



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

2022 Annual Report



CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	6
Biographical Details of Directors and Senior Management	12
Report of the Directors	14
Corporate Governance Report	32
Environmental, Social and Governance Report	47
Independent Auditor's Report	71
Consolidated Statement of Profit or Loss and Other Comprehensive Income	73
Consolidated Statement of Financial Position	74
Consolidated Statement of Changes in Equity	76
Consolidated Statement of Cash Flows	78
Notes to the Consolidated Financial Statements	80
Particulars of Investment Properties	180
Five Years Summary	181
Definitions	182

CORPORATE INFORMATION

DIRECTORS

Executive Director

Mr. John Yi Zhang (*Chairman*)

Non-executive Directors

Mr. Dai Ji

Mr. Qiao Fenglin

Independent non-executive Directors

Mr. Ma Teng (*retired on 30 September 2022*)

Mr. Jiang Qiang

Dr. Yan Ka Shing

COMPANY SECRETARY

Ms. Lau Ling Yun Agnes

AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang

Mr. Qiao Fenglin

AUDIT COMMITTEE

Mr. Jiang Qiang (*Committee Chairman*)

Dr. Yan Ka Shing

Mr. Ma Teng (*retired on 30 September 2022*)

NOMINATION COMMITTEE

Mr. John Yi Zhang (*Committee Chairman*)

Mr. Jiang Qiang

Mr. Qiao Fenglin

Dr. Yan Ka Shing

Mr. Ma Teng (*retired on 30 September 2022*)

REMUNERATION COMMITTEE

Mr. Jiang Qiang (*Committee Chairman*)

Mr. John Yi Zhang

Mr. Qiao Fenglin

Dr. Yan Ka Shing

Mr. Ma Teng (*retired on 30 September 2022*)

CORPORATE GOVERNANCE COMMITTEE

Mr. John Yi Zhang (*Committee Chairman*)

Mr. Jiang Qiang

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi Zhang (*Chairman*)

REGISTERED OFFICE

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

HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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48-62 Hennessy Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.comtecsolar.com

CORPORATE INFORMATION

AUDITOR

Prism Hong Kong and Shanghai Limited (formerly known
as Unitax Prism (HK) CPA Limited)
Registered Public Interest Entity Auditor
Room 1903A-1905, 19/F,
8 Observatory Road
Tsim Sha Tsui, Kowloon,
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

David Fong & Co.

PRINCIPAL BANKS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the annual report together with the audited annual results of the Group for the year ended 31 December 2022 (the "Year"). Here are some financial and business highlights for the Year:

- Revenue for the Year was approximately RMB37.1 million, representing a year-on-year decrease of 32.3% from approximately RMB54.8 million for the year ended 31 December 2021, primarily caused by the Shanghai shut down during the beginning of 2022 which adversely and significantly affected our production and sales of power storage;
- Gross profit for the Year was approximately RMB7.8 million, representing a year-on-year increase of 15.5%, from approximately RMB6.8 million for year ended 31 December 2021;
- Net losses and total comprehensive expenses for the Year was approximately RMB50.7 million, representing a year-on-year decrease, and improvement of profit and loss, of approximately 17.2%, from approximately RMB61.3 million for the year ended 31 December 2021; and
- Our loss per share for the Year was RMB7.05 cents, comparing to the loss per share of 6.85 cents for the year ended 31 December 2021.

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

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

CHAIRMAN'S STATEMENT

APPRECIATION

2022 has been a particularly difficult year with the shut down at Shanghai due to Covid-19 pandemic. On behalf of the Board, I would like to express our gratitude to all the stakeholders, including but not limited to customers, suppliers, banks, business partners and shareholders of the Group for their continuous support, as well as the management team and the employees of the Group for their invaluable services and contributions that helped us get through such difficult time. As we are optimistic about the upcoming year 2023 with the post-covid opportunities ahead, we are also prepared to be vigilant, and steadily striving for our success. We will continue to go on to provide excellent services and products and contribute to a green society in the years ahead.

John Yi Zhang

Chairman

Shanghai, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2022 (the “Year”), the Group principally engaged in the solar businesses focusing on (1) consulting services for investment, engineering, procurement, development, and operation of solar photovoltaic power stations; (2) operations of rooftop distributed power generation projects in industrial, commercial and residential buildings; as well as (3) sales of lithium battery power storage systems businesses for electric vehicles and power storage customers.

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

As part of the Group’s strategy to improve the liquidity position of the Group, on 1 June 2022, a wholly-owned subsidiary of the Group, Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), as the Vendor, entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”) with, Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), as the Purchaser, to dispose of the properties (together with the ancillary facilities) located in Shanghai, the PRC, at the consideration of RMB180 million (the “**Disposal**”). The properties comprise two land use rights and seven factory buildings and is currently vacant. A deposit of RMB179.5 million was received by the Group during the Year and recognised as deposit received as at 31 December 2022. The subject properties were recognised as assets held for sale as at 31 December 2022.

As announced by the Company on 29 March 2023, an EGM will be held at 5:00 p.m. on Wednesday, 31 May 2023 by the Company for the approval of the Disposal by the shareholders of the Company. As at 31 December 2022, the Disposal has yet to complete.

The Disposal constituted a very substantial disposal under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (the “**Stock Exchange**”). For details of the Disposal, please refer to the Company’s announcement and circular dated 1 June 2022 and 30 December 2022 respectively.

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

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

The total revenue from all income streams decreased, year on year, by RMB17.7 million, or 32.3%, from RMB54.8 million for the year ended 31 December 2021 to RMB37.1 million for the Year. The decrease was attributable to the decrease of the sales of power storage products affected by the resurgence of Covid-19 in China during 2022.

Cost of sales and services

Cost of sales and services decreased by 39.0% from RMB48.1 million for the year ended 31 December 2021 to RMB29.3 million for the Year mainly in line with the decrease in revenue.

Gross profit

During the Year, the Group recorded gross profit of approximately RMB7.8 million, representing an increase of approximately 15.5% from the gross profit of approximately RMB6.8 million for the year ended 31 December 2021. The increase is mainly due to the change in relative significance in our revenue stream. Specifically, a higher proportion of revenue was generated from our high gross margin power generation income and a lower proportion of revenue was generated from our relatively lower gross margin installation services income.

Other income

Other income for the Year was approximately RMB13.3 million, representing an increase of approximately RMB0.7 million, or 5.6%, from RMB12.6 million for the year ended 31 December 2021, which was mainly due to the increase in government grants in encouraging the Group's business activities of clean energy and adoption of high-technology advancement.

Other gains or losses

Other losses were approximately RMB26.3 million during the Year, as compared with other gains of approximately RMB14.9 million for the year ended 31 December 2021, which was mainly due to the reported fair value loss on assets held for sale of approximately HK\$17.3 million for the Year and the depreciation of renminbi against US dollars during the Year.

The Group reported a reversal of an impairment loss on financial assets of approximately RMB24.2 million (2021: impairment loss of RMB22.6 million) during the Year, which was mainly due to the improvement in receivable collection and reversal of allowance for expected credit losses during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Selling and distribution expenses increased by RMB3.4 million, or 278.0%, from RMB1.2 million for the year ended 31 December 2021 to RMB4.6 million for the Year, primarily due to the increase in marketing efforts to increase sales during the Year.

Administrative and general expenses

Administrative and general expenses decreased by RMB1.2 million, or 3.3%, from RMB36.9 million for the year ended 31 December 2021 to RMB35.7 million for the Year due to the decrease in depreciation, and salary as a result of the Covid-19 shut down in the first half of 2022 and consistent with our decrease in revenue.

Research and development expenses

Research and development expenses decreased slightly by RMB39,000, or 1.13%, from RMB3.4 million for the year ended 31 December 2021 to RMB3.4 million for the Year and had no material fluctuation year on year. The Group continued to invest and improve the efficiency of our power storage system as well as designing solar photovoltaic power stations solutions for our potential rooftop distributed power generation projects.

Interest expenses

Interest expenses amounted to RMB14.0 million and RMB29.9 million for the Year and 31 December 2021 respectively, recording a decrease by RMB15.9 million, or 53.2%. The decrease in interest expenses was mainly due to partial repayment of loans and borrowings in 2022.

Loss before taxation

Loss before taxation was approximately RMB48.2 million for the Year, decreased by RMB11.7 million, or 19.6%, from approximately RMB60.0 million for the year ended 31 December 2021, due to the aforementioned factors.

Taxation

The Group recorded tax expenses of approximately RMB2.5 million during the Year, increasing from tax expense of approximately RMB1.3 million for the year ended 31 December 2021 by RMB1.2 million or 86.8%. The increase was primarily in line with the increase in profitability in our core business as noted from our increased gross profit.

Loss for the Period

The Group recorded a loss and total comprehensive expense of approximately RMB50.7 million during the Year, while the Group recorded a loss and total comprehensive expense of approximately RMB61.3 million for the year ended 31 December 2021.

Final dividend

The Board resolved not to declare final dividend for the Year (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group funds its business and working capital requirements by using a balanced mix of internal resources, borrowings and funds from the Company's equity fund raising exercises and from the proceeds of the sales of property. As at 31 December 2022, the Group's current ratio (current assets divided by current liabilities) improved to 0.54 (31 December 2021: 0.15) and it was in a net debt position (being sum of borrowings, loan from shareholders, consideration payable, less liabilities and Convertible Bonds, less bank balances and cash) of approximately RMB86.1 million on 31 December 2022 (31 December 2021: RMB202.0 million). The gearing ratio (total liabilities divided by total equity) was 2.8 (31 December 2021: 3.6). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB192.3 million as of 31 December 2022 (31 December 2021: approximately RMB313.5 million). Also, the Group recorded net liabilities of approximately RMB164.2 million as of 31 December 2022 (31 December 2021: net liabilities of approximately RMB113.5 million).

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

On 29 September 2022 (after trading hours), the Company entered into the three subscription agreements, with each of China Success Investment Group Limited (the "**First Subscriber**"), Wu Jun (the "**Second Subscriber**") and Zhao Xiaoqun (the "**Third Subscriber**") (collectively known as the "**Subscribers**"), all being third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), whereby the Subscribers conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue an aggregate of 155,414,011 Shares ("**Subscription Shares**") at the subscription price of HK\$0.157 each (the "**Subscription**").

The Subscription Shares represent approximately 19.63% of the total number of Shares in issue as at the date of the subscription agreements and approximately 16.41% of the total number of Shares in issue and as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of the subscription agreements and the date of allotment and issue of the Subscription Shares. The Subscription Price of HK\$0.157 per Subscription Shares represents: (i) a discount of approximately 11.30% to the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the date of the subscription agreements; and (ii) a discount of approximately 19.49% over the average closing price of HK\$0.195 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the subscription agreements.

The aggregate nominal value of the Subscription Shares is approximately HK\$621,656.

MANAGEMENT DISCUSSION AND ANALYSIS

Upon completion of the subscription agreements, the loan in an amount of HK\$7,250,000 owing to the First Subscriber, the loan in an amount of HK\$10,000,000 owing to the Second Subscriber and the loan in an amount of HK\$1,130,000 owing to the Third Subscriber shall be deemed to have been fully repaid and the Company shall be released from its obligations arising from these loans. The cash proceeds raised from the Third Subscriber will be HK\$6,020,000 and the net cash proceeds, after deduction of the relevant expenses, will be approximately HK\$5,620,000. The net issue price, after deduction of relevant expenses, is estimated to be approximately HK\$0.154 per Subscription Share. The Company intends to apply all such net proceeds for the repayment of the Group's borrowings and amounts payable.

The long stop date of the subscription agreements has been extended to 31 May 2023 and the Subscription was yet to be completed as at 31 December 2022.

For details of the Subscription, please refer to the Company's announcements dated 30 September 2022, 30 December 2022, 28 February 2023, 31 March 2023 and 28 April 2023 respectively.

Capital commitments

As at 31 December 2022, there was no capital commitment (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 be subject to the market conditions and opportunities.

Contingent liabilities

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

Charges on group assets

As at 31 December 2022 and 2021, the Group had restricted cash of approximately RMB0.2 million and RMB0.1 million respectively, and pledged its buildings, investment properties, right-of-use assets and plant and machines to secure financing facilities granted to the Group. Save as disclosed above, as at 31 December 2022, no other assets of the Group were charged.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, save for the Disposal as disclosed in the above paragraph headed "Business Review", which was yet to be completed at the end of the Year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

SIGNIFICANT INVESTMENT HELD

There were no material investments held by the Group (31 December 2021: nil) as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are aware that the Group has incurred a net loss of approximately RMB50,689,000 for the Year and had net current liabilities and net liabilities of approximately RMB192,258,000 and RMB164,153,000 as at 31 December 2022 respectively, which included current interest-bearing borrowings, convertible bonds and interest payables with carrying amounts of approximately RMB27,845,000, RMB41,787,000 and RMB36,987,000 respectively as described in note 1 to the consolidated financial statements. After assessing the above results, Prism Hong Kong and Shanghai Limited (“**Prism**”), the Company’s auditor, casted doubt about the Group’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Based on the above, Prism has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group’s financial statements (the “**Disclaimer of Opinion**”). For details of the Management’s view on the Disclaimer of Opinion and Prism’s basis for the Disclaimer of Opinion, please refer to the paragraph headed “Financial Reporting” under the section headed “Corporate Governance Report” and note 1 to the consolidated financial statements of this annual report.

OUTLOOK

Asset reallocation and capital restructuring

After completing our corporate restructuring in 2020 and 2021, we commenced our plans of disposing assets and properties with low utilisation and made plans to redistribute these resources to improve our capital structure by lowering our gearing ratio when opportunities arise.

As the Group has fully suspended its upstream manufacturing business including manufacturing and sales of solar wafers and related products which recorded operating losses in previous years and completed the corporate restructuring in 2020 and 2021, we have partly executed our strategies of disposing of assets and properties with low utilization and we plan to redistribute these resources to improve the capital structure and lower the gearing ratio of the Group.

On 3 August 2022, the Company received notices from a creditor purporting to enforce certain securities for Convertible Bonds issued by the Company on 27 July 2018 and maturing on 27 July 2021. The negotiations with such creditor are still in progress and the Company is confident that settlement proposals to the parties’ satisfaction will be put forward in due course. As at 31 December 2022, the Group’s gearing ratio (total liabilities divided by total equity) was 2.8 and the Group recorded net liabilities of approximately RMB164.2 million. The completion of both the Disposal and the Subscription are expected to be completed in the first half of 2023, which will reduce the liabilities of the Group.

The Company will continue to discuss with its creditors, suppliers and service providers whom the Group is indebted to and explore deleveraging and restructuring proposals including but not limited to debt capitalisation proposals with an aim to lower the Group’s liabilities. The Company is hopeful that such proposals would materialise in the coming financial year ending 31 December 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. John Yi Zhang (“Mr. Zhang”), aged 61, is as an executive Director and the chairman of the Board of the Company, responsible for the overall strategy and operation of our Group. Mr. Zhang is also a director of certain subsidiaries of the Group. Mr. Zhang has accumulated vast experience in the semiconductor and solar industries from both his founding and development of the Group and his prior professional experience. Prior to founding the Group, Mr. Zhang joined Silicon Systems Inc. which was a semiconductor technology company in California, U.S., in 1992 as an engineer and was responsible for developing and designing communication firmware used in silicon chips. Mr. Zhang graduated from 清華大學 (Tsinghua University) in July 1985 with a Bachelor’s degree in Electrical Engineering and from Utah State University with a Master’s degree in Electrical Engineering in August 1988.

NON-EXECUTIVE DIRECTOR

Mr. Dai Ji (“Mr. Dai”), aged 45, is a non-executive Director and the vice chairman of the Board of the Company. Mr. Dai is primarily engaged in investing in a portfolio of companies in the biomedical technologies and big data industries in the People’s Republic of China (the “**PRC**”). Mr. Dai has over ten years of managerial experience in financial industry. Mr. Dai joined Minsheng Financial Leasing Co., Ltd.* (民生金融租賃股份有限公司) (“**MSFL**”), a company primarily engaged in provision of financial leasing services, at the time when it was founded in 2008 in the PRC. Since joining MSFL in 2008, Mr. Dai had assumed various roles including but not limited to its director and vice president and was primarily responsible for its operations and capital financing until July 2017 when he departed from MSFL. Mr. Dai received his bachelor’s degree in finance and master of business administration degree from the Hawaii Pacific University in 2002 and 2004 respectively. Mr. Dai holds the certificate of senior banking management personnel in the PRC and the certificate of professional senior management of private equity fund in the PRC.

Mr. Qiao Fenglin (“Mr. Qiao”), aged 44, was appointed as a non-executive Director, a member of the nomination committee and a member of the remuneration committee of the Board in March 2020. Mr. Qiao has experience in investment, financing and asset management in industries such as real estate, renewable energy, healthcare and education. From February 2018 to date, Mr. Qiao has been the chief executive officer of Tianjin Jinhe Private Equity Fund Management Co., Ltd. From September 2009 to February 2018, Mr. Qiao was a deputy director of marketing at MSFL. Mr. Qiao Fenglin received his bachelor’s degree in economics from the Tianjin College of Commerce in June 2002 and a master degree in industrial economics from Nankai University in July 2005.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Qiang (“Mr. Jiang”), aged 51, was appointed as an independent non-executive Director, the chairman of the audit committee and the remuneration committee of the Board, and a member of the nomination committee and the corporate governance committee of the Board in March 2021. Mr. Jiang has accumulated over 20 years of experience in audit, corporate finance and financial management. From June 2002 to March 2012, Mr. Jiang has been serving as the deputy manager and chief financial officer of Shandong Weigao Group Medical Polymer Company Limited*, a company listed on the Stock Exchange (stock code: 1066), being responsible for overall management in finance, strategy plan and investment of the group. Thereafter, during the period from March 2012 to March 2015, Mr. Jiang had also been the chief operation officer, director and the chairman of strategic committee of Biosensors International Group Ltd., the issued shares of which were previously listed on Singapore Exchange, and the Company was voluntarily delisted in April 2016. Also, since 2015 to present, Mr. Jiang has been serving as the chairman of the board of Ming Yi Zhong He Technology (Beijing) Limited* (明醫眾禾科技(北京)有限責任公司) and Qingdao Yi Sheng Jian Medical Management Limited* (青島頤生健醫療管理有限公司). Mr. Jiang Qiang graduated from Harbin Institute of Technology with a Bachelor Degree in Business Administration, and obtained his Master Degree in International Finance Management from the Dongbei University of Finance and Economics.

Dr. Yan Ka Shing (“Dr. Yan”), aged 37, was appointed as an independent non-executive Director and a member of the audit committee, the nomination committee and the remuneration committee of the Board in July 2021. Dr. Yan has extensive experience in the medical industry and has served in various hospitals managed by the Hospital Authority (the “HA”) in Hong Kong. He is a registered doctor and a Specialist in Endocrinology, Diabetes & Metabolism in Hong Kong, and currently holds a position of Associate Consultant in the HA. Dr. Yan obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) degree from the University of Hong Kong in November 2011, the Membership of the Royal Colleges of Physicians of the United Kingdom (MRCP (UK)), a postgraduate medical diploma in the United Kingdom, in March 2016, and the Postgraduate Diploma in Infectious Diseases from the University of Hong Kong (PDipID (HK)) in October 2019. He was admitted as a member of the Hong Kong College of Physicians in January 2017, then became Fellow and Specialist in Endocrinology, Diabetes and Metabolism, and has held fellowships from the Hong Kong College of Physicians and the Hong Kong Academy of Medicine (Medicine), since September 2020 and December 2020, respectively. Also, he has been a member of the Hong Kong Medical Association since July 2011. Dr. Yan was appointed and has been an independent non-executive director of Victory Securities (Holdings) Limited (stock code: 8540) and China United Venture Investment Limited (formerly known as Glory Mark Hi-Tech (Holdings) Limited) (stock code: 8159), the issued shares of both are listed on the Stock Exchange since 14 June 2018 and 5 December 2019 respectively, where he is primarily responsible for providing independent advice to the board.

