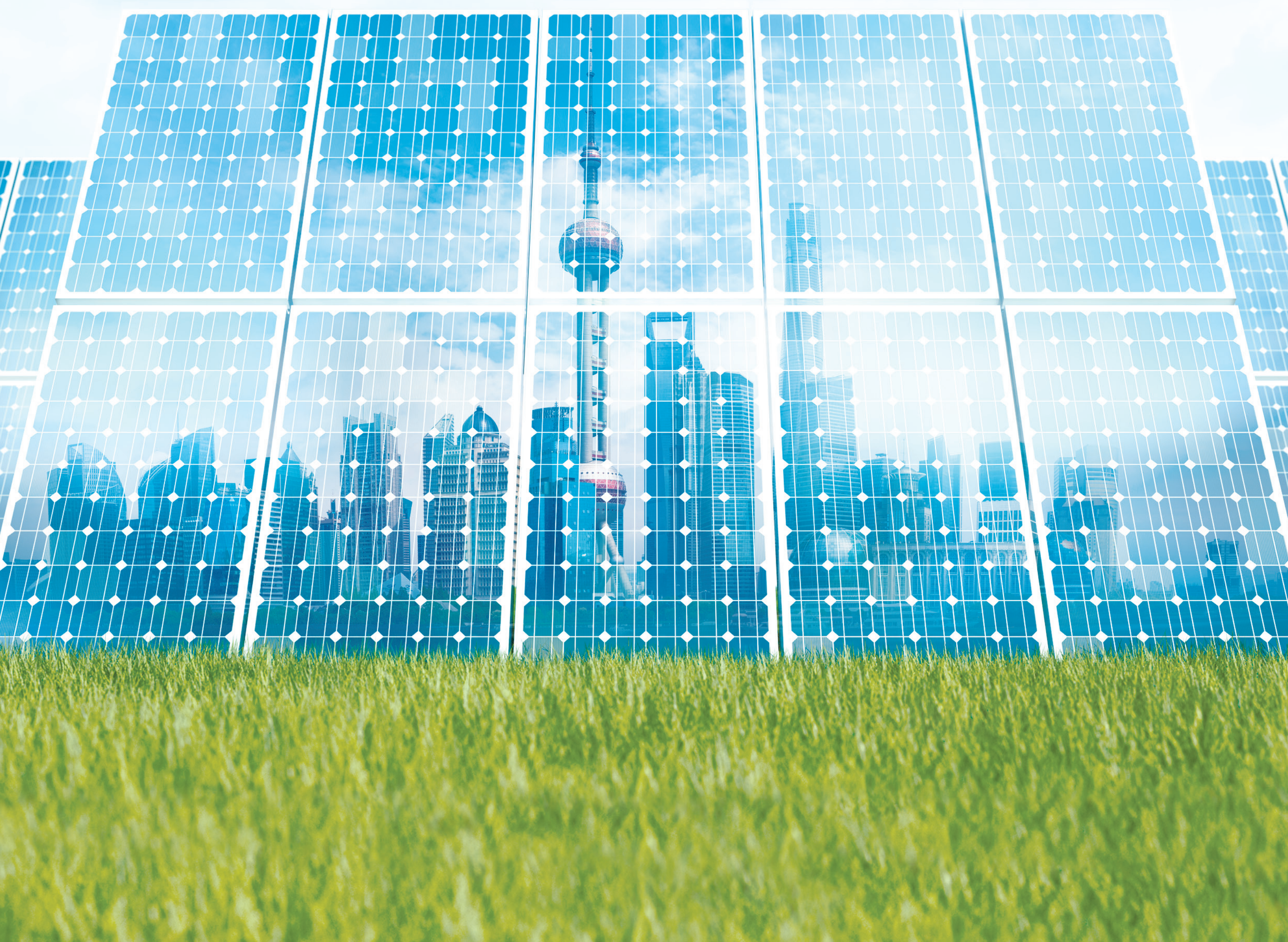
卡姆丹克太陽能系統集團有限公司

Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 712

2019 ANNUAL REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. John Yi Zhang *(Chairman)*
Mr. Zhang Zhen

Non-executive Director

Mr. Dai Ji
Mr. Qiao Fenglin

Independent non-executive Directors

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang
Mr. Chau Kwok Keung

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

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

16 Yuan Di Road
Nanhui Industrial Zone
Shanghai 201314
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.comtecsolar.com

CORPORATE INFORMATION

AUDITOR

Mazars CPA Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners
In Association with
Morgan, Lewis & Bockius

PRINCIPAL BANKS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the audited annual results of the Group for the Period. Here are some financial and business highlights for the year:

- Revenue for the Period was approximately RMB93.0 million, representing a year-on-year decrease of 46.1% from approximately RMB172.6 million for the year ended 31 December 2018;
- Gross loss for the Period was approximately RMB1.2 million, representing a year-on-year decrease of 78.2%, from approximately RMB5.5 million for year ended 31 December 2018;
- Gross loss margin for the Period was approximately 1.3%, comparing to gross loss margin of 3.2% for the year ended 31 December 2018;
- Net losses attributable to the owners of the Company for the Period was approximately RMB122.1 million, representing a year-on-year decrease of approximately 32.1%, from approximately RMB179.9 million for the year ended 31 December 2018;
- Net losses margin attributable to the owners of the Company for the Period was approximately 131.3%, comparing to net loss margin of 104.2% for the year ended 31 December 2018;
- Our loss per share for the year was RMB21.56 cents, comparing to the adjusted loss per share of 34.3 cents for the year ended 31 December 2018; and
- Achieved net cash inflow from operating activities of approximately RMB15.4 million and maintained cash and restricted cash balances of approximately RMB25.7 million.

Certain policies issued by the Chinese government in 2018 still caused disruptions in the solar industry. Such policies are expected to continue to reduce feed-in-tariffs in China. It negatively impacted the industry demand and selling price of upstream products. However, despite the short-term impacts caused by the new solar PV policies issued by the Chinese government, we still remain confident in the long-term sustainable growth of the industry as solar PV is becoming increasingly cost competitive. We proactively execute various strategies to navigate this challenging period in the industry.

CHAIRMAN'S STATEMENT

In order to enhance our profit amounts and profitability, the Group made continuous efforts to develop our downstream solar businesses which specifically focused on rooftop distributed generation projects on industrial and commercial buildings. As at 31 December, 2019, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 16.7 MW which are mainly located in the regions of Jiangsu, Guangdong, Fujian, and Tianjin. The Group plans to gradually sell these completed projects to institutional investors to realize the revenues and profits from development, construction and investment of these projects. As at 31 December 2019, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 6.0 MW in aggregate, and concurrently we are exploring with certain institutional investors the possibility of selling the remaining completed projects to them. This will be one of the major sources of our revenues if the proposed sales come into fruition in the future. In additions, we provide engineering, purchasing and construction ("EPC") services for downstream rooftop distributed generation projects to customers. We have completed projects of approximately 1.5 MW during the Period and the projects under construction were approximately 3.3 MW which were expected to be completed in the first half of 2020.

