is 9131000077669146X2, License No. is 15000002202011160012, type of limited liability company (Solely Hong Kong, Macao and Taiwan legal person), Enterprise name of Shanghai Comtec Solar Technology Co., Ltd. (上海卡姆丹克太陽能科技有限公司), registered capital of US $18,500,000. Residence: Shanghai Nanhui Industrial Park. Date of establishment: July 5 2005. The legal representative is 劉碩, which carried on business from 5 July 2005 to 4 July 2055.

Section II: Encumbrances and Restrictions

No.

Section III: Valuation Assumptions

You have instructed us to make the following assumptions:

1. Shanghai Comtec Solar Technology Co., Ltd. (上海卡姆丹克太陽能科技有限公司) is in possession of a proper legal title to the properties and is entitled to transfer the properties together with the residual term of its land use rights at no extra land use rights grant premium and other onerous charges payable to the government.

2. All land use rights grant premium and costs of resettlement and public utilities services (i.e. including the provisions of water, electricity, gas, telecommunications, drainage and sewerage to the edge of the site) and others have been fully settled.

3. The design and construction of the buildings are in compliance with the local planning regulations and have been approved by the relevant government authorities.

4. The assets may be disposed of freely to both national and overseas buyers.

5. The Valuer is concerned that on 01 June 2022, Shanghai Comtec Solar Technology Co., Ltd. entered into a "Real Estate Sale Contract" with Shanghai Pudong Zili Color Printing Co., Ltd. transferring the industrial properties of S Shanghai Comtec Solar Technology Co., Ltd. at No. 16 Yuandi Road, Xuanqiao Town, and No. 906 Yuanyuan Road, Xuanqiao Town, to Shanghai Pudong Zili Color Printing Co., LTD. As of 30 September 2022, the base date of evaluation, substantive conditions for the transaction and property ownership transfer of the industrial properties No. 16, Yuandi Road, Xuanqiao Town, and No. 906, Yuanyuan Road, Xuanqiao Town have not been fully met due to the influence of man-made uncontrollable epidemic factors based on the property rights transfer and other provisions of the "Real Estate Sale Contract". This assessment does not consider the impact of these factors on the assessed value of potential claims and liabilities.

6. The appraiser has carried out necessary verification of the ownership within the scope of entrusting, and made full disclosure as far as possible of the problems with the ownership found. Except for the situations described in the above 5 clauses, no other matters of property ownership dispute have been found in this appraisal. However, the appraisal report is a professional valuation opinion on the industrial property, which does not have the legal attribute of property ownership certificate. Therefore, this report cannot be used as proof of property title.

Section IV: Title and Approvals Status

The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

1. Business License (Copy);

2. No. 16 Yuandi Road, Xuanqiao Town, Shanghai Real Estate Warrant (Shanghai Real Estate South Character (2008) No. 004738);

3. No. 906 Yuanyuan Road, Xuanqiao Town, Shanghai Real Estate Certificate (HuFangpu Zi (2010) No. 231245).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, interests of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (1) were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO); (2) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Company

Name of Directors	Capacity	Number of Shares interested as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date
Mr. John Yi Zhang ("**Mr. Zhang**")	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and founder of a trust	142,470,887 *(Note)*	18.00%
Mr. Dai Ji	Beneficial owner	67,500,000	8.53%

Note: Fonty Holdings Limited, which is 100% beneficially owned by Mr. Zhang, held 130,513,461 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 11,957,426 Shares which are beneficially owned by Zhang Trusts For Descendants as the founder of the trust.

Save as mentioned above, as at the Latest Practicable Date, none of the Directors and the chief executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which, pursuant to section 352 of the SFO, required to be entered in the register referred to therein, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in the Shares

Name of Shareholder	Capacity	Number of Shares interested as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date
Fonty Holdings Limited	Beneficial owner	130,513,461	16.49%
Ms. Carrie Wang *(Note 1)*	Interest of spouse	142,470,887	18.00%
Harmony Gold Ventures Corp *(Note 2)*	Beneficial owner	38,662,827	4.88%
Shanghai Hengqu Internet Technology Co., Ltd. *(Note 2)*	Interest in a controlled corporation	38,662,827	4.88%
Jiangyin Jinqu Capital Management Co., Ltd. *(Note 2)*	Interest in a controlled corporation	38,662,827	4.88%
Mr. Wang Yixin *(Note 2)*	Interest in a controlled corporation	38,662,827	4.88%

Name of Shareholder	Capacity	Number of Shares interested as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date
Advanced Gain Limited *(Note 3)*	Beneficial owner	47,728,179	6.03%
Mr. Wu Zheqiang *(Note 3)*	Interest in a controlled corporation	47,728,179	6.03%
Mr. Sun Da *(Note 3)*	Beneficial owner	104,885,179	13.25%
Ark Pacific Investment Management Limited *(Note 4)*	Interest in a controlled corporation	77,134,482	9.74%
Ark Pacific Special Opportunities Fund I, L.P. *(Note 4)*	Interest in a controlled corporation	77,134,482	9.74%
LAU Tak Kei Arthur *(Note 4)*	Interest in a controlled corporation	77,134,482	9.74%
NG Chi Keung Kenneth *(Note 4)*	Interest in a controlled corporation	77,134,482	9.74%
Putana Limited *(Note 4)*	Beneficial owner	77,134,482	9.74%

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), 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 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 Shares held by Advanced Gain Limited.

4. Putana Limited is wholly owned by Ark Pacific Special Opportunities Fund I, L.P.. Ark Pacific Investment Management Limited is the general partner of Ark Pacific Special Opportunities Fund I, L.P. and Ark Pacific Investment Management Limited is owned as to 45% by LAU Tak Kei Arthur and 55% by NG, Chi Keung Kenneth.