SENIOR MANAGEMENT

Mr. Che Xiaoxi (“Mr. Che”), aged 34, is the Chief Operation Officer of the Company, responsible for investor and governmental relations and project finance. Mr. Che joined the Company in July 2017 as an assistant to the chief executive officer of the Company. He served as chief investment officer of 華夏融(北京)資產管理有限公司 (Huaxiarong (Beijing) Asset Management Co., Ltd.*) from October 2015 to June 2017, and investment manager of 深圳市祥駿投資發展有限公司 (Shenzhen Xiangjun Investment Development Co., Ltd.*), responsible for project investment and management before and after project investment, from December 2013 to September 2015. Mr. Che received his bachelor’s degree in Applied Finance and master’s degree in Finance from Macquarie University in Australia in April 2014.

* For identification purposes only

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out in note 38 to the consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the Year and the state of the Company’s and the Group’s affairs as at 31 December 2022 are set out in the consolidated financial statements on pages 73 to 179 of this annual report.

RESULTS AND DIVIDENDS

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

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

The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

RESERVES

Details of movements in reserves of the Group and the Company for the Year are set out in the consolidated statement of changes in equity and note 37 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

There was no reserve available for distribution to Shareholders as at 31 December 2022.

CHARITABLE DONATIONS

The Company did not make any charitable and other donations during the Year.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Year are set out in note 13(a) to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 32 to the consolidated financial statements.

DIRECTORS

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

Executive Director

Mr. John Yi Zhang (*Chairman*)

Non-Executive Directors

Mr. Dai Ji

Mr. Qiao Fenglin

Independent Non-Executive Directors

Mr. Ma Teng (retired on 30 September 2022)

Mr. Jiang Qiang

Dr. Yan Ka Shing

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

In accordance with articles of the Company's articles of association, Mr. Jiang Qiang and Dr. Yan Ka Shing will retire from the Board by rotation at the forthcoming annual general meeting. Mr. Jiang Qiang and Dr. Yan Ka Shing, being eligible, offer themselves for re-election. Neither Mr. Jiang Qiang nor Dr. Yan Ka Shing has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 12 to 13 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2022 or at any time throughout the Year.

DIRECTORS' SERVICE CONTRACTS

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

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

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

As at 31 December 2022, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

REPORT OF THE DIRECTORS

Long positions in the Company:

Name of Director	Nature of interest	Number of consolidated shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Yi Zhang ¹	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and founder of a trust	142,470,887	18.00%
Mr. Dai Ji	Beneficial owner	67,500,000	8.53%

Notes:

- (1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 130,513,461 consolidated Shares ("**Consolidated Shares**"). For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 11,957,426 Consolidated Shares which are beneficially owned by Zhang Trusts For Descendants as the founder of the trust.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

REPORT OF THE DIRECTORS

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2022, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Company

Name of Shareholders	Nature of interest	Number of consolidated shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty	Beneficial owner	130,513,461	16.49%
Ms. Carrie Wang ¹	Interest of spouse	142,470,887	18.00%
Harmony Gold Ventures Corp ²	Beneficial owner	38,662,827	4.88%
Shanghai Hengqu Internet Technology Co., Ltd.* ²	Interest in a controlled corporation	38,662,827	4.88%
Jiangyin Jinqu Capital Management Co., Ltd.* ²	Interest in a controlled corporation	38,662,827	4.88%
Mr. Wang Yixin (王藝新) ²	Interest in a controlled corporation	38,662,827	4.88%
Advanced Gain Limited ³	Beneficial owner	47,728,179	6.03%
Mr. Wu Zheqiang ³	Interest in a controlled corporation	47,728,179	6.03%
Mr. Sun Da	Beneficial owner	104,885,179	13.25%

Notes:

- (1) Ms. Carrie Wang is the spouse of Mr. John Yi Zhang, therefore, pursuant to the SFO, she is deemed to be interested in all the Shares in which Mr. John Yi Zhang is interested.
- (2) Harmony Gold Ventures Corp is a wholly-owned subsidiary of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), which is wholly-owned by Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司), which is in turn owned as to 99% by Mr. Wang Yixin (王藝新). Therefore, each of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), by Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司) and Mr. Wang Yixin (王藝新) is deemed to be interested in the 38,662,827 Consolidated Shares held by Harmony Gold Ventures Corp.
- (3) Advanced Gain Limited is wholly-owned by Mr. Wu Zheqiang. Therefore Mr. Wu Zheqiang is deemed to be interested in the 47,728,179 Consolidated Shares held by Advanced Gain Limited.

Save as disclosed above, as at 31 December 2022, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES

Share Option Scheme

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

As at 31 December 2022, the total number of shares of the Company under the Old Share Option Scheme which may be issued upon exercise of all outstanding share options was 32,176,544 (after the Share Consolidation), representing approximately 4.06% of the shares of the Company in issue on 31 December 2022. Since the old share option scheme was terminated on 1 October 2019, no further options can be granted under it. However, the share options granted under the Old Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

During the Year, outstanding share options of 1,225,000 (after the Share Consolidation) granted under the Old Share Option Scheme were lapsed.

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

Under the New Share Option Scheme, the aggregate number of Shares in respect of which options (including both exercised and outstanding options) may be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed 10% of the total number of Shares in issue on the Adoption Date, i.e. 209,770,358 Unconsolidated Shares. The eligible persons for participating in the New Share Option Scheme are (i) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (ii) a Director or proposed Director (including an independent non-executive Director) of any member of the Group; (iii) a direct or indirect Shareholder of any member of the Group whom the Board considers, in its sole discretion has contributed or will contribute to the Group; (iv) a supplier of goods or services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchise, contractor, agent or representative of any member of the Group; (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (vii) any other person (including any individual staff member of any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

REPORT OF THE DIRECTORS

As at 31 December 2022, the total number of shares of the Company under the New Share Option Scheme which may be issued upon exercise of all outstanding share options was 22,982,956 (after the Share Consolidation), representing approximately 2.90% of the shares of the Company in issue on 31 December 2022.

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

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

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The New Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be granted or offered. From 1 January 2023, the Company will rely on the traditional arrangement provided for the existing share schemes and will comply with the new Chapter 17 of the Listing Rules, which became effective from 1 January 2023.

REPORT OF THE DIRECTORS

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

Grantee	Date of grant	Exercise price per Share	After share consolidation				Balance as at 31 December 2022
			Balance as at 1 January 2022	Share options granted during the Year	Exercised during the Year	Lapsed during the Year	
Director							
Mr. Chau Kwok Keung	2 May 2017	HK\$1.340	375,000	-	-	-	375,000
Mr. Kang Sun ⁽¹³⁾	2 May 2017	HK\$1.340	50,000	-	-	-	50,000
Mr. Leung Ming Shu ⁽¹³⁾	2 May 2017	HK\$1.340	50,000	-	-	-	50,000
Mr. Xu Erming ⁽¹³⁾	2 May 2017	HK\$1.340	50,000	-	-	-	50,000
Mr. Zhang Zhen	2 May 2017	HK\$1.340	375,000	-	-	-	375,000
Other participants							
Employees	15 June 2018	HK\$0.604	1,150,000	-	-	-	1,150,000
Employees	2 May 2017	HK\$1.340	1,975,000	-	-	-	1,975,000
Consultants	15 June 2018	HK\$0.604	4,171,544	-	-	-	4,171,544
Consultants	2 May 2017	HK\$1.340	2,600,000	-	-	-	2,600,000
Consultants	9 September 2016	HK\$2.240	4,500,000	-	-	-	4,500,000
Consultants	25 November 2015	HK\$2.944	10,650,000	-	-	-	10,650,000
Consultants	26 June 2015	HK\$6.000	5,000,000	-	-	-	5,000,000
Consultants	31 March 2014	HK\$5.544	225,000	-	-	-	225,000
Consultants	30 September 2013	HK\$7.480	1,005,000	-	-	-	1,005,000
Consultants	27 December 2012	HK\$5.048	1,212,500	-	-	(1,212,500)	-
Consultants	28 June 2012	HK\$3.920	12,500	-	-	(12,500)	-
Total			33,401,544	-	-	(1,225,000)	32,176,544

REPORT OF THE DIRECTORS

Notes:

- (1) All Share options granted under the Old Share Option Scheme on 24 May 2010 have either lapsed or been cancelled by the grantees.
- (2) All Share options granted under the Old Share Option Scheme on 28 June 2012 have either lapsed or been cancelled by the grantees.
- (3) All Share options granted under the Old Share Option Scheme on 27 December 2012 have either lapsed or been cancelled by the grantees.
- (4) Share options granted under the Old Share Option Scheme on 30 September 2013 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”):

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

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

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

- (6) All Share options granted under the Old Share Option Scheme on 11 May 2015 have either lapsed or been cancelled by the grantees.
- (7) Share options granted under the Old Share Option Scheme on 26 June 2015 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”):

Vesting Date	Percentage of Share Options to vest
26 June 2015	50% of the total number of Share Options granted
26 September 2015	12.5% of the total number of Share Options granted
26 December 2015	12.5% of the total number of Share Options granted
26 March 2016	12.5% of the total number of Share Options granted
26 June 2016	12.5% of the total number of Share Options granted

REPORT OF THE DIRECTORS

- (8) Share options granted under the Old Share Option Scheme on 25 November 2015 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”):

Vesting Date	Percentage of Share Options to vest
25 November 2015	50% of the total number of Share Options granted
25 February 2016	12.5% of the total number of Share Options granted
25 May 2016	12.5% of the total number of Share Options granted
25 August 2016	12.5% of the total number of Share Options granted
25 November 2016	12.5% of the total number of Share Options granted

- (9) Share options granted under the Old Share Option Scheme on 9 September 2016 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”):

Vesting Date	Percentage of Share Options to vest
9 September 2016	50% of the total number of Share Options granted
9 December 2016	12.5% of the total number of Share Options granted
9 March 2017	12.5% of the total number of Share Options granted
9 June 2017	12.5% of the total number of Share Options granted
9 September 2017	12.5% of the total number of Share Options granted

- (10) Share options granted under the Old Share Option Scheme on 2 May 2017 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”):

The 2,875,000 (after the Share Consolidation) Share Options (including the Share Options granted to the Directors) shall be subject to a vesting schedule as follows:

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

REPORT OF THE DIRECTORS

The remaining 2,600,000 (after the Share Consolidation) Share Options (including the Share Options granted to the consultant) shall be subject to a vesting schedule as follows:

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

(11) The Company granted a total of 8,100,000 (after the Share Consolidation) Share Options on 2 May 2017, among which 1,050,000 (after the Share Consolidation) were not accepted by the relevant grantees.

(12) Share options granted under the Old Share Option Scheme on 15 June 2018 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "**Vesting Date**"):

Out of the 5,496,544 (after the Share Consolidation) Share Options granted, 4,171,544 (after the Share Consolidation) Share Options shall be subject to a vesting schedule as follows:

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

The remaining 1,150,000 (after the Share Consolidation) Share Options shall be subject to a vesting schedule as follows:

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

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

REPORT OF THE DIRECTORS

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

Grantee	Date of grant	Exercise price per Share	After share consolidation				Balance as at 31 December 2022
			Balance as at 1 January 2022	Share options granted during the Year	Exercised during the Year	Lapsed during the Year	
Director							
Mr. Kang Sun ⁽²⁾	29 May 2019	HK\$0.280	150,000	-	-	-	150,000
Mr. Leung Ming Shu ⁽²⁾	29 May 2019	HK\$0.280	100,000	-	-	-	100,000
Other participants							
Employees	29 May 2019	HK\$0.280	2,704,500	-	-	-	2,704,500
Consultants	29 May 2019	HK\$0.280	20,028,456	-	-	-	20,028,456
Total			22,982,956	-	-	-	22,982,956

Notes:

- (1) Share options granted under the New Share Option Scheme on 29 May 2019 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "**Vesting Date**"):

Vesting Date	Percentage of Share Options to vest
29 May 2019	50% of the total number of Share Options granted
29 August 2019	12.5% of the total number of Share Options granted
29 November 2019	12.5% of the total number of Share Options granted
29 February 2020	12.5% of the total number of Share Options granted
29 May 2020	12.5% of the total number of Share Options granted

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

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

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

REPORT OF THE DIRECTORS

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

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

NON-COMPETE UNDERTAKINGS

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

DIRECTORS’ INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group’s business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group’s business at any time throughout the Year and up to and including the date of this annual report.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND RISK MANAGEMENT

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

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

Business Risk

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

Financial Risk

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

Compliance Risk

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

Operational Risk

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

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

REPORT OF THE DIRECTORS

EMPLOYEES

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

Emolument Policy

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

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' remuneration are set out in note 9 to the financial statements.

The Company has adopted two share option schemes to motivate and reward its Directors and eligible employees. Details of the scheme are set out in the paragraph headed "Share Option Schemes" above and note 33 to the consolidated financial statements.

None of the directors waived any emoluments throughout the Year.

Retirement Benefits Schemes

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

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

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers during the Year were 30.5% and 73.5% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers during the Year were 46.9% and 90% of the Group's total purchases, respectively.

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

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

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

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

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

ENVIRONMENTAL PROTECTION

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

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

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

REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITOR

Prism Hong Kong and Shanghai Limited (formerly known as UniTax Prism (HK) CPA Limited and Prism CPA Limited, hereafter “**Prism**”) has been appointed as the external auditor of the Group with effect from 24 March 2021, after the Group’s previous external auditor, Mazars CPA Limited, resigned on 8 March 2021. Prism shall retire and offer themselves for re-appointment as auditor of the Company at the forthcoming AGM. A resolution for the re-appointment of Prism as auditor of the Company shall be proposed at the forthcoming AGM.

REVIEW OF THE FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company’s issued Shares as required under the Listing Rules for the period from the Listing Date to 31 December 2022.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowing of the Group as at 31 December 2022 are set out in note 24 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the Year as set out in the section headed “Management Discussion and Analysis – Business Review” in this annual report is expressly included in this directors’ report and forms part of this directors’ report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2022 is set out on page 181 of this annual report.

On behalf of the Board

John Yi Zhang

Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company strives to establish good corporate governance practices and procedures with a vision of being a transparent and responsible organisation, open and accountable to the Shareholders. The Board of Directors (the “**Board**”) perseveres to uphold the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Board trusts that effective corporate governance is an essential ingredient to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to maximise return for Shareholders.

The Company complied with the Corporate Governance Code during the Year except for those expressly disclosed in this annual report.

BOARD OF DIRECTORS

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

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

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

CORPORATE GOVERNANCE REPORT

As at the date of this annual report, the Board comprises five Directors, consisting of one executive Director, Mr. John Yi Zhang (the chairman of the Board), two non-executive Directors, Mr. Dai Ji and Mr. Qiao Fenglin and two independent non-executive Directors, Mr. Jiang Qiang and Dr. Yan Ka Shing. All Directors have given sufficient time and attention to the affairs of the Group. The executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors are set out in the section headed “Biographic Details of Directors and Senior Management” of this annual report.

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

In accordance to Rule 3.10(1) of the Listing Rules, the Company should appoint at least three independent non-executive Directors. Following the retirement of Mr. Ma Teng on 30 September 2022, the Company has only two independent non-executive Directors on the Board.

Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and such committee must comprise a minimum of three members. Following the retirement of Mr. Ma Teng on 30 September 2022, the Audit Committee only comprised two independent non-executive Directors, which is below the minimum requirement under Rule 3.21 of the Listing Rules.

Pursuant to Rule 3.25 of the Listing Rules, every listed issuer must establish a remuneration committee chaired by an independent non-executive Director and comprising a majority of independent non-executive directors. Following the retirement of Mr. Ma, the Remuneration Committee only comprised two independent non-executive Directors, one executive Director and one non-executive Director.

Pursuant to Rules 3.27A of the Listing Rules, a majority of the members of the nomination committee should be independent non-executive directors. During the period from 1 January 2022 to 30 September 2022, the nomination committee of the Company (the “**Nomination Committee**”) was composed of one executive Director, one non-executive Director and three independent non-executive Directors. However, following the retirement of Mr. Ma Teng on 30 September 2022, the Nomination Committee only comprised one-executive Director, one non-executive Director and two independent non-executive Directors.

To comply with Rules 3.10(1), 3.21, 3.25 and 3.27A, the Board is in the process of identifying a suitable candidate to fill the vacancies of the independent non-executive Director position and memberships of the Audit Committee, the Nomination Committee and the remuneration committee of the Company (the “**Remuneration Committee**”). The Company will make its best endeavour to identify a suitable candidate to fill the casual vacancy on the Board for the position of independent non-executive Director as soon as practicable pursuant to Rules 3.11 and 3.23 of the Listing Rules and will make further announcement as and when appropriate.

Throughout the Year, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed 3 and then subsequently 2 (since 30 September 2022) independent non-executive Directors representing more than one-third of the Board throughout the Year and is in compliance with Rule 3.10A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board approved a board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. To achieve Board diversity goal, the nomination committee is responsible for assessing the appropriate mix of skill, experience, expertise and gender required on the Board based on current and future business of the Company and oversee Board succession to maintain an appropriate mix of skill, experience, expertise and gender. In terms of the overall capability and professionalism, the Board achieved a balance among operational judgment and management capabilities, accounting and financial analytical capabilities, crisis management capabilities, industry knowledge, leadership, and decision-making capabilities. The Board currently comprises only male directors. The Nomination Committee, after considering the external industry and business talent profile as well as the internal employees' performance, career planning and the Company's succession plan, has set a target of not less than 10% for female Directors representation on the Company's Board and target to have at least one female director on the Board by the end of 2024.

The Board, with the assistance of the Nomination Committee, will review the target and also the Diversity Policy annually to seek enhancement from time to time.

On 31 December 2022, the male-to-female ratio for the Group's workforce was about 2:1. The Board believes this was appropriate for the time being. While the Board will continue to supervise and enhance the recruitment process, the Human Resource Department will continue to identify, review and interview candidates' skill, experience, expertise and qualifications that fit the Group's needs regardless of gender.

Model Code

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

Independent Non-Executive Directors

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

CORPORATE GOVERNANCE REPORT

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

The Company has established channels whereby independent non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require. The independent non-executive Directors of various board committees can update the the chairman of the Board or the Board as necessary during meetings and/or outside the meetings via telephone, email and/or other formal and informal means.

The Nomination Committee has been delegated with the authority to review the implementation and the effectiveness of such independence mechanism on an annual basis.

Considering all of the circumstances described in this section and taking note on the current tenure of the independent non-executive Directors, the Nomination Committee considers all of the independent non-executive Directors to be independent.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision C.1.4 of the Corporate Governance Code regarding continuous professional development.

During the Year, the Directors were provided with materials relating to their duties and responsibilities and the Group's businesses. In addition, key changes to listing rules, corporate governance code were discussed during the meeting of the Board to further consolidate the understanding of the reading materials provided.