In addition, we have started certain projects of approximately 19.0 MW for which we have completed initial designs, roof load assessments, execution of power purchase agreements and roof lease agreements, applications for grid connection permits as well as NDRC filings. Such projects are ready for constructions to commence. We have also started other projects of approximately 21.8 MW which, subject to administrative procedures such as applications for grid connection permits and NDRC filings, are ready for constructions to commence in a few months' time. These to-build projects are mainly located in the regions of Zhejiang, Jiangsu, Shandong, Anhui, Fujian, Tianjin, Hebei, Henan, Hubei, and Hunan. We plan to sell those project companies holding the aforesaid to-build projects to various institutional investors subject to us being their main contractor in completing of these projects. In providing our services, we will charge all project costs plus our service fees covering: (1) project development, (2) EPC management and (3) project management of such projects. The purchasers of the to-build projects holding companies should pay us in several instalments depending on construction progress milestones. This can provide our cash flow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future.

The Company also successfully completed construction of a solar power rooftop distributed generation project in Tianjin in June 2019. Pursuant to an electricity supply agreement entered into by, amongst others, Tianjin Comtec and Tianjin Shell, the solar power generation station was constructed by Tianjin Comtec to supply Tianjin Shell with solar power electricity for a term of 20 years. The solar power generation station was constructed on a roof covering an area of approximately 21,129 square meters and its scale is approximately 1.1 MW. In October 2019, the Company also successfully completed construction of a solar power rooftop distributed generation project in Zhuhai. Pursuant to an electricity supply agreement entered into by, amongst others, Zhuhai Comtec and Zhuhai Shell, the solar power generation station was constructed by Zhuhai Comtec to supply Zhuhai Shell with solar power electricity for a term of 20 years. The solar power generation station was constructed on a roof covering an area of approximately 23,738 square meters and its scale is approximately 1.4 MW.

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

CHAIRMAN'S STATEMENT

On 17 June 2019 (after trading hours), Comtec Windpark Renewable entered into a share purchase agreement with The9 and 1111 in relation to the transfer of 9.9% equity interest in Kexin. Pursuant to the said share purchase agreement, The9 and 1111 collectively agreed to purchase the entire issued share capital of Comtec Solar China, which directly owned 9.9% of the registered capital and equity interest in Kexin, at a consideration of RMB9.8 million, which shall be satisfied by allotment and issue of 3,444,882 Class A ordinary shares in the capital of The9 to the Company at the issue price of approximately US$0.41 per ordinary share. The9 is an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY". The9 is principally engaged in the development and operation of online games and internet and website related businesses in the PRC and currently committed to investing in electric vehicle businesses. Please refer to the announcement of the Company dated 17 June 2019 for further details.

We expect the developments and growth prospects of the electric vehicle industry and the power storage industry to drive the growth and profitability of Kexin in the future. We have noted material increases in enterprise value of Kexin after our acquisition of its equity interests in 2017.

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

During the Period, we continued to reduce our fixed costs of operation and our fixed assets in the manufacturing business segment. We also actively looked for opportunities to out-source production procedures to third party processing agents whenever it is in our commercial interests. We believe outsourcing our production procedures would be more cost effective when there are excess production capacities in the market. Where appropriate, we reduce employee head counts and dispose of fixed assets which were low in utilization. We also rented out certain idle spaces in our factories and intend to continue doing the same. We are also considering disposing of our factories in Shanghai and Haian, if we receive an attractive offer from any potential buyer. We have continued to execute comprehensive strategies to improve our operating efficiencies so as to remain flexible and enable us to rapidly adapt our business to the challenging industry environment. We plan to further reduce the scale of our remaining upstream manufacturing business which recorded operating losses in the last few years.

During the Period, we were free from the impact of long-term purchase agreements for polysilicon which led to substantial amount of losses of the Group in the last few years. This would give the Group more flexibility in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials. In addition, we have concluded a re-negotiation with a long-term supplier in December 2018 which enabled us to substantially realize our remaining amounts of prepayments made to that supplier in previous years. An amount of approximately US$5.1 million has been offset with the full amount of our purchase of polysilicons from the supplier throughout the first quarter of 2019.

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hong, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 Unconsolidated Shares at subscription price of HK$0.055 per share to each of Sun Winning Limited and Mr. Hong. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share, all of the net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 Unconsolidated Shares at subscription price of HK$0.055 per share to Mr. Dai Ji. The subscription was completed on 19 August 2019 with the 270,000,000 Unconsolidated Shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per Unconsolidated Share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, all of the net proceeds have been used for the Group's development, construction and investment of downstream projects. Please refer to the announcement of the Company dated 20 June 2019 for further details.

On 5 July 2019 (after trading hours), the Board announced that it proposed to implement the Share Consolidation on the basis that every four issued and unissued then existing shares with a par value of HK$0.001 each will be consolidated into one consolidated share with a par value of HK$0.004 each. The Board also proposed to change the board lot size for trading on the Stock Exchange from 2,000 then existing shares to 10,000 consolidated shares. It is expected to bring about a corresponding upward adjustment in trading price per consolidated share on the Stock Exchange and increase the trading value of each board lot. The Board was also of the view that it would enhance the Company's corporate image and therefore attract investors to invest in the Company which is beneficial to both the Company and the Shareholders. Also, such proposed changes would allow the Company to comply with the relevant Listing Rules. The Share Consolidation became effective on 28 August 2019. Please refer to the announcements of the Company dated 5 July 2019 and 26 August 2019, and the circular of the Company dated 9 August 2019 for further details.

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscription shares at subscription price of HK$0.1 per share to Mr. Sun Da. The subscription was completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK$10.3 million which represented a net subscription price of approximately HK$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this report, an amount of approximately RMB5.2 million has been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position has further improved after the closing of the subscriptions. In addition, we implemented and will continue to implement a balanced financing plan to support our business operations.

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

John Yi Zhang
Chairman

Shanghai, 15 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group was still under a process to restructure its business. We plan to embark on new business initiatives, including the downstream solar businesses which specifically focus on rooftop distributed generation projects in industrial, commercial and residential buildings as well as its lithium batteries systems businesses for electric vehicles and power storage customers. In additions, we plan to further reduce the scale of our remaining upstream manufacturing business which recorded operating losses in the last few years.