Save for disclosed above, the Company is not aware of any other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

5. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors (1) had any direct or indirect interest in any assets which had been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (2) was materially interested in any transaction, contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. LITIGATION

On 27 April 2022, the Company received a writ of summons issued by the High Court of the Hong Kong Special Administrative Region in relation to a legal action commenced by Putana Limited, as the plaintiff (the "**Plaintiff**"), against the Company for the alleged amount outstanding as at 14 December 2020 under the loans granted by the Plaintiff to the Company of approximately US$513,000 (equivalent to RMB3,271,000). As at the Latest Practicable Date, the Plaintiff has not taken any further action to proceed with the alleged claim. As such, there is no new development for this litigation.

On 3 August 2022, the Company received notices from a creditor (the "**CB Holder**") purporting to enforce certain securities (the "**Charges**") for convertible bonds issued by the Company on 27 July 2018 and maturing on 27 July 2021. The Company is actively negotiating with the CB Holder and is confident that settlement proposals to the parties' satisfaction will be put forward in due course. The Company has been in discussions with various creditors, suppliers and service providers whom the Group is indebted to and exploring deleveraging and restructuring proposals including but not limited to debt capitalisation proposals with an aim to lower the Group's liabilities.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

(i) strategic cooperation framework agreement dated 6 February 2021 entered into between the Company and Jiangsu Changzhou Tianning Economic Development Zone Management Committee* (江蘇常州天寧經濟開發區管理委員會) ("**Tianning EDZ Management Committee**"), pursuant to which the relevant parties agreed to make use of their respective resources, expertise and experience to cooperate and develop in-depth new energy business cooperation;

(ii) strategic cooperation framework agreement dated 16 March 2021 entered into between the Company and Tianning EDZ Management Committee and Changzhou Tianning Investment Service Centre* (常州市天寧區招商服務中心) ("**Tianning Investment Service Centre**"), pursuant to which the relevant parties agreed to launch comprehensive cooperation in new energy business and the Company agreed to set up a wholly-owned subsidiary (the "**Target Company**") in Tianning District, Changzhou City, Jiangsu Province, the PRC by the end of March 2021 and to use the Target Company as the headquarter of the Group. After the establishment of the Target Company, subject to the entering into of definitive agreement, Tianning EDZ Management Committee agreed to procure a state-owned platform company in Tianning District to make equity investments in the Group. Tianning EDZ Management Committee intended to, invest (1) not less than RMB30 million into the Company and (2) RMB10 million into the subsidiary of the Company named New Energy Intelligent Logistics Changzhou Limited Company* (新能智慧物流常州有限公司);

(iii) the Sale and Purchase Agreement; and

(iv) the subscription agreements dated 29 September 2022 (as amended from time to time) with subscribers, all being independent third parties, whereby the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue an aggregate of 155,414,011 subscription shares at the subscription price of HK$0.157 each under general mandate.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which is contained in this circular:

Name	Qualification
Prism Hong Kong and Shanghai Limited	Certified Public Accountants
Beijing Zhongwei Chenguang Asset Appraisal Co. Ltd.	Asset Appraiser accredited by China Asset Appraisal Association

As at the Latest Practicable Date, each of the experts named above (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) had no direct or indirect interest in any assets which had been, since 31 December 2021 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

9. MISCELLANEOUS

(i) The company secretary of the Company is Ms. Lau Ling Yun Agnes ("**Ms. Lau**"). 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.

(ii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(iii) The head office and principal place of business in Hong Kong is at RM 2301-02, 23/F., Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wan Chai, Hong Kong.

(iv) The principal registrar and transfer office of the Company in the Cayman Islands is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

(v) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(vi) The English text of this circular shall prevail over the Chinese text in case of inconsistencies.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.comtecsolar.com) during a period of 14 days from the date of this circular (both days inclusive):

(i) the memorandum and articles of association of the Company;

(ii) the annual reports and the interim report of the Company for the three financial years ended 31 December 2021 and the six months ended 30 June 2022;

(iii) the material contracts referred to under the paragraph headed "7. Material contracts" in this appendix;

(iv) the unaudited profit and loss statements of identifiable net income stream attributable to the Properties as set out in Appendix II to this circular;

(v) the valuation report from Beijing Zhongwei Chenguang Asset Appraisal Co. Ltd., the text of which is set out in Appendix IV to this circular;

(vi) the accountants' report issued by Prism Hong Kong and Shanghai Limited in connection with the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(vii) the written consents referred to under the paragraph headed "8. Experts and consents" in this appendix; and

(viii) this circular.

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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders (the "**Shareholders**") of Comtec Solar Systems Group Limited (the "**Company**") will be held at Room 2, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 4:15 p.m. on Monday, 27 February 2023 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 30 December 2022 (the "**Circular**").

ORDINARY RESOLUTION

"**THAT**:

(a) the Sale and Purchase Agreement dated 1 June 2022 entered into between Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), as the Vendor and Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), as the Purchaser in relation to the disposal of the Properties, a copy of which has been produced to the EGM marked "A" and initialled by the chairman of the EGM for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) Any one of the directors of the Company be and is hereby authorised to do all such acts and things and to execute all such documents for and on behalf of the Company as such director of the Company may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the above Sale and Purchase Agreement."

By order of the Board
Comtec Solar Systems Group Limited
Qiao Fenglin
Non-executive Director

Shanghai, the PRC, 30 December 2022

Notes:

1. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, a form of proxy together with (if required by the board of Directors) the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.

3. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or any adjournment of the meeting and, in such event, the form of proxy shall be deemed to be revoked.

4. The transfer books and register of members of the Company will be closed from Wednesday, 22 February 2023 to Monday, 27 February 2023, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 21 February 2023.

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

* *For identification purpose only*