Directors' and Officers' Insurance

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

CORPORATE GOVERNANCE REPORT

Meetings

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

The individual attendance record of each Director at the meetings of the Board and the general meetings during the period is set out below:

Name of Director	Attendance/Number of Board Meeting(s)	Attendance/Number of General Meeting(s)
Executive Director		
Mr. John Yi Zhang	19/19	1/1
Non-Executive Directors		
Mr. Dai Ji	19/19	1/1
Mr. Qiao Fenglin	19/19	1/1
Independent non-executive Directors		
Mr. Ma Teng (retired on 30 September 2022)	13/13	1/1
Mr. Jiang Qiang	19/19	1/1
Dr. Yan Ka Shing	19/19	1/1

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

Appointments, Re-election and Removal of Directors

Mr. Ma Teng retired from his position as an independent non-executive Director of the Company on 30 September 2022.

Mr. John Yi Zhang, being the executive Director of the Company has entered into a service contract with the Company for a specific term of two years commencing from the Listing Date and 3 October 2016, respectively, and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Mr. Dai Ji, being the non-executive Director of the Company, has entered into a service contract with the Company for a specific term of two years commencing from 23 September 2019 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

CORPORATE GOVERNANCE REPORT

Mr. Qiao Fenglin, being the non-executive Director of the Company, has entered into a service contract with the Company for a specific term of two years commencing from 19 March 2020 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Mr. Jiang Qiang, being an independent non-executive Director of the Company, has entered into a service contract with the Company for a specific term of two years commencing from 12 March 2021, and will automatically continue for another three years thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

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

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

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

Board Committees

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

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 2 October 2009. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company. Their composition and written terms of reference are in line with the Corporate Governance Code. As at the date of this annual report, the Audit Committee comprised two members, namely, two independent non-executive Directors, Mr. Jiang Qiang and Dr. Yan Ka Shing, Mr. Jiang Qiang is the chairman of the audit committee.

The Group's unaudited interim results for the six months ended 30 June 2022, and the audited annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the Audit Committee reviewed the unaudited quarterly financials and the internal control of the Group and oversaw the risk management and internal control systems of the Group throughout the Year.

Throughout the Year, nine meetings were held by the Audit Committee. The individual record of each member of the audit committee at the meetings of the Audit Committee is set out below:

Name of Director	Attendance/Number of Committee Meeting(s)
Mr. Jiang Qiang	9/9
Mr. Ma Teng (<i>retired on 30 September 2022</i>)	8/8
Dr. Yan Ka Shing	9/9

Remuneration Committee

The Company established the Remuneration Committee on 2 October 2009 with written terms of reference. The primary duties of the Remuneration Committee to make recommendations to the Board on the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of non-executive Directors. Their composition and written terms of reference are in line with the Corporate Governance Code. As at the date of this annual report, the Remuneration Committee comprised four members, namely, Mr. John Yi Zhang, an executive Director, one non-executive Director, Mr. Qiao Fenglin and two independent non-executive Directors, Mr. Jiang Qiang and Dr. Yan Ka Shing. Mr. Jiang Qiang is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

Throughout the Year, one meeting was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

Name of Director	Attendance/Number of Committee Meeting(s)
Mr. Jiang Qiang	1/1
Mr. John Yi Zhang	1/1
Mr. Ma Teng (<i>retired on 30 September 2022</i>)	1/1
Mr. Qiao Fenglin	1/1
Dr. Yan Ka Shing	1/1

Throughout the Year, the Remuneration Committee reviewed the remuneration packages of the Directors and the senior management. Their remuneration package by band for the Year is set out below:

Remuneration bands	Number of person(s)
Nil to RMB500,000	5
RMB500,001 to RMB1,000,000	3

Nomination Committee

The Company established the Nomination Committee on 2 October 2009 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size, diversity and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and/or quality in order to ensure the fairness and transparency of all nominations. In identifying suitable director candidates and making such recommendations to the Board, the Nomination Committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their composition and written terms of reference are in line with the Corporate Governance Code. As at the date of this annual report, the Nomination Committee comprised four members, namely, Mr. John Yi Zhang, an executive Director and the chairman of the Board, one non-executive Director, Mr. Qiao Fenglin and two independent non-executive Directors, Mr. Jiang Qiang and Dr. Yan Ka Shing. Mr. John Yi Zhang is the chairman of the Nomination Committee.

The Nomination Committee reviewed the structure, size and composition of the Board, during the Year.

CORPORATE GOVERNANCE REPORT

Throughout the Year, two meetings were held by the Nomination Committee. The individual record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/Number of Committee Meeting(s)
Mr. John Yi Zhang	2/2
Mr. Qiao Fenglin	2/2
Mr. Jiang Qiang	2/2
Mr. Ma Teng (<i>retired on 30 September 2022</i>)	2/2
Dr. Yan Ka Shing	2/2

Corporate Governance Committee

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

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

CORPORATE GOVERNANCE REPORT

Throughout the Year, two meetings were held by the Corporate Governance Committee. The individual record of each member of the Corporate Governance Committee at the meeting of the Corporate Governance Committee is set out below:

Name of Director	Attendance/Number of Committee Meeting(s)
Mr. John Yi Zhang	2/2
Mr. Jiang Qiang	2/2

Company Secretary

The secretary of the Company is Ms. Lau Ling Yun Agnes. Ms. Lau is a solicitor as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong) and hence complies with the requisite qualifications under rules 3.28 and 8.17 of the Listing Rules to discharge the functions of the company secretary of the Company under the Listing Rules. Ms. Lau obtained Bachelor of Laws and Professional Certificate in Laws from the University of Hong Kong and has extensive experience in general business practices, corporate finance transactions, mergers and acquisitions, corporate restructuring and compliance with the Listing Rules and securities-related laws of Hong Kong. Ms. Lau has been informed of the requirement of the Rule 3.29 of the Listing Rules. Ms. Lau has informed the Company that she took not less than 15 hours of training covering corporate governance and company secretarial matters. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

The Board, supported by the Accounting and the Finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that Year.

The Group incurred a net loss of approximately RMB50,689,000 for the Year and had net current liabilities and net liabilities of approximately RMB192,258,000 and RMB164,153,000 as at 31 December 2022 respectively, which included current interest-bearing borrowings, convertible bonds and interest payables with carrying amounts of approximately RMB27,845,000, RMB41,787,000 and RMB36,987,000 respectively. After assessing the above results, Prism Hong Kong and Shanghai Limited, the Company's auditor, casted doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

CORPORATE GOVERNANCE REPORT

Management's view on the Disclaimer of Opinion

In preparing the consolidated financial statements of the Company for the Period, the Directors have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to maintain sufficient immediate and long term cash flows from operations. The Directors have prepared cash flow forecasts for the period up to 31 December 2023 after taking into account the following observations, plans and measures implemented below:

- Mr. Zhang has committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- Mr. Dai Ji, another shareholder, has also committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- The Group's operations were adversely affected by the "zero-COVID" approach adopted by the PRC government during the Period. The Directors anticipate that the Group's business will resume gradually in 2023 as travel bans and quarantine measures were lifted in the PRC;
- Historically, the Group has been able to roll over or obtain replacement borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity. The Group has assumed it will continue to be able to do so for the foreseeable future;
- On 1 June 2022, the Company announced the disposal of certain properties in Shanghai, the PRC (the "**Disposal**") to a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) ("**Independent Third Party(ies)**") for a consideration of RMB180 million to repay the Group's borrowings and finance the general working capital of the Group. Such consideration has been received by the Group and recognised as deposit received in the Group's consolidated balance sheet as at 31 December 2022;
- On 29 September 2022, the Company entered into the three subscription Agreements (the "**Subscription Agreement**"), with each of China Success Investment Group Limited (the "**First Subscriber**"), Wu Jun (the "**Second Subscriber**") and Zhao Xiaoqun (the "**Third Subscriber**") (collectively known as the "**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 Shares ("**Subscription Shares**") at the subscription price of HK\$0.157 each (the "**Subscription**"). Upon completion of the Subscription Agreements, the loan in an amount of HK\$7,250,000 owing to the First Subscriber, the loan in an amount of HK\$10,000,000 owing to the Second Subscriber and the loan in an amount of HK\$1,130,000 owing to the Third Subscriber shall be deemed to have been fully repaid. In addition, the Third Subscriber has also conditionally agreed to partially satisfy the subscription amount payable by him in cash. The cash proceeds raised from the Third Subscriber will be HK\$6,020,000 and the net cash proceeds, after deduction of the relevant expenses, will be approximately HK\$5,620,000 and the Company intends to apply all such net proceeds for the repayment of the Group's borrowings and amounts payable; and
- The Group is adopting strict control of operating and investing activities.

CORPORATE GOVERNANCE REPORT

The Directors believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2023. However, should the Group fail to achieve the above-mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

Audit Committee's View on the Disclaimer of Opinion

The Audit Committee had critically reviewed the Disclaimer of Opinion (the "**Disclaimer**"), the management's position and the action plan of the Group to address the Disclaimer. The Audit Committee is in agreement with the management of the Company with respect to the Disclaimer and the Group's ability to continue as a going concern, and in particular the actions or measures to be implemented by the management of the Company.

The responsibilities of Prism Hong Kong and Shanghai Limited, the Company's auditor, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

Auditor's Remuneration and Auditor Related Matters

The Audit Committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised auditor, approving the remuneration and terms of engagement of the auditor, and addressing any questions of resignation or dismissal of the auditor (if any). The Company engaged Prism Hong Kong and Shanghai Limited as its auditor with effect from 24 March 2021 and re-appointed the auditor following the approval obtained in the annual general meeting held on 30 September 2022. Details of the fees paid to Prism Hong Kong and Shanghai Limited throughout the Year are as follows:

	Audit Services	Non-audit
	RMB'000	Services
		RMB'000
Prism Hong Kong and Shanghai Limited	1,100	150

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

With the integration of the real situation of the Company and various applicable laws and regulations, the management of the Company can act in concert with such to develop solutions towards the risks, to organise the business operation systematically, and to monitor and mitigate possible risks. The Company also formulated and distributed a Compliance Manual internally to require all staff of the Group to comply with these internal risk management and internal control standards, and together build a regulatory environment of risk control and standardised operation. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. This process was in place throughout 2022 and is subject to continuous improvement.

With the assistance of the professional auditor, the Audit Committee supervised the Company's revenue and expenditure for the financial and economic activities, to further strengthen the functions of risk management, to ensure the effective implementation of risk management and internal control system and the Company's standardised operation and healthy development. In order to comply with the relevant requirements under the Corporate Governance Code and the Listing Rules, the Company has engaged various professionals such as an experienced company secretarial team and an external legal advisor to advise on compliance to these rules and the relevant updates. During the Year, the Director has received and acted upon advices provided in response to the updates on the Corporate Governance Code, such as new policies setting. The Directors have also sought opinion from the professional parties regarding its disclosures and announcements whenever necessary.

CORPORATE GOVERNANCE REPORT

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

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

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

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

SHAREHOLDERS' RIGHTS

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

Pursuant to Article 58 of the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at RM 2301-02, 23/F., Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wan Chai, Hong Kong SAR to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Constitutional documents

There has been no significant change in the Company's constitutional documents throughout the Year.

CORPORATE GOVERNANCE REPORT

Shareholders' Communication Policy

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. A Shareholder Communication Policy has been in place to set out the procedures by which (i) enquiries from shareholders may be put to the Board and (ii) the Board can keep investors informed of the Group's strategy, operations, management and plans.

Shareholders may send their enquiries and concerns to the Board by addressing them to the Chairman of the Company by mail at RM 2301-02, 23/F., Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wan Chai, Hong Kong SAR or by email at john_zhang@comtecsolar.com. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief operating officer of the Company.

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

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

The Company has reviewed the Shareholders' Communication Policy for the Year and considered that the procedures in place has been well implemented and effective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx ESG Reporting Guide**”) revised by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2019 and the four reporting principles thereunder. The Group has also disclosed relevant information in this environmental, social and governance report (the “**ESG Report**”) in accordance with mandatory disclosure requirements and “comply or explain” provisions under the HKEx ESG Reporting Guide.

REPORTING PRINCIPLES

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

The Board is ultimately responsible for the formulation of ESG strategies, policies, and measures. The Board executes ESG evaluation on a regular basis by identifying potential influence, risks, and opportunities posed to the operation, and additionally reviews senior management and the competence of functional departments to carry out ESG responsibilities. The Board also ensures that proper and effective ESG risk management and internal control systems are in place.

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

The Board has identified, reviewed and assessed the ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG related issues, including the ESG risks to the solar business of the Group. The Board has examined and assessed our performance in various aspects within the ESG scope such as environmental, employment and other social aspects. The Board has reviewed the progress made against ESG-related goals and targets by benchmarking against the ESG data within the industry and segmenting objectives and ensure the effectiveness of the ESG risk control. Throughout the Year, the Group confirmed that it has established appropriate management systems for ESG issues and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG STRATEGY AND POLICY

Maintaining a high standard of corporate social responsibility (“**CSR**”) is a strategic objective of the Group. The long-term vision in CSR is to concentrate on mitigating the influence of our operations on the environment and raising environmental awareness among employees and the public. We believe that through our community investments, the Group can play a positive role in the development of local communities. We treat all employees fairly and respectfully, and we strive to help them advance in their careers.

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

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

STAKEHOLDER ENGAGEMENT

Communicating with different stakeholders is of paramount significance to the Group, enabling it to gain a clear understanding of stakeholders’ views, expectations and needs. During the Year, we adopted the following criteria to identify key stakeholder groups and utilised multiple channels to engage with them:

Identification Criteria

- Stakeholders who are significantly affected by the Group’s operating activities;
- Stakeholders who are reasonably expected to affect the effectiveness of the Group’s strategies and policies related to the ESG issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Stakeholder Groups

Communication Channels

Investors and Shareholders

- Annual general meetings
- Annual, interim and quarterly reports
- Circulars and announcements
- Company website

Employees

- Internal satisfaction surveys
- Grievance system
- Training and development
- Employee activities
- Performance appraisals

Customers

- Correspondences
- Satisfaction surveys
- Factory visits
- Company website

Suppliers

- Annual suppliers meetings
- Factory visits
- Suppliers' audits
- Correspondences

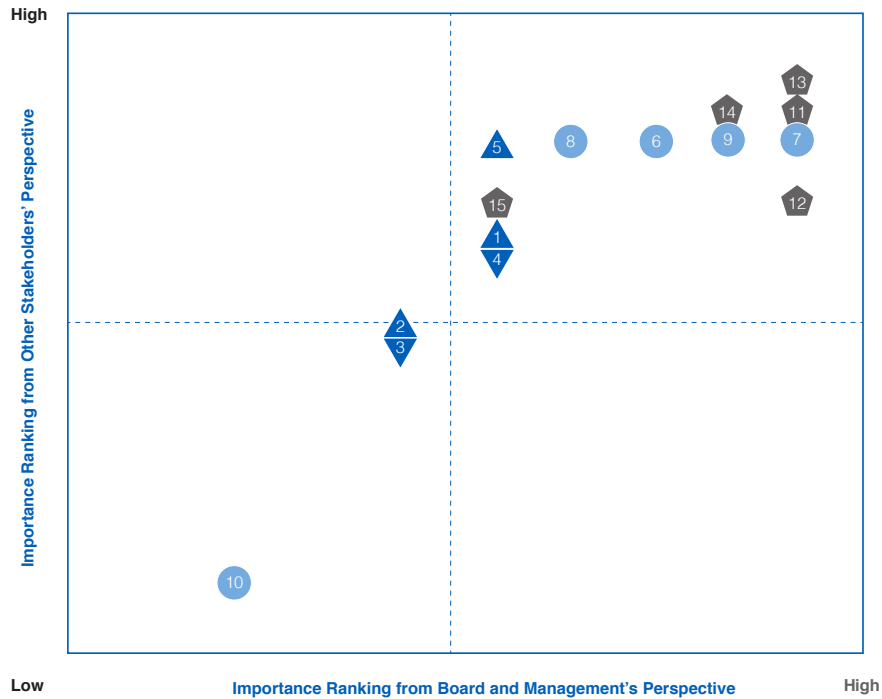
Regulatory Bodies

- Compliance and noncompliance reports
- Factory visits
- Correspondences

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The Group commissioned an independent sustainability consultancy to carry out a materiality assessment in 2021, which aimed to identify and evaluate ESG issues that are most material to the Group and its stakeholders, as well as to determine the coverage and structure of this ESG Report. A standard online questionnaire that classified the ESG issues into three categories, i.e., Environment and Resources, People and Community and Operating Practices, was distributed to the Board and management, the Group’s employees, suppliers/business partners, etc., who then rated the relative importance of the corresponding ESG issues. As there were no significant changes in the Group’s business operations during the Year, this ESG Report continues to adopt the results of the materiality assessment conducted in 2021. The structure of this ESG Report reflects the importance ranking of three categories shown below in the materiality assessment where the general importance of each category is measured by an average score.



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 1 ENVIRONMENT AND RESOURCES

Emissions

To track and manage the emissions of the four types of pollutants designated (wastewater, waste gases, solid wastes and noise), the Group carries out strict policies and processes. In 2020 and 2021, the Group had completed corporate restructuring and had suspended manufacturing businesses with intensive capital, low efficiency and low profitability. The Group is constantly devoted to developing and introducing innovative technologies, as well as more effective pollutant treatment.

During the Year, the Group's main operational facilities were in the PRC. In terms of emission, the Group fully abides by PRC rules and regulations. Additionally, there is a greenhouse gas monitoring system in the Company in place to monitor the emissions of green house gas. The primary source of greenhouse gas emissions of the Group was electricity subject consumption during the Year. The Group advocates measures for energy saving and emission reduction, such as using energy-saving equipment and shutting down machines and electronic equipment promptly.