Certain policies issued by the Chinese government in 2018 still caused disruptions in the solar industry. Such policies are expected to continue to reduce feed-in-tariffs in China. It negatively impacted the industry demand and selling price of upstream products. However, despite the short-term impacts caused by the new solar PV policies issued by the Chinese government, we still remain confident in the long-term sustainable growth of the industry as solar PV is becoming increasingly cost competitive. We proactively execute various strategies to navigate this challenging period in the industry.

In order to enhance our profit amounts and profitability, the Group made continuous efforts to develop our downstream solar businesses which specifically focused on rooftop distributed generation projects on industrial and commercial buildings. As at 31 December 2019, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 16.7 MW which are mainly located in the regions of Jiangsu, Guangdong, Fujian, and Tianjin. The Group plans to gradually sell these completed projects to institutional investors to realize the revenues and profits from development, construction and investment of these projects. As at 31 December 2019, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 6.0 MW in aggregate, and concurrently we are exploring with certain institutional investors the possibility of selling the remaining completed projects to them. This will be one of the major sources of our revenues if the proposed sales come into fruition in future. In additions, we provide EPC services for downstream rooftop distributed generation projects to customers. We have completed projects of approximately 1.5 MW during the Period and the projects under construction were expected to be approximately 3.3 MW which were completed in first half of 2020.

In addition, we have started certain projects of approximately 19.0 MW for which we have completed initial designs, roof load assessments, execution of power purchase agreements and roof lease agreements, applications for grid connection permits as well as NDRC filings. Such projects are ready for constructions to commence. We have also started other projects of approximately 21.8 MW which, subject to administrative procedures such as applications for grid connection permits and NDRC filings, are ready for constructions to commence in a few months' time. These to-build projects are mainly located in the regions of Zhejiang, Jiangsu, Shandong, Anhui, Fujian, Tianjin, Hebei, Henan, Hubei, and Hunan. We plan to sell those project companies holding the aforesaid to-build projects to various institutional investors subject to us being their main contractor in completing of these projects. In providing our services, we will charge all project costs plus our service fees covering: (1) project development, (2) EPC management and (3) project management of such projects. The purchasers of the to-build projects holding companies should pay us in several instalments depending on construction progress milestones. This can provide our cash flow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future.

The Company also successfully completed construction of a solar power rooftop distributed generation project in Tianjin in June 2019. Pursuant to an electricity supply agreement entered into by, amongst others, Tianjin Comtec and Tianjin Shell, the solar power generation station was constructed by Tianjin Comtec to supply Tianjin Shell with solar power electricity for a term of 20 years. The solar power generation station was constructed on a roof covering an area of approximately 21,129 square meters and its scale is approximately 1.1 MW. In October 2019, the Company also successfully completed construction of a solar power rooftop distributed generation project in Zhuhai. Pursuant to an electricity supply agreement entered into by, amongst others, Zhuhai Comtec and Zhuhai Shell, the solar power generation station was constructed by Zhuhai Comtec to supply Zhuhai Shell with solar power electricity for a term of 20 years. The solar power generation station was constructed on a roof covering an area of approximately 23,738 square meters and its scale is approximately 1.4 MW.

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

On 17 June 2019 (after trading hours), Comtec Windpark Renewable entered into a share purchase agreement with The9 and 1111 in relation to the transfer of 9.9% equity interest in Kexin. Pursuant to the said share purchase agreement, The9 and 1111 collectively agreed to purchase the entire issued share capital of Comtec Solar China, which directly owned 9.9% of the registered capital and equity interest in Kexin, at a consideration of RMB9.8 million, which shall be satisfied by allotment and issue of 3,444,882 Class A ordinary shares in the capital of The9 to the Company at the issue price of approximately US$0.41 per ordinary share. The9 is an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the under NASDAQ trading symbol "NCTY". The9 is principally engaged in the development and operation of online games and internet and website related businesses in the PRC and currently committed to investing in electric vehicle businesses. Please refer to the announcement of the Company dated 17 June 2019 for further details.

We expect the developments and growth prospects of the electric vehicle industry and the power storage industry to drive the growth and profitability of Kexin in the future. We have noted material increases in enterprise value of Kexin after our acquisition of its equity interests in 2017.

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

During the Period, we continued to reduce our fixed costs of operation and our fixed assets in the manufacturing business segment. We also actively looked for opportunities to out-source production procedures to third party processing agents whenever it is in our commercial interests. We believe outsourcing our production procedures would be more cost effective when there are excess production capacities in the market. Where appropriate, we may reduce employee head counts and dispose of fixed assets which were low in utilization. We also rented out certain idle spaces in our factories and intend to continue doing the same. We are also considering disposing of our factories in Shanghai and Haian, if we receive an attractive offer from any potential buyer. We have continued to execute comprehensive strategies to improve our operating efficiencies so as to remain flexible and enable us to rapidly adapt our business to the challenging industry environment.

During the Period, we were free from the impact of long-term purchase agreements for polysilicon which led to substantial amount of losses of the Group in the last few years. This would give the Group more flexibility in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials. In addition, we have concluded a re-negotiation with a long-term supplier in December 2018 which enabled us to substantially realize our remaining amounts of prepayments made to that supplier in previous years. An amount of approximately US$5.1 million has been offset with the full amount of our purchase of polysilicons from the supplier throughout the first quarter of 2019.

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hong, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 Unconsolidated Shares at subscription price of HK$0.055 per share to each of Sun Winning Limited and Mr. Hong. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share, all of the net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 Unconsolidated Shares at subscription price of HK$0.055 per share to Mr. Dai Ji. The subscription was completed on 19 August 2019 with the 270,000,000 Unconsolidated Shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per Unconsolidated Share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, all of net proceeds have been used for the Group's development, construction and investment of downstream projects. Please refer to the announcement of the Company dated 20 June 2019 for further details.

On 5 July 2019 (after trading hours), the Board announced that it proposed to implement the Share Consolidation on the basis that every four issued and unissued then existing shares with a par value of HK$0.001 each will be consolidated into one consolidated share with a par value of HK$0.004 each. The Board also proposed to change the board lot size for trading on the Stock Exchange from 2,000 then existing shares to 10,000 consolidated shares. It is expected to bring about a corresponding upward adjustment in trading price per consolidated share on the Stock Exchange and increase the trading value of each board lot. The Board was also of the view that it would enhance the Company's corporate image and therefore attract investors to invest in the Company which is beneficial to both the Company and the Shareholders. Also, such proposed changes would allow the Company to comply with the relevant Listing Rules. The Share Consolidation became effective on 28 August 2019. Please refer to the announcements of the Company dated 5 July 2019 and 26 August 2019, and the circular of the Company dated 9 August 2019 for further details.

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscription shares at subscription price of HK$0.1 per share to Mr. Sun Da. The subscription was completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK$10.3 million which represented a net subscription price of approximately HK$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this report, an amount of approximately RMB5.2 million has been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position has further improved after the closing of the subscriptions. In addition, we implemented and will continue to implement a balanced financing plan to support our business operation.

Revenues from our top five customers during the Period represented approximately 45.2% of our total revenues, compared to approximately 66.2% for the year ended 31 December 2018. The sales to our largest customer accounted for approximately 12.4% of our total revenues in the Period, as compared to approximately 33.6% for the year ended 31 December 2018.

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

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB79.6 million, or 46.1%, from RMB172.6 million for the year ended 31 December 2018 to RMB93.0 million for the year ended 31 December 2019, primarily as a result of the decrease in both selling price and sales volume of our upstream solar wafers and ingots as well as the decrease of revenue from lithium batteries and power storage system business, although such decrease was partially mitigated by the increase in revenue from our sales of polysilicon as well as the revenue from our downstream solar business. During the Period, impacts from excess production capacity in the market and negative government policies continued. This industry environment created uncertainties in the domestic solar market and negatively impacted industry demand and selling price of upstream products.

Revenue from sales of wafers decreased by RMB55.0 million, or 93.5%, from RMB58.8 million for the year ended 31 December 2018 to RMB3.8 million for the year ended 31 December 2019. It was primarily the result of the decrease in both sales volume and average selling price of 156 mm x 156 mm monocrystalline solar wafers by approximately 86.5% and 51.4%, respectively, as compared to their respective sales for the year ended 31 December 2018.

Revenue from sales of ingots decreased by RMB20.4 million, or 89.9%, from RMB22.7 million for the year ended 31 December 2018 to RMB2.3 million for the year ended 31 December 2019, mainly due to the decrease of sales volume by approximately 81.4% and the decrease of average selling price by approximately 50.0%. During the year, we mainly sold the ingots to a China based customer.

We continued to reduce the scale of our remaining upstream manufacturing business which recorded operating losses in last few years. Where appropriate, we reduced employee head counts and disposed of fixed assets which were low in utilization. We also rented out certain idle spaces in our factories and intended to continue doing the same. We are also considering disposing of our factories in Shanghai and Haian, if we receive an attractive offer from any potential buyer. All of these strategies were with the purposes to improve our operating efficiencies and to reduce the operating losses from upstream manufacturing business so as to remain flexible and enable us to rapidly adapt our business to the challenging industry environment.

Revenue from trading of solar cells and modules were approximately RMB1.6 million for the year ended 31 December 2019, decreased by approximately RMB3.0 million, or 65.2%, respectively, from RMB4.6 million for the year ended 31 December 2018. The decrease was mainly due to our strategy to minimize exposures to trading solar commodities during volatile market environments.

Revenue from our downstream solar business mainly included EPC management service income, solar project development service income and power generation income. Such incomes increased by approximately RMB3.3 million, or 20.9%, from RMB15.8 million for the year ended 31 December 2018 to RMB19.1 million for the year ended 31 December 2019. Such revenues increases were mainly due to our continuous efforts and progress on project developments during the Period. The developed projects can be sold to long term institutional investors at any stage even after completion of grid connections in the future. As at 31 December 2019, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 16.7 MW which are mainly located in the regions of Jiangsu, Guangdong, Fujian, and Tianjin. The Group plans to gradually sell these completed projects to institutional investors to realize the revenues and profits from development, construction and investment of these projects. As at 31 December 2019, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 6.0 MW in aggregate, and concurrently we are exploring with certain institutional investors the possibility of selling the remaining completed projects to them. This will be one of the major sources of our revenues if the proposed sales come into fruition in the future. In additions, we provide EPC services for downstream rooftop distributed generation projects to customers. We have completed projects of approximately 1.5 MW during the year ended 31 December 2019. In addition, we have started certain projects of approximately 19.0 MW which we have completed initial designs, roof load assessments, execution of power purchase agreements and roof lease agreements, applications for grid connection permits as well as NDRC filings. Such projects are ready for constructions to commence. We have also started other projects of approximately 21.8 MW which, subject to administrative procedures such as applications for grid connection permits and NDRC filings, are ready for constructions to commence in few months' time. These to-build projects are mainly located in the regions of Zhejiang, Jiangsu, Shandong, Anhui, Fujian, Tianjin, Hebei, Henan, Hubei, and Hunan. We plan to sell those project companies holding the aforesaid to-build projects to various institutional investors subject to us being their main contractor in completion of these projects. In providing our services, we will charge all project costs plus our service fees covering: (1) project development, (2) the EPC management and (3) project management of such projects. The purchasers of the to-build projects holding companies should pay us in several instalments depending on construction progress milestones. This can provide our cashflow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future.

Our lithium batteries and power storage system business was acquired in October 2017. It mainly engages in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. It recorded revenue of approximately RMB28.6 million for the year ended 31 December 2019, decrease of approximately 56.4%, from RMB65.6 million for the year ended 31 December 2018. We noted that customers requested extended payment terms during the Period. To avoid negative impacts to the working capital of the Group, the management controlled the sales volume of this business segment during the Period.

The decreases of revenue were partially mitigated by the increase in revenue from sales of polysilicon during the Period. Revenue from sales of polysilicon increased by RMB30.3 million, or 658.7%, from RMB4.6 million for the year ended 31 December 2018 to RMB34.9 million for the year ended 31 December 2019. We concluded a re-negotiation with a long term-supplier in December 2018 which enable us to substantially realize the remaining amounts of our prepayments made to that supplier in previous years. We can offset the full amount of our purchase of polysilicon from the supplier against our remaining amounts of prepayments. Thus, we have increased the purchase volume and sell the polysilicons to our customers for cash.

Revenue by geographical market

In relation to the geographical analysis of our revenue, approximately 97.1% (year ended 31 December 2018: 92.9%) of total revenue for the year was generated from our sales in China. The remaining portion was mainly generated from our sales to Malaysia-based customers.

Cost of sales and services

Cost of sales and services decreased by RMB83.9 million, or 47.1%, from RMB178.1 million for the year ended 31 December 2018 to RMB94.2 million for the year ended 31 December 2019, which was in line with the decrease of revenue during the year. The decrease in cost of sales and services was primarily the result of the decrease in sales volume of our upstream solar businesses, including sales of wafers, ingots and trading of solar cells and modules which also resulted in decrease in total revenue of approximately RMB79.6 million, or 46.1%, during the year. The industry landscape for upstream solar manufacturing business was still challenging during 2019 and the new policies issued by the Chinese government announced in 2018 have negatively impacted industry demand and selling price of upstream products. The Group also paid continuous efforts to reduce costs of sales and to improve our cost effectiveness.