Scope – Source in 2021	Unit: tCO₂e
Scope 1	51.1
Scope 2	409.5
Total	460.6

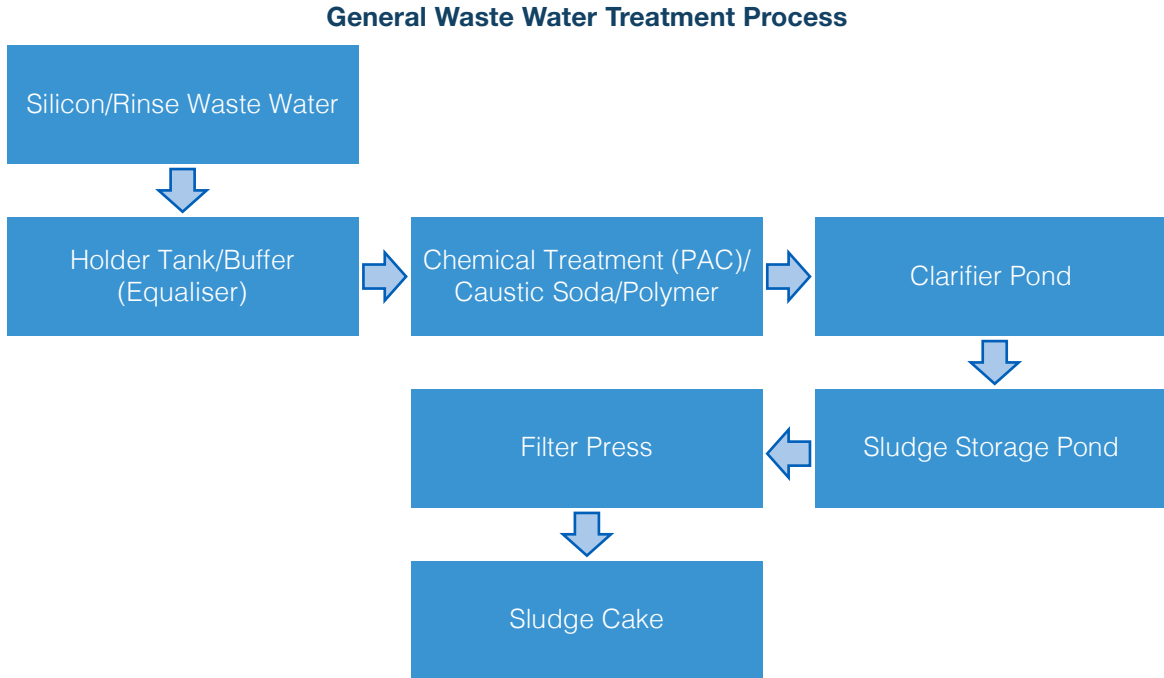
Scope – Source in 2022	Unit: tCO₂e
Scope 1	63.8
Scope 2	472.1
Total	535.9

Dust and Sludge are the main non-hazardous waste generated during the production, and most of them is duly processed by the waste water treatment process of the Company. The Group produced zero waste sludge and waste dust in 2022 in consequence of suspension of the sales of monocrystalline solar ingots.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's general wastewater treatment process:



Since the Group's operations commenced, it has placed a strong emphasis on environmental protection and adhered strictly to the following environmental laws and standards:

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

In terms of air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste during the Year, the Group complied with relevant laws and regulations that significantly affect the Company.

In the meanwhile, the Company intends to further reduce waste generation and emission in the future through continuing to improve the operating procedure and upgrading the current wasting process unit, establishing a waste monitoring system, modifying pollution treatment facilities, and fostering a corporate culture that values environmental protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

Through consistently supporting efficient energy-saving operating procedures, the Group has minimised energy consumption in operations and strived for clean production in order to achieve sustainable development. Purchased electricity and water are major resources consumed by the Group during daily operation. The Group is dedicated to reducing the environmental influence during daily operation. The Group has internal policies and procedures to save water and electricity. Water-saving policies such as checking and maintaining the water supply system regularly and minimising usage of water under control of a logbook are implemented. Energy saving policies including setting a specific temperature when using air conditioners and using cars effectively are advocated.

Electricity consumption in 2022	Unit: mWh
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The Group	596.0
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Water resources consumption in 2021	Unit: t
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The Group	24476.0
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Water resources consumption in 2022	Unit: t
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The Group	18745.3
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Targets setting

The Group set long-term objectives in three aspects, including emissions, energy and water, based on the ESG Reporting Guide and other list companies' methods in photovoltaic solar energy industry to decline emissions and optimize resource consumption.

- In terms of “Emissions”, the Group intends to maintain waste emissions intensity (by full-time employees) to be zero as of 2025, which is the same as 2021 and 2020.
- In terms of “Energy”, as of 2025, the Group will pursue the goal of reducing purchased electricity consumption intensity (by full-time employees) by 24.5%, relative to 2020; and
- In terms of “Water”, the Group plans to achieve a 32% reduction in water usage by 2025 compared to 2020.

The Group will be dedicated to reducing the use of resources for achieving targets by implementing green office practices, raising staff members' awareness of energy conservation, and promoting energy conservation.

The Environment and Natural Resources

In response to the government's call on environment protection and energy conservation as well as the Group's targets by 2025, the Group continues to implement measures such as the utilisation of energy-saving equipment and recycled paper, the reduction of use of paper, the decline of energy consumption by switching off idle lightings, computers and other electrical appliances, the use of teleconferencing as an alternative to travel, the monthly monitoring of electricity consumption in production and operation, the maintenance of records and statistics, the formulation of maintenance plans of major electrical appliances, the prevention of increase in electricity consumption due to equipment aging, to reduce negative impacts on the environment and natural resources.

Environment Protection and Sustainable Development

The Group is committed to accelerating the penetration of green energy and minimising the harm that the global warming brought to human sustainability due to the greenhouse effect. The Group referred to the Task Force on Climate-related Financial Disclosures (“TCFD”) to analyse and evaluate its climate related risks.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 2 PEOPLE AND COMMUNITY

Employment and Labour Practices

Employment

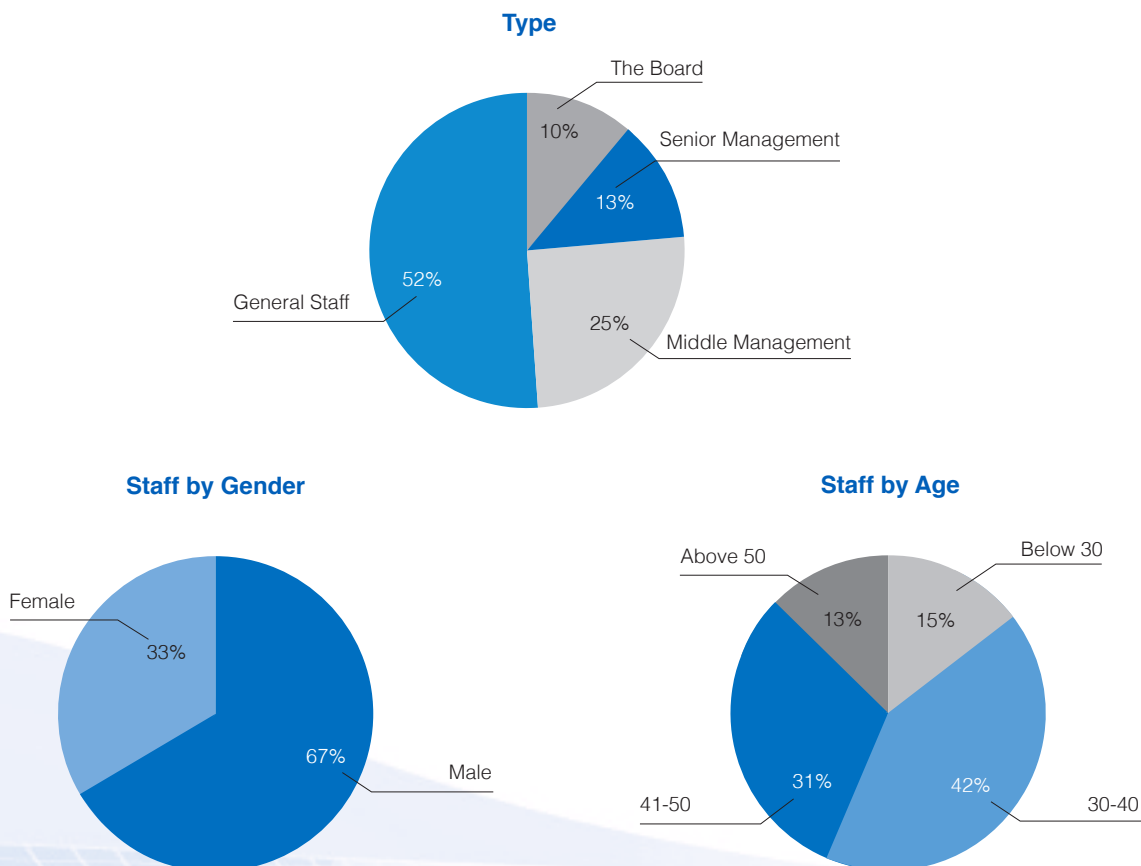
We have established thorough staff policies and welfare guidelines in order to attract, inspire, and retain talent since we recognise that our team is one of our most precious assets. We work hard to maintain a safe and healthy work environment that provides our employees with a platform for professional and personal growth.

As of 31 December 2022, the Group had 48 employees (2021: 59).

Statistic of workforce

The Board acknowledges that the Group's employees are significant and valuable assets. The Covid-19 epidemic has negatively impacted company operations both locally and internationally, negatively affecting the Group's operations and financial performance. As a result, the Group is forced to streamline itself, despite its reluctance. The overall employee turnover rate, net of replacement and recruitment, in the Year was approximately 21%.

As of 31 December 2022, the composition of the Group is illustrated as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Turnover Rate	2021	2022
By Gender		
Male	5%	15%
Female	4%	31%
By Age Group		
<30	0%	0%
30-40	4%	26%
41-50	11%	13%
>50	0%	61%

Through internal employee realignment, the Group has reduced the effects of the business streamlining. The Group will also keep looking for methods to improve employee benefits and facilitate communication with employees in order to reduce employee turnover.

We have internal policies that require all local operations to adhere to the relevant laws and rules governing the use of labor and the management of labour. To ensure compliance with the above rules and regulations, management of the company regularly communicates with each of the local operation teams. In addition, management of the company strictly reviews the remedial measures to address any non-compliance notices, charges from the government authorities, or complaints from our staff.

The Group has constructed a remuneration management system and consistently improved the remuneration scheme. The Group has also established and perfected a welfare system fit for business growth and employees' growth. Furthermore, in accordance with national regulations, it pays social insurance, provident fund, and employer liability insurance for employees. Additionally, it offers a number of benefits, including meal allowances, home leaves, holiday and festival subsidies, and subsidies for mobile phone bills for employees, enabling employees to truly feel happy at work and, as a result, work hard because of the happy workplace environment.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

The Group places a high priority on protecting the health and safety of its employees because they are essential to corporate efficient operation. To ensure staff compliance, various policies regulating daily operations have been put in place to address workplace safety and emergency response. Moreover, notices are shown at workplaces to regularly remind employees to use the proper personal protective equipment and maintain a safe working environment. The Group organises various training modules on occupational health and safety to raise safety awareness of employees. Working environment is reviewed and evaluated regularly, and improvement is occasionally made.

The Group is extremely attached importance to health and safety effects brought to our employees and other stakeholders in view of the Covid-19 pandemic. We undertake all essential safeguards instantly because the health and safety of our staff, clients, and every member of the community are our top priorities. In addition to intensifying our cleaning and disinfection work at our offices and informing our clients of any recent issues that may have an impact on our business, we have also put the following safety measures into place to protect our employees:

- Flexible work arrangements including work from home and work shift arrangements
- Mandatory body temperature checks before entering our offices
- Ensuring sufficient disinfection supplies like face masks and hand sanitisers in our offices
- Using online video conferencing tools and other technologies to avoid non-compulsory face-to-face contacts

Health and safety performance	2021	2022
Number of work-related fatalities	0	0
Lost days due to work injury	0	0
Number of accidents	0	0

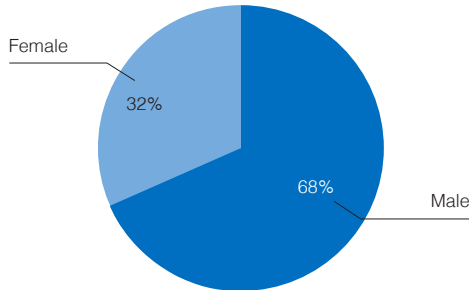
During the Year, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

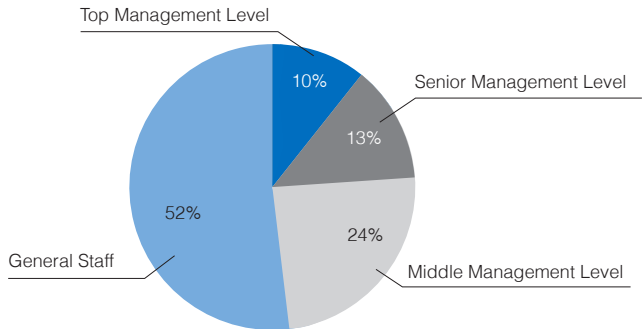
The Group is committed to establish an ideal career development platform and cultivating the allocates annual training budgets as necessary for employees to support a comprehensive training program. Employees are encouraged to participate in various training opportunities which cover a wide range of topics, such as health and safety knowledge, information system, the quality management, anti-corruption, management skills, communication skills, and specific technical skills. These training help employees enhance their professional knowledge and their safety awareness. Self-learning is also encouraged in the Group to support their individual development. During the Year, the Group organised 866 such training hours (2021: 912 hours).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total Training Hours by Gender



Total Training Hours by Type



Due to the impact of the ongoing Covid-19 epidemic and to protect the health and safety of our employees, the Group cancelled some on-site training during this Year.

Labor Standards

A merit-based principle based on employees' competence is supported in the Company to make up a high-efficient team. Due to clear staff policies and management controls, there is a fair workplace which respects equal opportunities, eliminates sexual harassment, establish grievance mechanisms, promotes anti-corruption, and guarantee the confidentiality of personal data.

Internal policies are implemented to request all HR departments in different areas to comply with national and local labor laws, including these related to child and forced labour, and the management of the Company communicate with the head of the HR departments in different areas on a regular basis to ensure the compliance. In 2022, there were no instances of discrimination, child labour, forced labour or violations of employees' interests.

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

Community Investment

The Group has devoted much time throughout the years to helping society with care, fervor, honesty, and respect, which is also a key component of the Group's objective. To fulfil corporate social responsibility, the Group encourages its staff to participate in various community social events. In the meanwhile, these community practices will promote the team collaboration and sustainable development of local society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 3 OPERATING PRACTICES

Supply Chain Management

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers. We recorded detailed information related to each supplier and judge the qualification of each supplier by an comprehensive evaluation system including several dimensions such as price, quality, cost, delivery and after-sales service. The green procurement is prominent and long-term quality monitoring will be implemented. Moreover, regular reviews on suppliers and casual examinations on different suppliers should be conducted to ensure ongoing qualifications and material supplies with high quality.

Geographical region	Number of suppliers
The PRC	154

Product Responsibility

All departments within the Group, including sales and production, are required by company's policy to ensure that all business and operations adhere to legal requirements. Regular communication between employees and management, department heads, and consumers is conducted, and any complaints, charges, or lawsuits in these areas are reviewed.

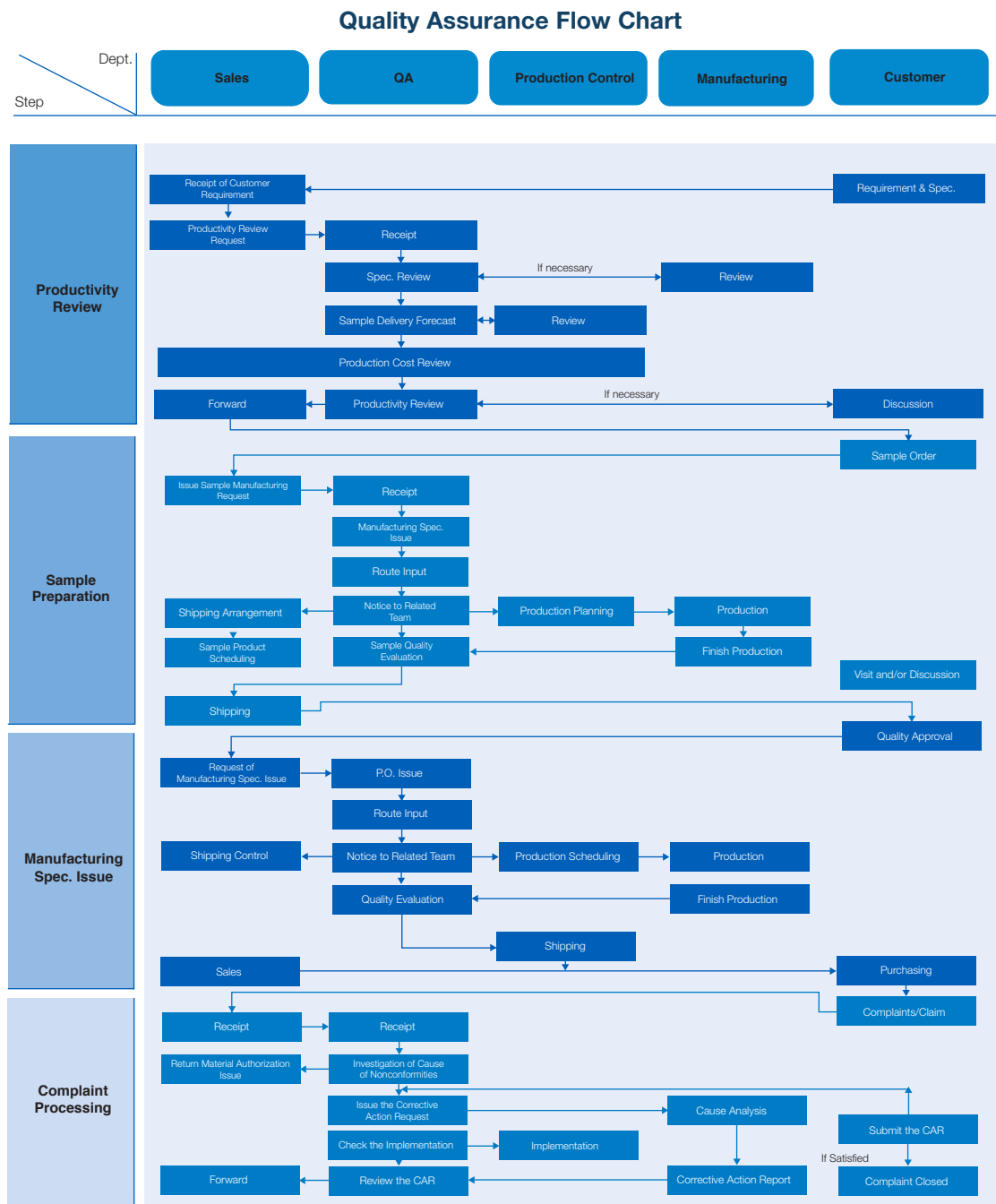
The Company has created its brands and technologies for its products, so it is crucial to secure the Group's intellectual property rights. The Company established a strict confidentiality, Information management system and intellectual property protection procedures, etc. to contribute to data security, which are in case of unauthorised use, disclosure or delivery. The Group also has Q&A and Complaint processes to make sure after sale service qualities.

To regulate production and management, enhance product quality and reduce the production of unqualified products and waste of resources, the Group established a quality management system that covers the product life cycle ranging from procurement of raw materials to production process control to process supervision and inspection of finished products. The Group has also improved quality inspection in its subsidiaries, branches, and consortiums while also concentrating on process quality control indices to quickly identify and address product quality issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group developed “a system” to enhance rights protection against rival products that can violate the Group’s patent to offer customers genuine, high-quality products. Meanwhile, the Group has also created a “International Patent Application Process”, steadily expanded the protection of intellectual property rights to international markets, and improved the protection of patents abroad.

Flowchart of the Company’s QA and after sale services is as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Anti-corruption

The Group adheres to the principle of fairness in all daily business dealings and emphasises credibility and integrity. In the meanwhile, the Group has the determined stance on fighting against corruption and deception, and declares it to all employees, suppliers, and business partners. Appropriate binding terms have been added to respective contracts to ensure that the relevant parties acted in accordance with the Group's requirements. The company has distributed an internal staff compliance handbook that implicitly forbids corruption and has designated personnel to be the contact person if such a case is discovered.

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

During the Year, the Group was not aware of any cases of anti-corruption and in compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to bribery, extortion, fraud, and money laundering.