Inventory provision of approximately RMB2.8 million was recorded for the year ended 31 December 2019 and was included in the cost of sales and services. Overall, the year-on-year decrease in costs of sales and services of approximately 47.1% was similar to the year-on-year decrease in revenue of approximately 46.1%.

Gross (loss)/profit

The Group recorded gross loss of approximately RMB1.2 million for the year ended 31 December 2019, representing a decrease of approximately 78.2% from the gross losses of approximately RMB5.5 million for the year ended 31 December 2018. It was primarily due to the aforementioned factors.

Other income

Other income for the year ended 31 December 2019 was approximately RMB10.6 million, representing a decrease of approximately RMB3.8 million, or 26.4%, from RMB14.4 million for the year ended 31 December 2018, which was mainly due to the decrease in government subsidy incomes received in 2019.

Other gains and losses

Other losses were approximately RMB41.1 million during the year ended 31 December 2019, representing a decrease by approximately RMB23.0 million or 35.9% from other losses of approximately RMB64.1 million for the year ended 31 December 2018. For the year ended 31 December 2019, the other losses mainly included: the impairment on goodwill of approximately RMB 63.1 million while it was partially mitigated by (i) gain on disposal of property, plant and equipment of approximately RMB9.4 million; (ii) gain on fair value changes of the embedded derivatives of approximately RMB7.4 million; and (iii) gain on fair value changes of the contingent consideration payables of approximately RMB5.9 million. Other losses for the year ended 31 December 2018 mainly included: (i) impairments on goodwill and intangible assets of approximately RMB87.7 million; (ii) impairment on advance to a supplier of approximately RMB8.9 million; and (iii) net foreign exchange losses of approximately RMB 8.8 million which was partially offset by the gain realized in respect of contingent consideration payables and its fair value changes of approximately RMB46.1 million.

Impairments on goodwill

The impairment on goodwill of approximately RMB63.1 million for the year ended 31 December 2019 mainly included the impairments on the goodwill arising from the acquisitions of Comtec Renewable Energy (formerly known as Joy Boy HK Limited) of approximately RMB60.3 million and the impairments on the goodwill arising from the acquisitions of Kexin of approximately RMB2.8 million.

For the purposes of impairment testing, the net carrying amount of the goodwill has been allocated to the cash-generating units ("CGU") relating to: (i) the photovoltaic power stations CGU arising from the acquisition of Comtec Renewable Energy; and (ii) the power storage CGU arising from the acquisition of Kexin.

The Group has engaged an independent professional valuer to assess the recoverable amounts of the goodwill as at 31 December 2019. The recoverable amounts of the above CGU are determined using value in use calculations. Cash flow projections for a period of five years are based on approved financial budgets covering the year ending 31 December 2020. Cash flows beyond the one-year period are extrapolated using declining growth rates ranging from 6% to 10% for the photovoltaic power stations CGU and 5% to 30% for the power storage CGU. The long term growth rate for the photovoltaic power stations CGU and the power storage CGU is 3%. The estimated average gross profit margin for the photovoltaic power stations CGU and the power storage CGU is 19% and 17% respectively. The discount rate applied to the cash flow projections of the photovoltaic power stations CGU and the power storage CGU is 19% and 16% respectively.

The key assumptions used in the value in use calculations are discount rates, growth rates and gross profit margins. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are estimated with reference to industry growth forecasts as well as their historical growth rates while the gross profit margins are based on past history and expectations of future changes in the market.

As a result of the impairment assessment, impairment on goodwill of approximately RMB60.3 million and approximately RMB2.8 million were recognised in respect of the photovoltaic power stations CGU and the power storage CGU respectively for the year ended 31 December 2019.

Regarding the business performance of Comtec Renewable Energy, its revenue mainly included EPC management service income, solar project development service income and power generation income. Such incomes increased by approximately RMB9.5 million, or 95.0%, from RMB10.0 million for the year ended 31 December 2018 to RMB19.5 million for the year ended 31 December 2019. Such revenues increases were mainly due to our continuous efforts and progress on project developments during the Period. The developed projects can be sold to long-term institutional investors at any stage even after completion of grid connections in the future. Comtec Renewable Energy has started certain projects of approximately 19.0 MW which it has completed initial designs, roof load assessments, execution of power purchase agreements and roof lease agreements, applications for grid connection permits as well as NDRC filings. Such projects are ready for construction to commence. It has also started other projects of approximately 21.8MW which, subject to administrative procedures such as applications for grid connection permits and NDRC filings, are ready for construction to commence in few months' time. These to-build projects are mainly located in the regions of Zhejiang, Jiangsu, Shandong, Anhui, Fujian, Tianjin, Hebei, Henan, Hubei, and Hunan. We plan to sell those project companies holding the aforesaid to-build projects to various institutional investors subject to us being their main contractor in completion of these projects. In providing its services, it will charge all project costs plus our service fees covering: 1) project development, 2) the EPC management and 3) project management of such projects. The purchasers of the to-build projects holding companies should make payments in several instalments depending on construction progress milestones. This can provide further flexibility on cashflow management. It is expected this business model will be the major focus of Comtec Renewable Energy in the future.

However, the performance of Comtec Renewable Energy in the Period did not meet the expectation in the business forecast. The Group has prepared a financial budget covering the year ending 31 December 2020 with reference to the actual financial performance, growth rates and gross margin achieved during the Period as well as the developed projects which are ready to-build etc. A subsequent cash flow projection for a period of five years has been prepared based on the approved financial budget for the purposes of assessing the value in use of this CGU and impairment testing. It results in recognising impairment losses of approximately RMB60.3 million in respect of the photovoltaic power stations CGU for the year ended 31 December 2019.

Gain on disposals of fixed assets

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. During the Period, the Group recorded gains of approximately RMB9.4 million from the disposal of certain fixed assets.

Gain on fair value changes of the embedded derivatives

The Convertible Bonds contain two components, a debt component and a derivative component. At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The effective interest of debt component is 12.44%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss. The derivative component of convertible bonds amounting to RMB224,000 (2018: RMB7,549,000) as at 31 December 2019 are measured at fair values which was derived from binomial option pricing model with parameters including effective interest rate, risk-free rate and volatility. During the year ended 31 December 2019, the Group recorded gains from fair value changes of the embedded financial derivatives of approximately RMB7.4 million.

Gain on fair value changes of contingent consideration payables

The contingent consideration arose from the issue of ordinary shares of the Company on an earn-out basis in relation to the business acquisitions. The fair value of the contingent consideration at the date of initial recognition and subsequent periods were calculated based on the business performance of the acquired companies and the share price of the Company.

For the year ended 31 December 2019, no payment has been made for the acquisitions of Comtec (Asia) Limited (formerly known as Forum (Asia) Limited) and Comtec Renewable Energy (formerly known as Joy Boy HK Limited). There is no further payment to be made for the two acquisitions in accordance with the relevant payment mechanism for the maximum consideration for the acquisition of Comtec (Asia) Limited and Comtec Renewable Energy as set out in the CAL Circulars (the "CAL Payment Mechanisms"). The periods in relation to the profit targets ended during the Period. Thus, the contingent consideration payable of approximately RMB5.9 million relating to the acquisition was fully reversed during the year ended 31 December 2019 and the same amount was recorded as other gains of the Group.

As of 31 December 2019, in accordance with the CAL Payment Mechanisms, only the first installments of the two acquisitions were required to be settled. So far as the first instalment for acquisition of Comtec Renewable Energy is concerned, the amount of Profits Before Tax (as defined in the CRE Circular) for the twelve months period ended 30 June 2017 of Comtec Renewable Energy was approximately RMB58,898,000. Pursuant to the CRE Payment Mechanism, and by applying the exchange rate of RMB1 to approximately HK$1.161, the total amount payable for the first instalment is approximately HK$111,121,200. In view of the issue price of HK$0.46 per consideration share, as disclosed in the announcement of the Company dated 29 August 2017, it has been determined that a total of 241,567,690 shares of the Company will be allotted and issued to the Vendors (as defined in the CRE Circular) as payment of the first instalment. Such consideration shares have been allotted and issued on 31 August 2017. No settlement has been made for the second and third instalment. This is because the relevant Profit Before Tax (as defined in the CRE Circular) for such instalments has not reached the threshold that would result in a positive instalment amount pursuant to the CRE Payment Mechanism. In other words, such instalments are not required to be settled and thus no consideration shares had been allotted to the Vendors (as defined in the CRE Circular) for such instalments. Thus, the final amount of the total consideration for the acquisition of Comtec Renewable Energy is approximately HK$111,121,200, which has been fully settled by the Company by allotment and issuance of 241,567,690 of its shares on 29 August 2017. Regarding the acquisition of Comtec (Asia) Limited, so far as its first instalment is concerned, the amount of Profits Before Tax (as defined in the CAL Circular) for the six month period ended 30 June 2017 of Comtec (Asia) Limited was approximately RMB111,600. Pursuant to the CAL Payment Mechanism, and by applying the exchange rate of RMB1 to approximately HK$1.136, the total amount payable for the first instalment is approximately HK$113,700. In view of the issue price of HK$0.355 per consideration share, as disclosed in the announcement of the Company dated 29 August 2017, it has been determined that a total of 320,223 shares of the Company will be allotted and issued to the Vendors (as defined in the CAL Circular) as payment of the first instalment. Such consideration shares have been allotted and issued on 31 August 2017. No settlement has been made for the second, third, fourth, fifth and sixth instalment. This is because the relevant Profit Before Tax (as defined in the CAL Circular) for such instalments has not reached the threshold that would result in a positive instalment amount pursuant to CAL Payment Mechanism. In other words, such instalments are not required to be settled and thus no consideration shares had been allotted to the Vendors (as defined in the CAL Circular) for such instalments. Thus, the final amount of the total consideration for the acquisition of Comtec (Asia) Limited is approximately HK$113,700, which has been fully settled by the Company by allotment and issuance of 320,223 of its shares on 29 August 2017.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB1.9 million, or 31.7%, from RMB6.0 million for the year ended 31 December 2018 to RMB4.1 million for the year ended 31 December 2019, primarily due to the decrease in sales volume as well as sales and marketing expense on the upstream solar manufacturing business during the Period. The Group also spent continuous efforts to reduce operating expenses.

Administrative and general expenses

Administrative and general expenses decreased by RMB26.2 million, or 28.2%, from RMB92.9 million for the year ended 31 December 2018 to RMB66.7 million for the year ended 31 December 2019, which was mainly due to the decrease in professional expenses incurred for financing and business development activities of the Group of approximately RMB13.5 million, the decrease in non-cash amortization expenses during the Period of approximately RMB11.6 million and the decrease in administrative and general expenses due to our continuous efforts to reduce operating expenses.

Interest expenses

Interest expenses increased by RMB1.1 million from RMB23.8 million for the year ended 31 December 2018 to RMB24.9 million for the year ended 31 December 2019. There was no material fluctuation of the interest expenses.

Loss before taxation

Loss before taxation was approximately RMB129.6 million for the year ended 31 December 2019, decreased by RMB69.9 million, or 35.0%, from approximately RMB199.5 million for the year ended 31 December 2018, due to the aforementioned factors.

Taxation

The Group recorded tax credits of approximately RMB0.9 million for the year ended 31 December 2019, decreasing from tax credits of approximately RMB12.9 million for the year ended 31 December 2018. The material amount of tax credit recorded for the year ended 31 December 2018 was mainly due to the impairment of intangible assets resulting in the reverse of related deferred tax liabilities accordingly and such situation did not happen during the Period. Thus, it resulted in the decrease of tax credit recorded during the Period.

Loss for the year

The Group recorded a loss of approximately RMB128.7 million for the year ended 31 December 2019, decreased by RMB57.9 million, or 31.0%, from approximately RMB186.6 million for the year ended 31 December 2018, primarily attributable to the aforementioned factors. Accordingly, the Group recorded net loss margin of 138.4% for the year ended 31 December 2019, as compared to the net losses margin of 108.1% for the year ended 31 December 2018.

Final dividend

The Board resolved not to declare final dividend for the year ended 31 December 2019 (2018: nil).

Inventory turnover days

The inventory balance was approximately RMB18.3 million as at 31 December 2019 and there were no material changes from the amount of RMB18.8 million as at 31 December 2018. It was mainly due to the Group's efforts to downsize the scale of its traditional manufacturing wafer business and to manage its inventory level. The inventory turnover days as at 31 December 2019 totaled 71 days (31 December 2018: 38 days).

Trade receivable turnover days

There was a decrease in trade receivable balance of 48.0% from RMB35.8 million as at 31 December 2018 to RMB18.6 million as at 31 December 2019, which was mainly due to downsizing of the Group's traditional manufacturing wafer business. The trade receivable turnover days as at 31 December 2019 totaled 73 days (31 December 2018: 76 days). The Group has closely supervised the repayment status of debtor balances. The credit period granted to customers is approximately 7 to 180 days on case-by-case basis. The average receivable turnover days were approximately 73 days which was within the credit periods of the Group grants to its customers.