Whistleblowing procedures

The Group has developed a whistleblowing policy for misconduct reporting. We have opened a secured whistleblowing channel for our employees, suppliers or other stakeholders to submit written report of any suspicious activities, including malpractice and bribery by mail to RM 2301-02, 23/F., Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wan Chai, Hong Kong SAR (the principal place of business in Hong Kong). The whistleblowing reports are directly addressed to the chairman of the Audit Committee. The chairman of the Audit Committee will first triage the reported incidents and then decide on the further course of actions, including internal investigations, or other disciplinary actions that may be appropriate for the particular case. Under all circumstance, the Group would keep the identities of the whistle-blowers confidential and ensure that they are not subject to any acts of retaliation.

During the Year, we have not received any whistle-blowing reports.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PERFORMANCE DATA SUMMARY

Environmental KPIs	Unit	2021	2022
GHG Emissions¹			
GHG Scope 1	tCO ₂ -e	51.1	63.8
GHG Scope 2 ²	tCO ₂ -e	409.5	472.1
Total GHG Emissions	tCO ₂ -e	460.6	535.9
GHG Intensity by Revenue	tCO ₂ -e/HK\$'000	0.008	0.014
GHG Intensity by FTE	tCO ₂ -e/Person	7.8	11.2
Energy Consumption			
Electricity Usage	mWh	517.0	596.0
Total Energy Usage	MJ	1,861,053.8	2,145,431.5
Energy Intensity by Revenue	MJ/HK\$'000	33.9	57.8
Energy Intensity by FTE	MJ/Person	31,543.3	44,696.5
Water Consumption			
Water Consumption	t	24,476.0	18,745.3
Water Consumption Intensity by Revenue	t/HK\$'000	0.4	0.5
Water Consumption Intensity by FTE	t/Person	414.8	390.5

¹ The quantification method of GHG is based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals from Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" published by the Hong Kong Electrical and Mechanical Services Department and the Environmental Protection Department.

² The emission factors for GHG Scope 2 are derived from the "2019 China Regional Power Grid Baseline Emission Factors" published by the Climate Change Department of the National Development and Reform Commission of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social KPIs	Unit	2021	2022
Workforce			
Total Workforce	Person	59	48
By Gender			
Male	Person	37	32
Female	Person	22	16
By Employee Category			
The Board	Person	7	5
Senior Management	Person	7	6
Middle Management	Person	15	12
General Staff	Person	30	25
By Age Group			
<30	Person	5	5
30-40	Person	26	6
41-50	Person	17	12
>50	Person	11	25
Turnover			
Total Turnover Rate	%	5%	21%
By Gender			
Male	%	5%	15%
Female	%	4%	31%
By Age Group			
<30	%	0%	0%
30-40	%	4%	26%
41-50	%	11%	13%
>50	%	0%	61%
Health and Safety Performance			
Number of Work-related Fatalities	Case	0	0
Lost Days due to Work Injury	Day	0	0
Number of Accidents	Case	0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social KPIs	Unit	2021	2022
Training and Development			
The Percentage of Employees Trained			
Total Percentage of Employees Trained	%	100%	100%
The Percentage of Training Hours by Gender			
Male	%	58%	68%
Female	%	42%	32%
The Percentage of Training Hours by Employee Category			
The Board	%	1%	10%
Senior Management	%	15%	13%
Middle Management	%	30%	24%
General Staff	%	54%	52%
Supply Chain			
Number of Suppliers by Geographical Region			
The PRC	Number	154	154

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG REPORTING GUIDE – CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
“Comply or explain” Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Part 1 Environment and Resources Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Targets setting
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Targets Setting
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Targets Setting
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the issuer.	Environment Protection and Sustainable Development
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment Protection and Sustainable Development

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labor Practices
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment/ Statistic of workforce
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Statistic of workforce
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF COMTEC SOLAR SYSTEMS GROUP LIMITED

卡姆丹克太陽能系統集團有限公司

(Incorporated in the Cayman Islands with limited liabilities)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Comtec Solar Systems Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 73 to 179, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple fundamental uncertainties relating to going concern

As described in Note 1 to the consolidated financial statements, the Group reported loss attributable to owners of the Company of RMB55,805,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB192,258,000 and RMB164,153,000 respectively, which included current interest-bearing borrowings, convertible bonds and interest payables with carrying amounts of approximately RMB27,845,000, RMB41,787,000 and RMB36,987,000 respectively.

These conditions, together with other matters described in Note 1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company (the “**Directors**”) have been undertaking a number of measures to improve the Group's liquidity and financial position as described in Note 1 to the consolidated financial statements. The consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Multiple fundamental uncertainties relating to going concern *(continued)*

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

RESPONSIBILITIES OF THE DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Dai Tin Yau.

Prism Hong Kong an`d Shanghai Limited

Certified Public Accountants

Dai Tin Yau

Practising Certificate Number: P06318

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Revenue	3	37,140	54,829
Cost of sales and services		(29,329)	(48,064)
Gross profit		7,811	6,765
Other income	4	13,280	12,575
Other net (losses) gains	5	(26,297)	14,933
Selling and distribution expenses		(4,628)	(1,224)
Administrative expenses		(35,732)	(36,934)
Research and development expenses		(3,400)	(3,439)
Impairment loss on:			
– financial assets, net of reversal		24,243	(22,641)
– goodwill		(6,573)	–
– property, plant and equipment		(2,878)	–
Finance costs	6	(14,017)	(29,950)
Loss before taxation		(48,191)	(59,915)
Income tax expense	7	(2,498)	(1,337)
Loss and total comprehensive expense for the year	8	(50,689)	(61,252)
Loss (profit) and total comprehensive expense (income) for the year attributable to:			
Owners of the Company		(55,805)	(53,196)
Non-controlling interests		5,116	(8,056)
		(50,689)	(61,252)
		RMB cents	RMB cents
Loss per share			
– Basic		(7.05)	(6.85)
– Diluted		(7.05)	(6.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	13	31,842	99,016
Investment properties	13	45,093	127,362
Intangible assets	14	–	915
Goodwill	15	–	6,573
Deposits paid for acquisition of property, plant and equipment	18	–	691
		76,935	234,557
Current assets			
Inventories	16	3,084	3,163
Trade receivables	17	5,973	7,486
Deposits, prepayment and other receivables	18	68,848	39,778
Assets held for sales	19	125,358	–
Pledged bank deposits	20	204	137
Cash and cash equivalents	20	22,544	6,768
		226,011	57,332
Current liabilities			
Trade payables	21	50,132	66,759
Other payables and accruals	22	90,959	97,430
Contract liabilities	23	3,577	6,380
Deposit received		179,500	–
Interest-bearing borrowings	24	27,845	130,369
Loans from shareholders	25	4,761	17,669
Tax liabilities		5,863	5,829
Deferred income	26	4,173	840
Consideration payable	27	5,130	5,130
Lease liabilities	28	4,542	2,125
Convertible bonds	29	41,787	38,254
		418,269	370,785
Net current liabilities		(192,258)	(313,453)
Total assets less current liabilities		(115,323)	(78,896)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Interest-bearing borrowings	24	4,700	7,500
Deferred tax liabilities	30	15,278	12,826
Deferred income	26	8,983	6,489
Lease liabilities	28	19,869	7,753
		48,830	34,568
NET LIABILITIES		(164,153)	(113,464)
CAPITAL AND RESERVES			
Share capital	32	2,752	2,752
Reserves		(166,188)	(110,383)
Equity attributable to owners of the Company		(163,436)	(107,631)
Non-controlling interests		(717)	(5,833)
TOTAL DEFICIT		(164,153)	(113,464)

The consolidated financial statements on pages 73 to 179 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf of:

John Yi Zhang
Director

Dai Ji
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Special reserve	Statutory surplus reserve	Property revaluation reserve	Accumulated losses			
	RMB'000 (note 32)	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000 (note iv)	RMB'000 (note v)	RMB'000	RMB'000	RMB'000	
At 1 January 2021	2,556	1,533,039	120,048	21,726	84,583	31,040	(1,880,016)	(87,024)	(2,121)	(89,145)
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(53,196)	(53,196)	(8,056)	(61,252)
Shares issued upon conversion of convertible bonds (note 29)	152	33,779	-	-	-	-	-	33,931	-	33,931
Shares issued upon exercise of share options (note 33)	44	4,819	(1,861)	-	-	-	-	3,002	-	3,002
Acquisition of non-controlling interests in subsidiaries (note 31)	-	-	-	(4,344)	-	-	-	(4,344)	4,344	-
At 31 December 2021	2,752	1,571,637	118,187	17,382	84,583	31,040	(1,933,212)	(107,631)	(5,833)	(113,464)
At 1 January 2022	2,752	1,571,637	118,187	17,382	84,583	31,040	(1,933,212)	(107,631)	(5,833)	(113,464)
Loss (profit) and total comprehensive expense (income) for the year	-	-	-	-	-	-	(55,805)	(55,805)	5,116	(50,689)
Appropriation for statutory reserve	-	-	-	-	26	-	(26)	-	-	-
At 31 December 2022	2,752	1,571,637	118,187	17,382	84,609	31,040	(1,989,043)	(163,436)	(717)	(164,153)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Notes:

(i) Share premium

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

(ii) Share options reserve

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

(iii) Special reserve

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

(iv) Statutory surplus reserve

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

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

(v) Property revaluation reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Operating activities		
Loss before taxation	(48,191)	(59,915)
Adjustments for:		
Interest income	(130)	(20)
Interest expenses	14,017	29,950
Depreciation	12,888	18,377
Amortisation of intangible assets	915	1,220
Fair value gain on investment properties	(3,187)	(5,140)
Fair value loss on assets held for sales	17,262	–
(Reversal of impairment) impairment loss on financial assets, net of reversal	(24,243)	22,641
Gain on fair value change of derivative component of convertible bonds	–	(6,268)
Release of deferred income	(4,173)	(840)
Waiver of other payables	(5,064)	–
Gain on disposal of property, plant and equipment	(19)	–
Loss on deregistration of an associate	–	159
Gain on deregistration of subsidiaries	–	(904)
Reversal of impairment loss of property, plant and equipment	2,878	(7,904)
Impairment loss on goodwill	6,573	–
Loss on written-off of property, plant and equipment and inventories	1,572	6,815
Net foreign exchange loss (gain)	3,843	(663)
	(25,059)	(2,492)
Changes in working capital:		
Decrease in inventories	79	12,135
Increase in trade and other receivables	(2,623)	(9,050)
(Decrease) increase in trade and other payables	(21,384)	14,082
Decrease in contract liabilities	(2,803)	(13,038)
Increase in deposit received	179,500	–
Increase in deferred income	10,000	–
Cash generated from operations	137,710	1,637
Tax paid	(12)	(31)
Net cash generated from operating activities	137,698	1,606

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Investing activities		
Interest received	130	20
Proceeds from disposal of property, plant and equipment	10,000	–
Placement of pledged bank deposit	(67)	–
Withdrawal of pledged bank deposits	–	21,077
Purchase of property, plant and equipment	(223)	(671)
Net cash generated from investing activities	9,840	20,426
Financing activities		
Proceeds from issue of new shares	–	3,120
Expenses on issue of new shares	–	(118)
Interest paid on convertible bonds	–	(647)
Interest-bearing borrowings raised	10	7,880
Proceeds from shareholders' loan	–	17,669
Interest paid	(8,770)	(1,343)
Repayment of interest-bearing borrowings	(106,212)	(44,475)
Repayment of shareholders' loan	(13,000)	–
Repayment of lease liabilities	(3,790)	(2,476)
Net cash used in financing activities	(131,762)	(20,390)
Net increase in cash and cash equivalents	15,776	1,642
Cash and cash equivalents at 1 January	6,768	5,126
Cash and cash equivalents at 31 December	22,544	6,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) General information

Comtec Solar Systems Group Limited (“**the Company**”) is a public limited company incorporated in the Cayman Islands, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 October 2009. Its immediate holding and ultimate holding company is Fonty Holdings Limited (“**Fonty**”), a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Yi Zhang (“**Mr. Zhang**”) who is the chairman and a director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company is Level 9 & 11, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong changed to RM2301-02, 23/F, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to the “**Group**”) are principally engaged in research, production and sales of efficient mono-crystalline products, power storage products and lithium battery products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations. The details of the Company’s principal subsidiaries are set out in note 38.

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

(b) Statement of compliance

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(c) Basis of preparation

- (i) The Group incurred a net loss of approximately RMB50,689,000 for the year ended 31 December 2022 and had net current liabilities and net liabilities of approximately RMB192,258,000 and RMB164,153,000 as at that date respectively. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

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

- Mr. Zhang has committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- The another shareholder Mr. Dai Ji have committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- Historically, the Group has been able to roll over or obtain replacement borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity. The Group has assumed it will continue to be able to do so for the foreseeable future;
- The Group has been actively negotiating with a few interested parties who would be interested to restructure the debts of the Company, such that the interested party will negotiate with the lenders to waive/refinance/extend the repayment of loans, and also look into possible equity/debt investment into the Company; and
- The Group is adopting strict control of operating and investing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(c) Basis of preparation *(continued)*

The directors of the Company believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2023. However, should the Group fails to achieve the above-mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

(d) Application of new and amendments to IFRSs

In the current year, the Group has applied, for its first time, the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2022.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract
Amendments to IFRSs	Annual Improvements to IFRS 2018 – 2020 cycle
Amendments to IFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(e) Subsidiaries and non-controlling interests

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

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

(f) Associates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(f) Associates *(continued)*

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

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

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

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

(g) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(h) Investment property

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

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

(i) Property, plant and equipment

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

- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 1(k));
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k)).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

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

- The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 20 years after the date of completion.
- Plant and machinery 3–20 years
- Furniture, fixtures and equipment 5 years
- Motor vehicles 5 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(j) Intangible assets (other than goodwill)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(k) Leased assets

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

(i) *As a lessee*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(k) Leased assets *(continued)*

(i) *As a lessee (continued)*

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

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

(ii) *As a lessor*

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

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

(iii) *Sale and leaseback transactions*

The Group acts as a seller-lessee

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee.

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

(l) Credit losses and impairment of assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(I) Credit losses and impairment of assets *(continued)*

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

Measurement of ECLs

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

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

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(I) Credit losses and impairment of assets *(continued)*

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(vii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(I) Credit losses and impairment of assets *(continued)*

(ii) *Credit losses from financial guarantees issued*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(I) Credit losses and impairment of assets *(continued)*

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

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

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries and interest in an associate in the Company's statement of financial position.

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

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

- Reversals of impairment losses

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

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

(m) Inventories

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(n) Financial Instruments

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

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

(i) *Financial assets*

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

(ii) *Trade and other receivables*

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

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

(iii) *Financial liabilities and equity instruments*

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

(iv) *Equity instruments*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(n) Financial Instruments *(continued)*

(v) Trade and other payables

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

(vi) Interest-bearing borrowings

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

(o) Contract assets and contract liabilities

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

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

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

(p) Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(q) Convertible bonds

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

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

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

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

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

(ii) *Other convertible bonds*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(q) Convertible bonds *(continued)*

(ii) *Other convertible bonds (continued)*

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

(iii) *Derivative financial instruments*

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

(r) Employee benefits

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

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

(ii) *Share-based payments*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(r) Employee benefits *(continued)*

(iii) Termination benefits

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

(s) Income tax

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(s) Income tax *(continued)*

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(t) Provisions and contingent liabilities

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

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

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

(u) Revenue and other income

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

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

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

(i) *Sale of products*

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

(ii) *Provision of consulting services*

Revenue is recognised when the relevant services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

(iii) *Installation services for photovoltaic power stations*

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

(iv) *Power generation*

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

(v) *Rental income from operating leases*

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

(vi) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) *Interest income*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

(viii) Government grants

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

(v) Translation of foreign currencies

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

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

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

(w) Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(x) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(y) Segment reporting

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

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

(z) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment properties which continue to be measured in accordance with the relevant accounting policies.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Critical judgements in applying the entity's accounting policies *(continued)*

Going concern and liquidity

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

Classification between investment properties and owner-occupied properties

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

Key sources of estimation uncertainty

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

(i) Impairment of assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Key sources of estimation uncertainty *(continued)*

(ii) Fair value of investment properties

At 31 December 2022, the Group's investment properties amounted to approximately RMB45,093,000 (2021: RMB127,362,000). They are stated at estimated fair value, determined by the Directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. Favourable and unfavourable changes to these factors would result in changes in the valuation of the Group's investment properties.

(iii) Fair value measurement of convertible bonds

The derivative component of convertible bonds amounting to nil (2021: nil) as at 31 December 2022 is measured at fair value determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair value. See note 40(f) for further disclosures.

(iv) Write-down of inventories

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

(v) Income taxes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products. Further details regarding the Group's principal activities are disclosed in note 3(b).

(i) Disaggregation of revenue from contracts with customers

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of power storage products	23,908	40,733
– Installation services for photovoltaic power stations	210	3,406
– Power generation	12,269	10,084
– Consulting services for construction	753	606
	37,140	54,829

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

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

- Mono-crystalline and solar products – Production and sales of efficient mono-crystalline products and trading of solar products
- Solar and power storage products – Provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products

(i) *Segment revenue and results*

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

For the year ended 31 December 2022

	Mono- crystalline and solar products RMB'000	Solar and power storage products RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Point in time	–	23,908	23,908
Over time	–	13,232	13,232
Total revenue	–	37,140	37,140
Segment (loss) profit	(100)	6,994	6,894
Unallocated income			21,549
Unallocated corporate expenses			(65,635)
Unallocated finance costs			(12,094)
Impairment loss on financial assets, net of reversal			1,095
Loss before taxation			(48,191)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

For the year ended 31 December 2021

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Segment assets and liabilities

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

Segment assets

	2022 RMB'000	2021 RMB'000
Mono-crystalline and solar products	1,952	3,697
Solar and power storage products	148,774	108,408
Total segment assets	150,726	112,105
Corporate and other assets	152,220	179,784
Total assets	302,946	291,889

Segment liabilities

	2022 RMB'000	2021 RMB'000
Mono-crystalline and solar products	4,796	6,278
Solar and power storage products	45,087	55,586
Total segment liabilities	49,883	61,864
Corporate and other liabilities	417,216	343,489
Total liabilities	467,099	405,353

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

Segment liabilities (continued)

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

(iii) *Other segment information*

For the year ended 31 December 2022

	Mono- crystalline and solar products RMB'000	Solar and power storage products RMB'000	Unallocated RMB'000	Total RMB'000
Amounts include in the measure of segment profit or loss of segment assets:				
Depreciation and amortisation	48	9,336	4,419	13,803
Impairment loss on financial assets, net of reversal	–	(23,148)	(1,095)	(24,243)
Loss on written-off of property, plant and equipment	34	–	1,538	1,572
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:				
Finance costs	–	1,923	12,094	14,017
Income tax expenses	–	46	2,452	2,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iii) Other segment information *(continued)*

For the year ended 31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iv) Geographic information

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

(v) Information about major customers

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

	2022 RMB'000	2021 RMB'000
Customer A	10,816	34,883
Customer B	11,327	–
	22,143	34,883

Note: Revenue from customer A and B are generated from solar and power storage products segment.