Trade payable turnover days

There was a decrease in trade payable balance of 29.6% from RMB79.1 million as at 31 December 2018 to RMB55.7 million as at 31 December 2019, which was mainly due to the downsizing of the Group's traditional manufacturing wafer business. The trade payable turnover days as at 31 December 2019 totaled 216 days (31 December 2018: 162 days). The group has obtained continuous supports from suppliers during the challenging industry environment.

Liquidity and financial resources

The Group's principal sources of working capital for the year ended 31 December 2019 included cash inflow from operating activities, bank borrowings and the proceeds from issue of equity or debt securities. As at 31 December 2019, the Group's current ratio (current assets divided by current liabilities) was 0.4 (31 December 2018: 0.5) and it was in a net debt position of approximately RMB125.0 million (31 December 2018: approximately RMB145.5 million). The gearing ratio (total liabilities divided by total equity) was (13.7) (31 December 2018: 8.4).The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB189.5 million as of 31 December 2019 (31 December 2018: approximately RMB177.4 million). Also, the Group recorded net liabilities of approximately RMB31.9 million as of 31 December 2019 (31 December 2018: net assets of approximately RMB57.7 million).

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hong, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 Unconsolidated Shares at subscription price of HK$0.055 per share to each of Sun Winning Limited and Mr. Hong respectively. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share, all of the net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 Unconsolidated Shares at subscription price of HK$0.055 per share to Mr. Dai Ji. The subscription was completed on 19 August 2019 with the 270,000,000 Unconsolidated Shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per Unconsolidated Share, all of the net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, the net proceeds have been used for the Group's development, construction and investment of downstream projects. Please refer to the announcement of the Company dated 20 June 2019 for further details.

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscription shares at subscription price of HK$0.1 per share to Mr. Sun Da. The subscription was completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK$10.3 million which represented a net subscription price of approximately HK$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this report, an amount of approximately RMB5.2 million been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

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

Also, we had downstream projects and right-of-use assets with net book value in aggregate of approximately RMB53.8 million as of 31 December 2019. We plan to sell such projects gradually and we are in discussion with certain institutional investors in relation to the project sales. We also plan to dispose other assets and properties when we receive attractive offers or require additional funding. As we are in the process of downsizing our manufacturing business and to dispose of assets and properties with low utilization, we would also consider to dispose of our factories at Shanghai and Haian with net book value of approximately RMB170.7 million in total as of 31 December 2019 (included buildings, investment properties, and leasehold land included in right-of-use assets in the consolidated financial statements), if we receive an attractive offer from potential buyers.

On 17 June 2019 (after trading hours), Comtec Windpark Renewable entered into a share purchase agreement with The9 and 1111 in relation to the transfer of 9.9% equity interest in Kexin. Pursuant to the said share purchase agreement, The9 and 1111 collectively agreed to purchase the entire issued share capital of Comtec Solar China at a consideration of RMB9.8 million, which shall be satisfied by allotment and issue of 3,444,882 Class A ordinary shares in the capital of The9 to the Company at the issue price of approximately US$0.41 per ordinary share. The9 is an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY". Please refer to the announcement of the Company dated 17 June 2019 for further details. We plan to dispose of the shares of The9 and to utilize the proceeds for the same as working capital for operations of the Group.

In December 2018, we concluded a re-negotiation with a long term-supplier which enable us to substantially realize the remaining amounts of our prepayments made to that supplier in previous years. An amount of approximately USD5.1 million has been offset with the full amount of our purchase of polysilicon from the supplier during the first quarter of 2019. The Group has adopted strict control of operating and investing activities in order to continuously improve our financial positions.

In additions, although there is no assurance that the Group will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. Per the latest discussions with the bank providing us with short-term bank loans in the PRC, they would still maintain such historical practices and the Group has assumed it will continue to do so for the foreseeable future.

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

Capital commitments

As at 31 December 2019, the Group's capital commitment was nil (2018: 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 downstream solar business and power storage business which would depend on and subject to the market conditions and opportunities.

Contingent liabilities

As at 31 December 2019, there was no material contingent liability (31 December 2018: RMB5.9 million).

Related party transactions

As at 31 December 2019, included in trade and other payables of RMB3,800,000 (2018: Nil) payable to the subsidiaries of the joint venture of the Company and contract liabilities of RMB10,940,000 (2018: RMB3,442,000) received from the joint venture of the Company.

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

Charges on group assets

As at 31 December 2019, the Group had restricted cash of approximately RMB22.4 million (31 December 2018: RMB22.1 million), and pledged its buildings, investment properties, right-of-use assets, prepaid lease payment, power station of downstream projects, inventory of downstream projects and account receivables of downstream revenue with net book values of approximately RMB85.8 million (31 December 2018: RMB90.9 million), approximately RMB86.0 million (31 December 2018: RMB86.0 million), approximately RMB19.1 million (31 December 2018: Nil), Nil (31 December 2018: RMB13.5 million), approximately RMB7.2 million (31 December 2018: RMB7.5 million), approximately RMB4.0 million (31 December 2018: nil), and approximately RMB0.7 million (31 December 2018: RMB0.5 million) respectively, to various parties to secure financing facilities granted to the Group. Save as disclosed above, as at 31 December 2019, no other assets of the Group were charged.

Significant acquisition and disposal of subsidiaries

During the year ended 31 December 2019, the Group did not have any significant acquisition.

However, the Group made certain disposals as detailed below.

On 23 November 2018, Comtec Clean Energy Group Limited, a wholly-owned subsidiary of the Company, Zhenjiang Kexin Power System Design and Research Company Limited, a 70%-owned subsidiary of the Company, and Lu KeYa, the owner of a 30% equity interest in Kexin, entered into a capital injection agreement with ISDN Investments Pte Ltd pursuant to which ISDN has agreed to contribute RMB4,444,444 in cash to the registered capital of Kexin for 10% equity interest in the enlarged registered capital of Kexin (the "Deemed Disposal"). The capital injection took place in March 2019. As a result of the Deemed Disposal, the Group's equity interest in Kexin was reduced from 70.0% to 63.0% and Kexin remains as a subsidiary of the Company. Please refer to the announcement of the Company dated 23 November 2018 for further details.