4 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Release of deferred income	4,173	840
Government grant <i>(note)</i>	6,086	–
Interest income	130	20
Rental income	2,777	8,099
Others	114	3,616
	13,280	12,575

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 OTHER NET (LOSSES) GAINS

	2022 RMB'000	2021 RMB'000
Compensation for termination of contract	(6,507)	–
Fair value gain on investment properties	3,187	5,140
Fair value loss on assets held for sale	(17,262)	–
Gain on deregistration of subsidiaries	–	904
Gain on disposal of property, plant and equipment	19	–
Gain on fair value change of derivative component of the convertible bonds	–	6,268
Loss on deregistration of an associate	–	(159)
Loss on written-off of property, plant and equipment and inventories	(1,572)	(6,815)
Net foreign exchange (losses) gains	(9,094)	1,879
Reversal of impairment loss of property, plant and equipment	–	7,904
Wavier of other payables	5,064	–
Others	(132)	(188)
	(26,297)	14,933

6 FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	685	11,566
Interest on other borrowings	4,662	8,953
Interest on loans from shareholders	168	2,671
Interest on lease liabilities	1,237	858
Interest on convertible bonds (<i>note</i>)	7,265	5,902
	14,017	29,950

Note: Imputed interest included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7 INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax – PRC Enterprise Income Tax		
Under-provision in respect of prior years	46	52
Deferred tax		
Origination and reversal of temporary differences (note 30)	2,452	1,285
	2,498	1,337

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable profits for the years ended 31 December 2022 and 2021.

PRC subsidiary is subject to PRC Enterprise Income Tax ("EIT") at 25%. No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the years ended 31 December 2022 and 2021.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2022 and 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7 INCOME TAX EXPENSE *(continued)*

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

	2022 RMB'000	2021 RMB'000
Loss before taxation	(48,191)	(59,915)
Tax at the domestic EIT rate at 25%	(12,048)	(14,979)
Tax effect of expenses not deductible for tax purpose	12,850	568
Tax effect of income not taxable for tax purpose	(1,323)	(3,979)
Tax effect of temporary difference not recognised	(3,522)	5,660
Tax effect of unrecognised tax losses	6,495	14,015
Under-provision in respect of prior years	46	52
Income tax expense	2,498	1,337

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

8 LOSS FOR THE YEAR

Loss for the year has been arrived at after (crediting) charging:

(a) Staff costs

	2022 RMB'000	2021 RMB'000
Directors' emoluments (note 9)	1,122	1,551
Other staffs costs (exclude of director's emoluments)		
– Salaries, wages, bonus and other benefits	7,109	7,585
– Retirement benefits schemes contributions	350	646
Total staff costs	8,581	9,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8 LOSS FOR THE YEAR *(continued)*

(b) Other items

	2022 RMB'000	2021 RMB'000
Depreciation charge		
– owned property, plant and equipment	9,568	14,872
– right-of-use assets	3,320	3,505
	12,888	18,377
Amortisation cost of intangible assets	915	1,220
Auditor's remuneration	1,100	1,100
Amount of inventories recognised as an expense	14,545	38,758
(Reversal of impairment) impairment loss on trade receivables	(23,222)	20,423
(Reversal of impairment) impairment loss on other receivables	(1,021)	2,218

9 DIRECTORS' EMOLUMENTS

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

	Fees RMB'000	Basic salaries and allowance RMB'000	Share-based payments expense RMB'000	Retirement benefits schemes contributions RMB'000	2022 Total RMB'000
Executive directors					
Mr. John Yi Zhang	-	-	-	-	-
Non-executive directors					
Mr. Dai Ji	200	-	-	-	200
Mr. Qiao Fenglin	200	311	-	11	522
Independent non-executive directors					
Mr. Ma Teng (note h)	200	-	-	-	200
Mr. Jiang Qiang (note b)	200	-	-	-	200
Dr. Yan Ka Shing (note a)	-	-	-	-	-
	800	311	-	11	1,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9 DIRECTORS' EMOLUMENTS *(continued)*

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

Notes:

- (a) Appointed on 1 July 2021.
- (b) Appointed on 12 March 2021.
- (c) Appointed on 22 February 2021 and resigned on 12 March 2021.
- (d) Resigned on 20 March 2021.
- (e) Resigned on 10 February 2021.
- (f) Resigned on 29 January 2021.
- (g) Resigned on 25 January 2021.
- (h) Resigned on 30 September 2022.
- (i) The remuneration includes remuneration received from the Group by the directors in his capacity as an employee of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9 DIRECTORS' EMOLUMENTS *(continued)*

No chief executive was appointed during the years ended 31 December 2022 and 2021.

Except for independent non-executive director, Dr. Yan Ka Shing, no directors of the Company waived or agreed to waive the emolument paid by the Group during the years ended 31 December 2022 and 2021.

No emoluments were paid by the Group to the directors as an inducement for joining the Group or as compensation for loss of office during the years end of the Company 31 December 2022 and 2021.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group included one (2021: one) director(s) of the Company during the year ended 31 December 2022, whose emoluments are included in the analysis presented above. Details of emoluments paid to the remaining four (2021: four) individuals of the Group during the year ended 31 December 2022 were as follow:

	2022 RMB'000	2021 RMB'000
Salaries, wages, bonus and other benefits	2,453	2,121
Retirement benefits schemes contributions	298	512
	2,751	2,633

Their emoluments were within the following levels:

	2022 Number of individuals	2021 Number of individuals
Nil – HK\$1,000,000 (equivalent to approximately RMB893,270 (2021: RMB817,600))	4	4

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11 DIVIDENDS

No dividend was paid, declared or proposed during the years ended 31 December 2022 and 2021.

12 LOSS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Loss		
Loss for the year attributable to owners of the Company	(55,805)	(53,196)
Number of shares		
Weighted average number of ordinary shares	791,709,002	777,104,090

There were no potential dilutive shares in existence during the years ended 31 December 2022 and 2021.

The outstanding share options and conversion option of the convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
Cost or fair value									
At 1 January 2021	16,434	197,101	255,483	4,110	2,604	18,050	493,782	82,914	576,696
Additions	-	263	5,177	529	14	-	5,983	-	5,983
Termination of leases	-	(95)	-	-	-	-	(95)	-	(95)
Transfer to investment properties	(4,600)	(114,424)	-	-	-	-	(119,024)	39,308	(79,716)
Transfer to plant and equipment	-	-	7,904	-	-	(7,904)	-	-	-
Fair value gain	-	-	-	-	-	-	-	5,140	5,140
Written-off	(126)	-	(92,362)	(2,084)	(1,353)	(9,808)	(105,733)	-	(105,733)
At 31 December 2021	11,708	82,845	176,202	2,555	1,265	338	274,913	127,362	402,275
Representing:									
Cost	11,708	82,845	176,202	2,555	1,265	338	274,913	-	274,913
Fair value	-	-	-	-	-	-	-	127,362	127,362
	11,708	82,845	176,202	2,555	1,265	338	274,913	127,362	402,275
At 1 January 2022	11,708	82,845	176,202	2,555	1,265	338	274,913	127,362	402,275
Additions	-	4,286	13,012	11	-	-	17,309	-	17,309
Disposals	-	-	(17,371)	-	-	-	(17,371)	-	(17,371)
Termination of leases	-	(64)	-	-	-	-	(64)	-	(64)
Transfer to assets held for sale	(9,518)	(53,250)	(31,136)	-	-	-	(93,904)	(85,456)	(179,360)
Transfer to plant and machinery	-	-	-	-	-	-	-	-	-
Fair value gain	-	-	-	-	-	-	-	3,187	3,187
Written-off	-	-	(9,501)	(1,034)	-	(338)	(10,873)	-	(10,873)
At 31 December 2022	2,190	33,817	131,206	1,532	1,265	-	170,010	45,093	215,103
Representing:									
Cost	2,190	33,817	131,206	1,532	1,265	-	170,010	-	170,010
Fair value	-	-	-	-	-	-	-	45,093	45,093
	2,190	33,817	131,206	1,532	1,265	-	170,010	45,093	215,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

	Leasehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
Accumulated depreciation and impairment:									
At 1 January 2021	3,642	132,489	186,874	2,712	2,549	17,712	345,978	-	345,978
Charge for the year	255	4,300	13,508	292	22	-	18,377	-	18,377
Reversal of impairment	-	-	-	-	-	(7,904)	(7,904)	-	(7,904)
Termination of leases	-	(24)	-	-	-	-	(24)	-	(24)
Transfer to investment properties	(981)	(78,735)	-	-	-	-	(79,716)	-	(79,716)
Written-off	(126)	-	(87,586)	(1,975)	(1,319)	(9,808)	(100,814)	-	(100,814)
At 31 December 2021	2,790	58,030	112,796	1,029	1,252	-	175,897	-	175,897
At 1 January 2022	2,790	58,030	112,796	1,029	1,252	-	175,897	-	175,897
Charge for the year	190	3,227	9,364	99	8	-	12,888	-	12,888
Impairment for the year	-	-	2,853	25	-	-	2,878	-	2,878
Written back on disposals	-	-	(7,390)	-	-	-	(7,390)	-	(7,390)
Termination of leases	-	(64)	-	-	-	-	(64)	-	(64)
Transfer to assets held for sale	(2,384)	(33,333)	(1,023)	-	-	-	(36,740)	-	(36,740)
Written-off	-	-	(8,539)	(762)	-	-	(9,301)	-	(9,301)
At 31 December 2022	596	27,860	108,061	391	1,260	-	138,168	-	138,168
Net book value:									
At 31 December 2022	1,594	5,957	23,145	1,141	5	-	31,842	45,093	76,935
At 31 December 2021	8,918	24,815	63,406	1,526	13	338	99,016	127,362	226,378

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

As at 31 December 2022, the Group pledged its buildings with total carrying amount of approximately RMB1,306,000 (2021: RMB23,689,000) to banks to secure banking facilities granted to the Group (see note 36).

On 1 June 2022, the Group announced that the wholly-owned subsidiary entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings, plant and machinery and investment properties located in Shanghai, of which carrying amounts as at 31 December 2022 were approximately RMB7,134,000, RMB19,917,000, RMB30,113,000 and RMB68,194,000 respectively and transferred to asset held for sales during the year. Also these leasehold land, buildings, and investment properties as at 31 December 2022, approximately RMB125,358,000 (2021: RMB124,685,000) is a pledged assets which included in the mediation arrangement and enforcement notice under the People's Court of Pudong New Area of Shanghai (see Note 24a).

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

(i) Fair value hierarchy *(continued)*

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– Industrial properties located in Jiangsu	45,093	–	–	45,093
	45,093	–	–	45,093

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

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2022. The valuations were carried out by an independent firm of surveyors, Beijing Zongwei Chengang Assets Appraisal Co., Ltd. and Shanghai BaDaGooray & Henry Chartered Valuation Surveyors Co. Ltd and (2021: Beijing Zhongwei Chenguang Asset Appraisal Co., Ltd and Shanghai BaDaGooray & Henry Chartered Valuation Surveyors Co. Ltd), who have among their staff China Appraisal Society with recent experience in the location and category of property being valued. The directors of the Company have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

(ii) Information about Level 3 fair value measurements

2022	Valuation techniques	Unobservable input	Range
Investment properties: Industrial properties (included investment properties classified as held for sale) located in China	Income approach	Market yield	5%
		Market rent per sq.m. per year	RMB106-RMB237
	Market approach	Market price per sq.m.	RMB310-RMB1,230
	Cost approach	Estimated cost of construction per sq.m.	RMB1,660 to RMB2,000
2021	Valuation techniques	Unobservable input	Range
Investment properties: Industrial properties (included investment properties classified as held for sale) located in China	Income approach	Market yield	4%
		Market rent per sq.m. per year	RMB310-RMB328
	Market approach	Market price per sq.m.	RMB4,306-RMB4,403
	Cost approach	Estimated cost of construction per sq.m.	N/A

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

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

The fair value of investment properties (included investment properties classified as held for sale) located in China is determined using cost approach by taking into account the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparable sales.

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

	2022 RMB'000	2021 RMB'000
Investment properties – Industrial properties		
– Mainland China:		
At 1 January	127,362	82,914
Transfer from property, plant and equipment	–	39,308
Transfer to assets held for sales	(85,456)	–
Fair value adjustments	3,187	5,140
At 31 December	45,093	127,362

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(c) Right-of-use assets

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

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost in China, with remaining lease term between 10 and 50 years	(i)	1,594	8,918
Other properties leased for own use, carried at depreciated cost	(ii)	4,651	1,125
Plant and machinery, carried at depreciated cost	(iii)	18,072	7,640
		22,723	8,765
Ownership interests in leasehold investment property situated in China, carried at fair value, with remaining lease term of between 10 and 50 years		45,093	127,362
		69,410	145,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	190	255
Other properties leased for own use	760	191
Plant and machinery	2,369	3,059
	3,319	3,505
Interest on lease liabilities (note 6)	1,237	858
Expense relating to short-term leases	153	260
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	1,737	579

During the year, additions to right-of-use assets were approximately RMB17,086,000 (2021: RMB5,312,000), which related to the capitalised lease payments payable under new tenancy agreements.

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

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

The leasehold land represents the land use rights situated in the PRC. As at 31 December 2022, the Group pledged its leasehold land with carrying amount of approximately RMB1,594,000 (2021: RMB8,918,000) to banks to secure banking facilities granted to the Group (see note 36).

On 1 June 2022, the Group announced that the wholly-owned subsidiary entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings, plant and machinery and investment properties located in Shanghai, of which carrying amounts as at 31 December 2022 were approximately RMB7,134,000, RMB19,917,000, RMB30,113,000 and RMB68,194,000 respectively and transferred to asset held for sales during the year. Also these leasehold land, buildings, and investment properties as at 31 December 2022, approximately RMB125,358,000 (2021: RMB124,685,000) is a pledged assets which included in the mediation arrangement and enforcement notice under the People's Court of Pudong New Area of Shanghai (see Note 24a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

(ii) *Other properties leased for own use*

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

(iii) *Other leases*

The Group leases plant and machinery for its operations. As at 31 December 2022, the Group pledged its leased plant and machinery with carrying amount of approximately RMB37,165,000 (2021: RMB7,640,000) to secure lease liabilities granted to the Group (see note 36).

(d) Investment properties

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

During the year ended 31 December 2022, certain owned properties with carrying values of nil (2021: RMB39,308,000) were transferred to investment properties as these properties are held for rental income upon signing of an operating lease agreement with third parties in 2022.

As at 31 December 2022, the Group pledged its investment properties with carrying amount of approximately RMB45,093,000 (2021: RMB127,362,000) to banks to secure banking facilities granted to the Group (see note 36).

On 1 June 2022, the Group announced that the wholly-owned subsidiary entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings, plant and machinery and investment properties located in Shanghai, of which carrying amounts as at 31 December 2022 were approximately RMB7,134,000, RMB19,917,000, RMB30,113,000 and RMB68,194,000 respectively and transferred to asset held for sale during the year. Also these leasehold land, buildings, and investment properties as at 31 December 2022, approximately RMB125,358,000 (2021: RMB124,685,000) is a pledged assets which included in the mediation arrangement and enforcement notice under the People's Court of Pudong New Area of Shanghai (see Note 24a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(d) Investment properties *(continued)*

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

	2022 RMB'000	2021 RMB'000
Within 1 year	1,635	5,405
After 1 year but within 2 years	1,635	1,635
After 2 years but within 5 years	3,334	3,965
Over 5 years	3,182	4,186
	9,786	15,191

14 INTANGIBLE ASSETS

	Cooperative agreement RMB'000	Non-compet agreement RMB'000	Franchise relationship RMB'000	Backlog RMB'000	Technology RMB'000	Total RMB'000
Cost:						
At 1 January 2021,						
31 December 2021,						
1 January 2022 and						
31 December 2022	51,500	24,576	5,899	970	6,100	89,045
Accumulated amortisation and impairment:						
At 1 January 2021	51,500	24,576	5,899	970	3,965	86,910
Amortisation	-	-	-	-	1,220	1,220
At 31 December 2021	51,500	24,576	5,899	970	5,185	88,130
At 1 January 2022	51,500	24,576	5,899	970	5,185	88,130
Amortisation	-	-	-	-	915	915
At 31 December 2022	51,500	24,576	5,899	970	6,100	89,045
Net book value:						
At 31 December 2022	-	-	-	-	-	-
At 31 December 2021	-	-	-	-	915	915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15 GOODWILL

	2022 RMB'000	2021 RMB'000
Cost	108,683	108,683
Accumulated impairment	(108,683)	(102,110)
	-	6,573

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

Impairment review on the goodwill of the Group has been conducted by the management as of 31 December 2022 and 2021 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use calculations.

As of 31 December 2022 and 2021, the recoverable amount of goodwill was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a five-year period. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

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

Revenue growth rate during the forecast period:	0% to 12%
Gross profit margin during the forecast period:	0% to 32%
Terminal growth rate:	0% to 2%
Pre-tax discount rate:	8% to 18%

The Group has engaged an independent external valuer for performing the goodwill impairment assessments. The review led to the recognition of impairment losses on goodwill and plant and equipment of approximately RMB6,573,000 (2021: nil) and RMB2,878,000 (2021: nil) (note 13) respectively that have been recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16 INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	132	631
Work-in-progress	1,487	1,739
Finished goods	1,465	793
	3,084	3,163

As at 31 December 2022, there was no inventory was pledged to secure financing facilities granted to the Group (2021: nil) (see note 36).

During the year ended 31 December 2022, there was no inventories written-off (2021: RMB1,896,000) and recognised as loss on written-off of inventories included in other net (losses) gains (see note 5).

17 TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Receivables at amortised cost comprise:		
Trade receivables	38,587	63,322
Less: loss allowance for trade receivables	(32,614)	(55,836)
	5,973	7,486

As at 31 December 2022, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB38,587,000 (2021: RMB63,322,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17 TRADE RECEIVABLES *(continued)*

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

	2022	2021
	RMB'000	RMB'000
Within 1 month	5,870	1,018
1 to 2 months	35	151
2 to 3 months	22	135
3 to 6 months	46	1,703
Over 6 months	–	4,479
	5,973	7,486

As at 31 December 2022, there was no trade receivables have been pledged to bank to secure banking facilities granted to the Group (2021: nil) (note 36).

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Deposits	115	844
Value-added tax receivables	23,514	27,332
Other receivables	10,233	4,792
Advance to suppliers and prepayments	36,183	9,719
	70,045	42,687
Less: loss allowance	(1,197)	(2,218)
	68,848	40,469
Analysis as:		
Current assets	68,848	39,778
Non-current assets	–	691
	68,848	40,469

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19 ASSETS HELD FOR SALE

On 1 June 2022, the wholly-owned subsidiary of the Group entered into the sale and purchase agreement with an individual third party to sell the leasehold land, buildings and investment properties (“Disposal”) located in Shanghai of the consideration of RMB180,000,000. The consideration of RMB179,500,000 had been received and classified as deposit received in the consolidated statement of financial position.

As at 31 December 2022, the major classes of assets of the Disposal classified as held for sale are as follows:

	2022 RMB'000
Investment properties	68,194
Other property, plant and equipment	57,164
Total assets classified as held for sale	125,358

On 30 December 2022, the Company issued circular in connection with the disposal of certain properties pursuant to a sale and purchase agreement dated on 1 June 2022, and notice the extraordinary general meeting (the “EGM”) will be held for the shareholders to approve the Sale and Purchase Agreement and the transactions. During the year ended 31 December 2022, the carrying amount of investment properties of RMB85,456,000 was classified as held for sale. The Disposal, is expected to be completed within 12 months, has been classified as assets held for sales and are presented separately in the consolidated statement of financial position. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised. As at 31 December 2022, the fair value loss on investment properties classified as held for sale of RMB17,262,000 have been recognised.

As disclosed in note 13, the investment properties, other property, plant and equipment is pledged assets which included in the mediation arrangement and enforcement notice under the People’s Court of Pudong New Area of Shanghai (see note 24a).

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

(a) Pledged bank deposits

As at 31 December 2022, the Group pledged its bank deposits of approximately RMB204,000 (2021: RMB137,000) as security for short-term bank loans and are therefore classified as current assets (see note 36).

The pledged deposits carry floating interest rate range from 0.3% to 0.5% (31 December 2021: 0.3% to 0.5%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Cash and cash equivalents

Bank balances carry interest at market rates which range from 0.3% to 0.5% (31 December 2021: 0.3% to 0.5%) per annum.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable RMB'000 (Note 22)	Convertible bonds RMB'000 (Note 29)	Lease liabilities RMB'000 (Note 28)	Loans from shareholders RMB'000 (Note 25)	Interest-bearing borrowings RMB'000 (Note 24)	Total RMB'000
At 1 January 2022	47,510	38,254	9,878	17,669	137,869	251,180
Changes from financing cash flows:						
Financing cash flows	(8,770)	-	(3,790)	(13,000)	(106,202)	(131,762)
New lease	-	-	17,086	-	-	17,086
Settlement of interest payable	(10,370)	-	-	-	-	(10,370)
Accrued interest	12,780	-	1,237	-	-	14,017
Share issued upon conversation of convertible bonds	-	-	-	-	-	-
Wavier of interest payable	(3,503)	-	-	-	-	(3,503)
Fair value adjustment	-	-	-	-	-	-
Exchange difference	(660)	3,533	-	92	878	3,843
At 31 December 2022	36,987	41,787	24,411	4,761	32,545	140,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

	Interest payable RMB'000 (Note 22)	Convertible bonds RMB'000 (Note 29)	Lease liabilities RMB'000 (Note 28)	Loans from shareholders RMB'000 (Note 25)	Interest-bearing borrowings RMB'000 (Note 24)	Total RMB'000
At 1 January 2021	14,620	84,587	11,304	-	174,781	285,292
Changes from financing cash flows:						
Financing cash flows	(1,990)	-	(2,476)	17,669	(36,595)	(23,392)
New leases	-	-	263	-	-	263
Termination of leases	-	-	(71)	-	-	(71)
Accrued interest	25,799	3,293	858	-	-	29,950
Share issued upon conversion of convertible bonds	-	(33,931)	-	-	-	(33,931)
Reallocation of accounts	9,081	(9,081)	-	-	-	-
Fair value adjustment	-	(6,268)	-	-	-	(6,268)
Exchange difference	-	(346)	-	-	(317)	(663)
At 31 December 2021	47,510	38,254	9,878	17,669	137,869	251,180

(d) Major non-cash transactions

- (i) During the year ended 31 December 2022, the Group entered into the new arrangements in respect of lease of assets. Right-of-use assets of approximately RMB17,086,000 (2021: RMB5,312,000) and lease liabilities of approximately RMB17,086,000 (2021: RMB263,000 addition due to business acquisition) were recognised at the commencement of the lease.
- (ii) During the year ended 31 December 2022, the Group terminated a number of leases for which the carrying amount of right-of-use assets and lease liabilities at the date of termination was nil (2021: RMB71,000) nil (2021: RMB71,000) respectively.
- (iii) During the year ended 31 December 2022, there was approximately RMB953,000 was reallocated from contract liabilities to other payables due to refund to one of its customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(e) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating cash flows	1,890	839
Within financing cash flows	3,790	2,476
	5,680	3,315

21 TRADE PAYABLES

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

	2022 RMB'000	2021 RMB'000
Within 1 month	4,845	6,415
1 to 2 months	46	3,895
2 to 3 months	21	142
3 to 6 months	128	1,694
Over 6 months but within 1 year	1,203	10,126
Over 1 year	43,889	44,487
	50,132	66,759

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22 OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Interest payables (note)	36,987	47,510
Other payables and accrued charges	45,106	41,054
Payables for acquisition of property, plant and equipment	8,866	8,866
	90,959	97,430

As at 31 December 2022, included in the Group's interest payable balance with aggregate net carrying amount of approximately RMB36,987,000, of which the gross carrying amount of accrued interest and default interest payable of (i) convertible bonds; and (ii) other borrowing due to bondholder in the aggregate amount of approximately RMB20,806,000, net of settlement of RMB10,370,000 settled on behalf of the Company by an independent third party.

23 CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Advances from customers	3,577	6,380

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

The changes in contract liabilities in 2022 was mainly due to decrease in purchases order from customers in early 2022.

Revenue recognised during the year ended 31 December 2022 that was included in the contract liabilities as at the beginning of the year was approximately RMB1,850,000 (2021: RMB38,343,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23 CONTRACT LIABILITIES *(continued)*

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

Movements in contract liabilities

	2022 RMB'000	2021 RMB'000
Balance at 1 January	6,380	34,720
Recognised as revenue	(1,850)	(38,343)
Receipt of advances	–	25,673
Refund of advances	(953)	(15,670)
Balance at 31 December	3,577	6,380

Expected timing of revenue recognition

	2022 RMB'000	2021 RMB'000
Within 1 year	3,577	6,380
More than 1 year but within 2 years	–	–
Balance at 31 December	3,577	6,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24 INTEREST-BEARING BORROWINGS

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Bank loans			
– secured	24(a)	7,500	109,062
– unsecured	24(a)	10	–
		7,510	109,062
Other borrowings			
– unsecured	24(b)	25,035	28,807
		32,545	137,869
Analysis as:			
Current liabilities		27,845	130,369
Non-current liabilities		4,700	7,500
		32,545	137,869

(a) Bank loans

As at 31 December 2022, the bank loans were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year or on demand	2,810	101,562
After 1 year but within 2 years	4,700	2,800
After 2 years but within 5 years	–	4,700
	4,700	7,500
	7,510	109,062

As at 31 December 2022, the banking facilities of the Group were secured by its buildings and plant and machinery, leasehold land, investment properties and bank balances which are disclosed in notes 13(a), 13(c), 13(d) and 20(b) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24 INTEREST-BEARING BORROWINGS *(continued)*

(a) Bank loans *(continued)*

The carrying amount of leasehold lands and building approximately of RMB112,507,000 which are disclosed in notes 13(a), 13(c)(i) and 13(d) were pledged by the Vendor in favour of the Creditor to secure a bank loan provided by the Creditor in the outstanding amount of approximately nil (2021: RMB108,810,000 (including accrued interests)) as at 31 December 2022.

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

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

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

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

All of the Group’s banking facilities are subject to the fulfilment of covenants relating to certain of the Group’s balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group’s management of liquidity risk are set out in note 40(e). As at 31 December 2022, none of the covenants relating to drawn down facilities had been breached (2021: nil).

(b) Other borrowings

At the end of the reporting period, the Group’s other borrowings are unsecured, interest-bearing at rates ranging from 5.2% to 24% (2021: 5.2% to 73.0%) per annum and repayable within twelve months.

On 5 September 2022, the Company received the sealed copy of the Final Judgement for the US\$512,992.06 together with 15% interest per annum from 14 June 2020. As at 31 December 2022, the total outstanding principal, accrued interest and default interest is US\$702,154.17 which included in other borrowings and interest payable (see note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25 LOANS FROM SHAREHOLDERS

	2022 RMB'000	2021 RMB'000
Shareholders:		
Dai Ji	3,600	16,600
Sun Da	1,161	1,069
	4,761	17,669
Analysis as:		
Current	4,761	17,669

As at 31 December 2022, the loans from shareholders are unsecured, interest bearing at 15% per annum and repayable on demand.

26 DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants		
– current	4,173	840
– non-current	8,983	6,489
	13,156	7,329

In the prior years, the Group received government subsidies which were related to compensation for acquisition of plant and equipment in the PRC. The amounts were treated as deferred income and amortised to income over the useful lives of the relevant assets. During the year ended 31 December 2022, deferred income of RMB4,173,000 (2021: RMB840,000) was recognised as other income in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27 CONSIDERATION PAYABLE

	2022 RMB'000	2021 RMB'000
Consideration payable	5,130	5,130

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

28 LEASE LIABILITIES

As at 31 December 2022 and 2021, the lease liabilities were repayable as follows:

	2022 RMB'000	2021 RMB'000
Current	4,542	2,125
Non-current	19,869	7,753
	24,411	9,878
Amounts payable under lease liabilities		
Within 1 year	4,542	2,125
After 1 year but within 2 years	7,747	2,165
After 2 years but within 5 years	12,122	4,732
After 5 years	-	856
	24,411	9,878
Less: Amount due for settlement within 12 months (show under current liabilities)	(4,542)	(2,125)
Amount due for settlement after 12 months	19,869	7,753

During the year ended 31 December 2022, the Group entered into two (2021: two) lease agreements in respect of renting properties and recognised lease liabilities of approximately RMB17,086,000 (2021: RMB263,000).

During the year ended 31 December 2022, no (2021: one) lease liabilities (2021: RMB71,000) was derecognised due to termination of lease agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29 CONVERTIBLE BONDS

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

Principal terms of the Bonds:

- (i) Denomination of the Bonds – The Bonds are denominated and settled in USD.
- (ii) Maturity date – The third anniversary of the date of issuance of the Bonds, which is 27 July 2021.
- (iii) Interest – The Bonds carry interest at 10% per annum, accrued on a daily basis, of which 3% shall be paid in cash semi-annually in arrears and 7% should be paid in cash upon redemption or maturity.
- (iv) Security – The obligations of Company in respect of the Bonds are secured by the share charge of Comtec Solar (Hong Kong) Limited and Future Energy Capital Group Limited.
- (v) Conversion
 - (a) Conversion price – The initial conversion price is HKD0.174 per share, subject to adjustments.

Upon the completion of the share consolidation on 28 August 2019, the conversion price has been increased to HKD0.696 per share.
 - (b) Conversion period – The bondholder shall have the right, on any business day after the date of issuance until and including the seventh business day immediately preceding the maturity date, to convert the whole or part of the outstanding principal amounts of the Bonds.
 - (c) Number of conversion shares issuable – The number of conversion shares to be issued shall be calculated based on the principal amount of the Bonds being converted and the conversion price applicable on the relevant conversion date. No fraction of a share shall be issued on conversion of the Bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29 CONVERTIBLE BONDS *(continued)*

Principal terms of the Bonds: *(continued)*

The Bonds contain two components: the debt component and the derivative component. The effective interest rate of the debt component is 12.44%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss subsequently.

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

As at 31 December 2022 and 2021, the Bonds of the aggregate principal amount of USD6,000,000 is overdue.

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

	Debt component	Derivative component
	RMB'000	RMB'000
At 1 January 2021	74,460	10,127
Imputed interest	3,293	–
Interest paid	(9,081)	–
Gain on fair value changes	–	(6,268)
Conversion during the year	(29,852)	(4,079)
Exchange difference	(566)	220
At 31 December 2021 and 1 January 2022	38,254	–
Exchange difference	3,533	–
At 31 December 2022	41,787	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30 DEFERRED TAX LIABILITIES

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

Deferred tax liabilities arising from:	Withholding tax on undistributed profits	Fair value adjustment	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021	6,483	5,058	11,541
Credited to profit or loss	–	1,285	1,285
At 31 December 2021 and 1 January 2022	6,483	6,343	12,826
Charge to profit or loss	–	2,452	2,452
At 31 December 2022	6,483	8,795	15,278

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

As at 31 December 2022, deferred tax liabilities were provided for the undistributed profits of certain PRC operating subsidiaries in the amount of RMB65,000,000 (2021: RMB65,000,000), as the Group has determined that the remaining portion of the undistributed profits of those PRC operating subsidiaries will not be distributed in the foreseeable future.

At the end of the reporting period, the Group had unrecognised deductible temporary differences and tax losses in aggregate of approximately RMB849,609,000 (2021: RMB823,628,000). The deductible temporary differences do not expire while the tax losses expire in 5 years since the losses are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 ACQUISITION OF INTEREST IN SUBSIDIARIES WITHOUT CHANGE IN CONTROL

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

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

32 SHARE CAPITAL

	2022		2021	
	No. of shares	HKD'000	No. of shares	HKD'000
Ordinary shares, authorised:				
At 1 January and 31 December	1,900,000,000	7,600	1,900,000,000	7,600
Ordinary shares, issued and fully paid:				
At 1 January	791,709,002	3,167	733,174,710	2,933
Shares issued upon conversion of convertible bonds (note 29)	–	–	45,113,792	180
Shares issued upon exercise of share options (note 33)	–	–	13,420,500	54
At 31 December	791,709,002	3,167	791,709,002	3,167
Presented in RMB:		2022		2021
Ordinary shares		RMB'000		RMB'000
		2,752		2,752

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

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 SHARE-BASED COMPENSATION

Share Option Scheme

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

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

Upon adoption, the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares then in issue, that is, 100,000,000 shares. On 24 December 2015, the scheme mandate limit under the Share Option Scheme was refreshed with a maximum number of 139,186,175 shares, being 10% of the shares in issue as at 24 December 2015.

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

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HKD1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange’s daily quotations sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 SHARE-BASED COMPENSATION *(continued)*

Share Option Scheme *(continued)*

The Share Option Scheme shall be valid and effective for a period of 10 years from 2 October 2009, after which no further options will be granted or offered. The Share Option Scheme expired on 1 October 2019.

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the years ended 31 December 2022 and 2021:

Date of grant	2021					2022				
	At 1 January 2021	Cancelled	Lapsed	At 31 December 2021	Exercise price (HKD)	At 1 January 2022	Cancelled	Lapsed	At 31 December 2022	Exercise price (HKD)
15 June 2018 (a)	5,321,544	-	-	5,321,544	0.604	5,321,544	-	-	5,321,544	0.604
2 May 2017	5,475,000	-	-	5,475,000	1.340	5,475,000	-	-	5,475,000	1.340
9 September 2016	4,500,000	-	-	4,500,000	2.240	4,500,000	-	-	4,500,000	2.240
25 November 2015	10,650,000	-	-	10,650,000	2.944	10,650,000	-	-	10,650,000	2.944
26 June 2015	5,000,000	-	-	5,000,000	6.000	5,000,000	-	-	5,000,000	6.000
31 March 2014	225,000	-	-	225,000	5.544	225,000	-	-	225,000	5.544
30 September 2013	1,005,000	-	-	1,005,000	7.480	1,005,000	-	-	1,005,000	7.480
27 December 2012	1,212,500	-	-	1,212,500	5.048	1,212,500	-	(1,212,500)	-	5.048
28 June 2012	12,500	-	-	12,500	3.920	12,500	-	(12,500)	-	3.920
	33,401,544	-	-	33,401,544		33,401,544	-	(1,225,000)	32,176,544	

All of the above options are fully vested and exercisable as at 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 SHARE-BASED COMPENSATION *(continued)*

New Share Option Scheme

The Company adopted a new share option scheme (the “**New Share Option Scheme**”) on 31 December 2018. The purpose of the New Share Option Scheme is to motivate eligible persons (as mentioned in the following paragraph) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are/or will be beneficial to the performance, growth or success of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions, and/or to provide the Company with a flexible means to remunerate and/or compensate selected participants (including shareholders of the Group who contribute to the Group by enhancing its profile in the investment community and facilitating development of the Company’s non-wholly owned subsidiaries) as the Board may approve from time to time.

The basis of eligibility of any of the class of eligible persons to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group (or any member of the Group).

Eligible persons mean: (a) any executive; (b) any director or proposed director (including an independent non-executive director) of any member of the Group; (c) any direct or indirect shareholder of any member of the Group whom the Board considers, in its sole discretion has contributed or will contribute to the Group; (d) any supplier of goods or services to any member of the Group; (e) any customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; or (g) any other person (including any individual staff member of any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Upon adoption, the maximum number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and other share option schemes of the Company is 209,770,358 shares representing 10% of the issued share capital of the Company as at 31 December 2018.

The subscription price in respect of any option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange’s daily quotations sheet on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 SHARE-BASED COMPENSATION *(continued)*

New Share Option Scheme *(continued)*

Subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time within 10 years after the adoption date to offer the grant of an option to any eligible person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of shares as the Board may determine.

Subject to the terms of the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on its adoption date. Upon the expiry of the New Share Option Scheme as aforesaid, no further options will be offered but the provisions of the New Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Share Option Scheme.

The options granted are at an exercise price of HKD0.28 per share and shall vest in accordance with the timetable below, each with an exercise period commencing from the relevant vesting date and ending 10 years after the relevant vesting date:

Vesting date	Percentage of Share Options to vest
--------------	-------------------------------------

29 May 2019	50% of the total number of share options granted
29 August 2019	12.5% of the total number of share options granted
29 November 2019	12.5% of the total number of share options granted
29 February 2020	12.5% of the total number of share options granted
29 May 2020	12.5% of the total number of share options granted

Set out below are the details of movements of the outstanding options granted under the New Share Option Scheme during the years ended 31 December 2022 and 31 December 2021:

Date of grant	2021			2022		
	At 1 January 2021	Cancelled	Lapsed 31 December 2021	At 1 January 2022	Cancelled	Lapsed 31 December 2022
29 May 2019	22,982,956	-	-	22,982,956	-	-
Exercise price (HKD)	0.280		0.280	0.280		0.280
Exercisable	22,982,956		22,982,956	22,982,956		22,982,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 SHARE-BASED COMPENSATION *(continued)*

New Share Option Scheme *(continued)*

As of the grant date, the fair value of the share options granted on 29 May 2019 was HKD407,000 (equivalent to RMB358,000), HKD1,312,000 (equivalent to RMB1,153,000) and HKD4,200,000 (equivalent to RMB3,692,000) for employees, directors and consultants respectively. The Binomial Option Pricing Model were used to estimate the fair value. Inputs to the model were as follows:

	Employees/ Directors	Consultants
Share price	HKD0.068	HKD0.068
Exercise price	HKD0.070	HKD0.070
Expected volatility	60%	60%
Expected life	10	10
Risk-free interest rate	2.25%	2.25%
Turnover Rate	10%	0%

The risk-free interest rate was based on the interpolated market yield of Hong Kong government bonds with maturity on 27 August 2029 as of the option grant date. Expected volatility was determined by using the historical volatility of the Company's share prices. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

34 MATERIAL RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the years were as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	3,061	3,351
Post-employment benefits	–	–
	3,061	3,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (“**MPF Scheme**”) for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees’ relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2022.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 20% to 24% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

During the year ended 31 December 2022, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB361,000 (2021: RMB662,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

36 PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks to secure the bank borrowing, granted to the Group:

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Bank deposits	20(a)	204	137
Buildings (note)	13(a)	21,223	23,689
Leasehold land (note)	13(c)(i)	8,728	8,918
Plant and machinery	13(c)(iii)	37,165	7,640
Investment properties (note)	13(d)	113,287	127,362
		180,607	167,746

Note:

The pledged assets which included in the mediation arrangement and enforcement notice are included in the amount of leasehold land, buildings and investment properties (see note 24a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Interests in subsidiaries	(i)	39,153	32,190
Current asset			
Prepayment		88	–
Cash and cash equivalents		68	72
		156	72
Current liabilities			
Other payables and accruals		31,954	22,728
Interest-bearing borrowings		3,134	2,869
Convertible bonds		41,787	38,254
		76,875	63,851
Net current liabilities		(76,719)	(63,779)
NET LIABILITIES		(37,566)	(31,589)
CAPITAL AND RESERVES			
Share capital		2,752	2,752
Reserves	(ii)	(40,318)	(34,341)
TOTAL DEFICITS		(37,566)	(31,589)

Notes:

(i) Interests in subsidiaries

	2022 RMB'000	2021 RMB'000
Investment cost in subsidiaries	164,646	164,646
Amounts due to subsidiaries	(125,493)	(132,456)
	39,153	32,190

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes: *(continued)*

(ii) Movements in reserves

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021	1,533,039	120,048	(1,706,597)	(53,510)
Changes in equity:				
Total loss and comprehensive expense for the year	–	–	(17,568)	(17,568)
Share issued upon exercise of share options (note 33)	4,819	(1,861)	–	2,958
Share issued upon conversion of convertible bond (note 29)	33,779	–	–	33,779
Balance at 31 December 2021	1,571,637	118,187	(1,724,165)	(34,341)
Balance at 1 January 2022	1,571,637	118,187	(1,724,165)	(34,341)
Changes in equity:				
Total loss and comprehensive expense for the year	–	–	(5,977)	(5,977)
Balance at 31 December 2022	1,571,637	118,187	(1,730,142)	(40,318)

Approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

John Yi Zhang
Director

Dai Ji
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment and business	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activity
				Direct		Indirect		
				2022	2021	2022	2021	
Comtec Clean Energy Group Limited* 卡姆丹清潔能源集團有限公司	PRC	Contributed	USD150,000,000	-	-	100%	100%	Investment holding and solar related parts, equipment and products
Comtec Renewable Energy Group Limited	Hong Kong	Ordinary	HKD1,158,502	-	-	100%	100%	Investment holding
Comtec Solar International (M) Sdn Bhd	Malaysia	Ordinary	MYR266,600,002	-	-	100%	100%	Trading of solar related parts, equipment and products
Comtec Solar Trading Limited	Hong Kong	Ordinary	HKD2	-	-	100%	100%	Provision of sourcing, invoicing and support services for group companies
Comtec Solar (Cayman) Limited	Cayman Islands	Ordinary	HKD2	100%	100%	-	-	Investment holding
Comtec Solar (Hong Kong) Limited [#]	Hong Kong	Ordinary	USD43,500,000	-	-	100%	100%	Investment holding, provision of sourcing, invoicing and support services for group companies
Comtec Solar (Jiangsu) Co., Limited* 卡姆丹克太陽能(江蘇)有限公司	PRC	Contributed	USD66,500,020	-	-	100%	100%	Manufacturing and sales of solar wafers and related products
Comtec (Asia) Limited	Hong Kong	Ordinary	HKD1,128,840	-	-	51%	51%	Investment holding
Future Energy Capital Group Limited [#]	British Virgin Islands	Ordinary	USD2,715,002	-	-	100%	100%	Investment holding
Jiangyang Comtec Yuanshuo Solar Co., Ltd.* 江陰卡姆丹克元朔光伏有限公司	PRC	Contributed	RMB10,000,000	-	-	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Kexin	PRC	Contributed	RMB55,555,556	-	-	53.1%	53.1%	Research and development, integration and sales of lithium battery management
Shanghai Comtec Solar Technology Co Limited* 上海卡姆丹克太陽能科技有限公司	PRC	Contributed	USD18,500,000	-	-	100%	100%	Manufacturing and sales of solar wafers and related products
Sichuan Sunmell Construction Engineering Co., Ltd* 四川盛森建設工程有限公司	PRC	Contributed	RMB20,000,000	-	-	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Fu Zhou Comtec Solar Electricity Limited 福州卡姆克太陽能電力有限責任公司	PRC	Contributed	RMB10,000,000	-	-	100%	100%	Development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

Note:

(i) The nature of all the legal entities established in PRC is limited liability company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

* For identification purpose only

[#] As disclosed in Note 29, the share charge pursuant to which the company shall charge all the issued shares of Comtec Solar (Hong Kong) Limited and Future Energy Capital Group Limited held by the Company, to and for the benefit of the Convertible Bond holder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of subsidiaries that have non-controlling interests that are material to the Group:

Name of subsidiaries	Place of incorporation	Proportion of ownership interest and voting rights held		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		by non-controlling interest		non-controlling interests		non-controlling interests	
		2022	2021	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Kexin	PRC	46.9%	46.9%	5,277	(7,057)	1,175	(4,102)
Comtec (Asia) Limited	HK	48.95%	48.95%	(161)	(999)	(1,892)	(1,731)

The summarised financial information in respect of each of the Group's subsidiary or group of subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

The following table lists out the information relating to Kexin and Comtec (Asia) Limited, the subsidiaries of the Group which have a material non-controlling interest (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination.

2022

	Comtec (Asia)	
	Kexin RMB'000	Limited RMB'000
Current assets	13,616	2,186
Non-current assets	9,654	–
Current liabilities	(14,184)	(6,050)
Non-current liabilities	(3,070)	–
Net assets (liabilities)	6,016	(3,864)
Equity attributable to owners of the Company	4,841	(1,972)
Non-controlling interests	1,175	(1,892)
Revenue	12,730	–
Expenses	(1,478)	(328)
Profit (loss) for the year	11,252	(328)
Gain (loss) and total comprehensive income (expense) attributable to owners of the Company	5,975	(167)
Gain (loss) and total comprehensive income (expense) attributable to the non-controlling interests	5,277	(161)
Gain (loss) and total comprehensive income (expense) for the year	11,252	(328)
Net cash outflow from operating activities	(360)	–
Net cash inflow from investing activities	40	–
Net cash inflow from financing activities	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

2021

	Kexin RMB'000	Comtec (Asia) Limited RMB'000
Current assets	21,492	2,256
Non-current assets	14,558	–
Current liabilities	(36,252)	(5,792)
Non-current liabilities	(5,034)	–
Net liabilities	(5,236)	(3,536)
Equity attributable to owners of the Company	(1,134)	(1,805)
Non-controlling interests	(4,102)	(1,731)
Revenue	35,926	840
Expenses	(50,972)	(2,881)
Loss for the year	(15,046)	(2,041)
Loss and total comprehensive expense attributable to owners of the Company	(7,989)	(1,042)
Loss and total comprehensive expense attributable to the non-controlling interests	(7,057)	(999)
Loss and total comprehensive expense for the year	(15,046)	(2,041)
Net cash inflow (outflow) from operating activities	633	(9,532)
Net cash (outflow) inflow from investing activities	(142)	8,875
Net cash (outflow) inflow from financing activities	(55)	170

39 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of interest-bearing borrowings as set out in note 24 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and borrowings, balances the Group's overall capital structure through new share issues and raise of new borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	39,069	17,118
Financial liabilities		
Financial liabilities at amortised cost	225,314	363,111

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, other receivables, pledged bank deposits, cash and cash equivalents, trade payables, other payables and accruals, interest-bearing borrowings, considerable payable, loan from shareholders and convertible bonds. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments included market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented

Market risk

(a) Currency risk

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

Details of the Group's pledged bank deposits, bank balances and cash, trade receivables, deposits and other receivables, trade payables, other payables and accruals and interest-bearing borrowings that are denominated in foreign currencies, mainly in Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Malaysian Ringgit ("MYR") as at 31 December 2022 and 2021 are set out in respective notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(a) Currency risk *(continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2022		
	Exposure to foreign currencies		
	USD RMB'000	MYR RMB'000	HKD RMB'000
Trade receivables	–	–	–
Deposits and other receivables	72	952	–
Cash and cash equivalents	161	3	179
Trade payables	(23,767)	–	–
Other payables and accruals	(28,065)	–	(444)
Interest-bearing borrowings	(9,542)	–	(822)
Net exposure arising from recognised assets and liabilities	(61,141)	955	(1,087)

	2021		
	Exposure to foreign currencies		
	USD RMB'000	MYR RMB'000	HKD RMB'000
Trade receivables	107	191	–
Deposits and other receivables	63	952	–
Cash and cash equivalents	1,470	3	1,301
Trade payables	(36,088)	(225)	–
Other payables and accruals	(25,447)	–	(223)
Interest-bearing borrowings	(8,735)	–	(822)
Net exposure arising from recognised assets and liabilities	(68,630)	921	256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(a) **Currency risk** *(continued)*

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) loss after tax and accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) loss after tax and accumulated losses RMB'000
USD	5%	(2,293)	5%	(2,574)
	(5)%	2,293	(5)%	2,574
HKD	5%	(41)	5%	10
	(5)%	41	(5)%	(10)
MYR	5%	-	5%	35
	(5)%	-	(5)%	(35)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate risk profile as monitored by management is set out below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	Notional amount	
	2022	2021
	RMB'000	RMB'000
Fixed rate borrowings:		
Lease liabilities	24,411	9,878
Bank loans	7,510	10,300
Other borrowings	25,035	28,807
	56,956	48,985
Variable rate borrowings:		
Bank loans	–	98,762

(ii) Sensitivity analysis

As at 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by nil (2021: approximately RMB741,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) in respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(c) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 29.

(d) Credit risk

As at 31 December 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on bank balances and deposits is limited because majority of counterparties are banks with high credit-ratings and state-owned banks with good reputation.

The Group has concentration of credit risk as 70% (2021: 55%) and 74% (2021: 56%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 December 2022 and 31 December 2021. These customer have good repayment history and credit quality with reference to the track records according to internal assessment of the Group.

In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by regularly review of the credit evaluation of the financial condition and credit quality of its customers and banks to ensure that prompt actions are taken to lower its exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(d) Credit risk (continued)

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	The counterparty frequently repays after due dates but usually settles after due date	Lifetime ECL – not credit-impaired	12-month ECL
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(d) Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk of the Group's trade receivables which are not credit-impaired and credit-impaired as at 31 December 2022 and 2021:

	Expected loss rate %	2022 Gross carrying amount RMB'000	Loss allowance RMB'000
Not credit-impaired			
Not past due	–	5,226	–
1-30 days past due	4.60%	675	31
31-60 days past due	22.64%	45	10
61-90 days past due	69.10%	69	47
91-180 days past due	78.42%	215	169
More than 180 days past due	100%	9,313	9,313
		15,543	9,570
Credit-impaired	100%	23,044	23,044
		38,587	32,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(d) Credit risk (continued)

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

	Expected loss rate %	2021 Gross carrying amount RMB'000	Loss allowance RMB'000
Not credit-impaired			
Not past due	27.88%	1,413	394
1-30 days past due	41.92%	260	109
31-60 days past due	49.81%	269	134
61-90 days past due	53.49%	3,421	1,830
91-180 days past due	69.16%	441	305
More than 180 days past due	86.89%	33,974	29,520
		39,778	32,292
Credit-impaired	100%	23,544	23,544
		63,322	55,836

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, management accounts and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(d) Credit risk *(continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Balance at 1 January 2022	32,292	23,544	55,836
Impairment losses recognised during the year	(22,722)	(500)	(23,222)
Balance at 31 December 2022	9,570	23,044	32,614

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Balance at 1 January 2021	11,869	23,544	35,413
Impairment losses recognised during the year	20,423	–	20,423
Balance at 31 December 2021	32,292	23,544	55,836

The Group measures the loss allowance for other receivables at an amount equal to 12-month ECL or lifetime ECL. The Group recognised ECL for other receivables based on the internal credit rating of receivables as follows:

At 31 December 2022	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Performing	11.57%	10,348	1,197
Default receivable	–	–	–
		10,348	1,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(d) Credit risk *(continued)*

At 31 December 2021	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Performing	46.29%	4,792	2,218
Default receivable	–	–	–
		4,792	2,218

The movement in the loss allowance for other receivables is set out below:

	2022 RMB'000	2021 RMB'000
At 1 January	2,218	–
Loss allowance recognised in profit or loss	(1,021)	2,218
At 31 December	1,197	2,218

(e) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(e) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2022					Carrying amount at 31 December RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade payables	50,132	-	-	-	50,132	50,132
Other payables and accruals	90,959	-	-	-	90,959	90,959
Short-term interest-bearing borrowings	31,201	-	-	-	31,201	27,845
Long-term interest-bearing borrowings	-	5,033	-	-	5,033	4,700
Loan from shareholders	5,977	-	-	-	5,977	4,761
Consideration payable	5,130	-	-	-	5,130	5,130
Convertible bonds	41,787	-	-	-	41,787	41,787
	225,186	5,033	-	-	230,219	225,314
Lease liabilities	6,153	8,796	15,169	-	30,118	24,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(e) Liquidity risk *(continued)*

	2021					Carrying amount at 31 December RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade payables	66,759	-	-	-	66,759	66,759
Other payables and accruals	97,430	-	-	-	97,430	97,430
Short-term interest-bearing borrowings	159,568	-	-	-	159,568	130,369
Long-term interest-bearing borrowings	-	3,328	5,033	-	8,361	7,500
Loan from shareholders	21,529	-	-	-	21,529	17,669
Consideration payable	5,130	-	-	-	5,130	5,130
Convertible bonds	38,254	-	-	-	38,254	38,254
	388,670	3,328	5,033	-	397,031	363,111
Lease liabilities	2,903	2,532	5,801	1,195	12,431	9,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(continued)*

The Group engaged an independent valuer to perform valuations for the derivative component embedded in convertible bonds which is categorised into Level 3 of the fair value hierarchy. A valuation report is prepared by the valuer at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into			Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
<i>Assets:</i>								
Investment properties located in Shanghai	68,194	-	-	68,194	92,078	-	-	92,078
Investment properties located in Jiangsu	45,093	-	-	45,093	35,284	-	-	35,284
	113,287	-	-	113,287	127,362	-	-	127,362
<i>Liabilities:</i>								
Convertible bonds – derivative component	-	-	-	-	-	-	-	-

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Convertible bonds – derivative component	Binomial option pricing mode	Expected volatility

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40 FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(continued)*

The fair value of derivative component embedded in the convertible bonds is determined using the Binomial option pricing model with parameters including effective interest rate, risk-free rate and volatility.

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

	2022 RMB'000	2021 RMB'000
Convertible bonds – derivative component		
At 1 January	–	10,127
Exchange realignment	–	220
Conversion during the year	–	(4,079)
Changes in fair value recognised in profit or loss during the year	–	(6,268)
At 31 December	–	–

The gains arising from the remeasurement of the derivative component embedded in the convertible bonds is presented in the “Other net gains (losses)” line item in the consolidated statement of profit or loss.

41 LITIGATION

On 27 April 2022, the Company received a writ of summons issued in the High Court of the Hong Kong Special Administrative Region Court of First Instance by the solicitors acting for Putana Limited, as the plaintiff (the “Plaintiff”), against the Company for the sum approximately of US\$513,000 (equivalent to RMB3,271,000) of the remained outstanding other borrowings as at 14 December 2020, being money payable by the Company to the Plaintiff for other borrowings by the Plaintiff for the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42 EVENT AFTER REPORTING PERIOD

On 30 December 2022, the Company issued circular in connection with the disposal of certain properties pursuant to a sale and purchase agreement dated on 1 June 2022, and notice the extraordinary general meeting (the “EGM”) will be held for the shareholders to approve the Sale and Purchase Agreement and the transactions. So, during the year, the carrying amount of investment properties of RMB85,456,000 was classified as held for sale. The directors of the Company are expected assets classified as held for sale to be sold within twelve months upon the shareholder approval.

On 29 March 2023, the Group announced that the EGM will be rescheduled from 30 March 2023 to 28 April 2023 for approval of the Sale and Purchase Agreement and the transactions.

43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Effective for accounting periods beginning on or after
Amendments to IFRS 1, <i>Classification of Liabilities as Current or Non-current and the Related Amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>	1 January 2023
Amendments to IFRS 1 and IFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to IAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
IFRS 17, <i>Insurance Contracts and related Amendments</i>	1 January 2023
Amendment to IFRS 17, <i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>	1 January 2023
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture</i>	Not yet been determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

PARTICULARS OF INVESTMENT PROPERTIES

For the year ended 31 December 2022

Particulars of investment properties held by the Group as at 31 December 2022 are as follows:

Name/location	Approximate gross floor area	Lease expiry	Type	Effective % held
The PRC				
16 Yuan Di Road Nanhui Industrial Zone Shanghai, the PRC	4,400 square meter	2056	Industrial	100%
906 Yuan Zhong Road Nanhui Industrial Zone Shanghai, the PRC	15,800 square meter	2058	Industrial	100%
No.12, Donghai Avenue (East), Chengdong Town, Haian City, Jiangsu, the PRC	17,392 square meter	2060	Non-resident	100%

FIVE YEARS SUMMARY

Results	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Turnover	37,140	54,829	55,015	93,037	172,617
Loss before interest expenses and taxation	(34,174)	(29,965)	(47,152)	(104,691)	(175,645)
Interest expense	(14,017)	(29,950)	(23,770)	(24,856)	(23,849)
Loss before taxation	(48,191)	(59,915)	(70,922)	(129,547)	(199,494)
Taxation	(2,498)	(1,337)	4,087	889	12,912
Loss and total comprehensive expense for the year	(50,689)	(61,252)	(66,835)	(128,658)	(186,582)
Loss and total comprehensive expense for the year attributable to					
Owners of the Company	(55,805)	(53,196)	(65,704)	(122,060)	(179,882)
Non-controlling interests	5,116	(8,056)	(1,131)	(6,598)	(6,700)
	(50,689)	(61,252)	(66,835)	(128,658)	(186,582)
Assets and liabilities	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	302,946	291,889	384,339	405,961	544,841
Total liabilities	(467,099)	(405,353)	(473,484)	(437,857)	(487,129)
Shareholders' funds	(164,153)	(113,464)	(89,145)	(31,896)	57,712
Attributable to					
Owners of the Company	(163,436)	(107,631)	(87,024)	(30,906)	54,881
Non-controlling interests	(717)	(5,833)	(2,121)	(990)	2,831
	(164,153)	(113,464)	(89,145)	(31,896)	57,712

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“1111”	1111 Limited, a company incorporated under the laws of Hong Kong
“Board” or “Board of Directors”	the board of Directors
“Company”	Comtec Solar Systems Group Limited
“Comtec Clean Energy”	Comtec Clean Energy Group Limited* (卡姆丹克清潔能源有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Comtec Renewable Energy”	Comtec Renewable Energy Group Limited (formerly known as Joy Boy HK Limited), a company incorporated under the laws of Hong Kong
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of US\$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Directors(s)”	the director(s) of the Company
“Fonty”	Fonty Holdings Limited, a company incorporated under the laws of the British Virgin Islands
“Future Energy Capital”	Future Energy Capital Group Limited, a company incorporated under the laws of the British Virgin Islands
“Global Offering” or “IPO”	the listing of the Shares on the Stock Exchange on 30 October 2009
“Group”	the Company and its subsidiaries
“HK\$ ” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Kexin”	Zhejiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Latest Practicable Date”	28 April 2023, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report
“Listing Date”	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
“Mr. Zhang” or “Mr. John Yi Zhang”	Mr. John Yi Zhang, an executive Director and the chairman of the Board
“MW”	megawatt, which equals 106 Watt
“NDRC”	the National Development and Reform Commission of the PRC
“Year”	the year ended 31 December 2022
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 19 October 2009
“PV”	Photovoltaic
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	Ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Share Consolidation”	the share consolidation of every four issued and unissued Unconsolidated Shares into one (1) Share
“Shareholder(s)”	Shareholder(s) of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Unconsolidated Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company prior to the Company’s share consolidation which took effect on 28 August 2019
“USD”	United States dollars, the lawful currency of the United States of America
“*”	For identification only
“%”	per cent