On 17 June 2019 (after trading hours), Comtec Windpark Renewable entered into a share purchase agreement with The9 and 1111 in relation to the transfer of 9.9% equity interest in Kexin. Pursuant to the said share purchase agreement, The9 and 1111 collectively agreed to purchase the entire issued share capital of Comtec Solar China at a consideration of RMB9.8 million, which shall be satisfied by allotment and issue of 3,444,882 Class A ordinary shares in the capital of The9 to the Company at the issue price of approximately US$0.41 per ordinary share. The9 is an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY". The9 is principally engaged in the development and operation of online games and Internet and website related businesses in the PRC and currently committed to invest in electric vehicle businesses. As of 17 June 2019, Comtec Solar China directly owned 9.9% of the registered capital and equity interest in Kexin. Please refer to the announcement of the Company dated 17 June 2019 for further details.

Save as disclosed herein, the Company has not conducted any significant acquisition and disposal of subsidiaries in the past 12 months preceding the date of this report.

Use of proceeds

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hong, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 Unconsolidated Shares at subscription price of HK$0.055 per share to Sun Winning Limited and Mr. Hong respectively. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share, all of the net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 Unconsolidated Shares at subscription price of HK$0.055 per share to Mr. Dai Ji. The subscription was completed on 19 August 2019 with the 270,000,000 Unconsolidated Shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per Unconsolidated Share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, all of the net proceeds have been used for the Group's development, construction and investment of downstream projects. Please refer to the announcement of the Company dated 20 June 2019 for further details.

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscription shares at a subscription price of HK$0.1 per share to Mr. Sun Da. The subscription was completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK$10.3 million which represented a net subscription price of approximately HK$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this report, an amount of approximately RMB5.2 million been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

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

Human resources

As at 31 December 2019, the Group had 122 (31 December 2018: 166) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Payment levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

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

Exposure to fluctuations in exchange rates and any related hedges

The Group recognized net exchange losses of approximately RMB1.9 million, which mainly arose from monetary assets and liabilities of the Group denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Important Events after Period

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscription shares at a subscription price of HK$0.1 per share to Mr. Sun Da. The subscription was completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK$10.3 million which represented a net subscription price of approximately HK$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this report, an amount of approximately RMB5.2 million been used as general working capital of the Group. Please refer to the announcements of the Company dated 2 January 2020 for further details.

After the outbreak of the coronavirus disease COVID-19 in early 2020, a series of precautionary and control measures have been and continue to be implemented in China and Hong Kong. The Group expects its project developments and construction to potentially be impacted and this may in turn affect the Group's business performance in the first half of 2020.

Management has taken relevant actions to minimise the unfavourable impact of COVID-19 to the Group. The Group will pay close attention to the development and evaluate its impact on the financial position and operating results of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. John Yi Zhang, aged 57, is as an executive Director and the chairman of the Board of the Company, responsible for the overall strategy and operation of our Group. Mr. Zhang is also a director of certain subsidiaries of the Group. Mr. Zhang has accumulated over ten years of experience in the semiconductor and solar industries from both his founding and development of the Group and his prior professional experience. Prior to founding the Group, Mr. Zhang joined Silicon Systems Inc. which was a semiconductor technology company in California, U.S., in 1992 as an engineer and was responsible for developing and designing communication firmware used in silicon chips. Mr. Zhang graduated from 清華大學 (Tsinghua University) in July 1985 with a Bachelor's degree in Electrical Engineering and from Utah State University with a Master's degree in Electrical Engineering in August 1988.

Mr. Zhang Zhen, aged 50, is an executive Director, the chief executive officer. He was also the president of the Company from 3 October 2016 to 19 April 2017. He is also currently a director of certain of the subsidiaries of the Group, including Comtec Renewable Energy. Mr. Zhang is primarily responsible for overseeing the Group's downstream solar power business. Mr. Zhang has extensive experience in the downstream solar business and served as the president and co-founder of Enfinity HK Development Ltd. for its operation of downstream solar business in the PRC since 2008. Mr. Zhang graduated from Beihang University with a bachelor's degree in electronic engineering in July 1993 and then obtained a master's degree in business administration from the University of Illinois in May 1999.

NON-EXECUTIVE DIRECTOR

Mr. Dai Ji, aged 41, 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 eight 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, aged 40, was appointed as a non-executive Director, a member of the nomination committee of the Board and a member of the remuneration committee of the Board in March 2020. Mr. 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. Leung Ming Shu, aged 44, is an independent non-executive Director. Mr. Leung founded internet private equity fund Harmony Capital as Founding Partner in January 2018. Mr. Leung has been the company secretary of China ITS (Holdings) Co., Ltd. (中國智能交通系統(控股)有限公司), a company listed on the Stock Exchange (stock code: 1900), since January 2008 and the chief financial officer of the said company from January 2008 to January 2018. He has also been an independent non-executive director of Cabbeen Fashion Limited (卡賓服飾有限公司) (stock code: 2030) since February 2013, Sun.King Power Electronics Group Limited (stock code: 580) since March 2017, and Renrui Human Resources Technology Holdings Limited (stock code: 6919) since December 2019, which all of the three companies are listed on the Stock Exchange. Mr. Leung has also been appointed as independent non-executive director of Glory Star Media Group (GSMG.US) which is a company listed on Nasdaq since February 2020. Mr. Leung has over 15 years of experience in the areas of corporate finance and accounting. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong as an auditor in 1998. He then worked at the global corporate finance division of Arthur Andersen & Co. in Hong Kong, which subsequently merged with PricewaterhouseCoopers, until December 2000. From July 2001 to February 2003, Mr. Leung also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he advised companies on issues of strategy, organization and operations. Mr. Leung then spent approximately three years from February 2003 to January 2006 at CDC Corporation, a NASDAQ listed company, as a senior manager in the mergers and acquisitions department, and as the chief financial officer of China.com Inc., a subsidiary of CDC Corporation and a company listed on the Stock Exchange. From February 2006 to October 2006, Mr. Leung served as the chief financial officer of Beijing Xinwei Telecom Technology Co., Ltd., a related party of 大唐電信科技股份有限公司 (Datang Telecom Technology Co., Ltd., a company listed on The Shanghai Stock Exchange) which is engaged in the development of telecommunication standard and manufacture of telecommunication equipment. From November 2006 to January 2008, he served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd (北京靈圖星訊科技有限公司), a subsidiary of Beijing Lingtu Software Co., Ltd (北京靈圖軟件技術有限公司), a PRC digital mapping and navigation software company. Mr. Leung obtained his bachelor's degree in arts with first class honor in accountancy from The City University of Hong Kong in June 1998 and a master's degree in accountancy from The Chinese University of Hong Kong in November 2001. He is a fellow member of the Association of Chartered Certified Accountants (FCCA) and a fellow member of The Hong Kong Institute of Certified Public Accountants (FCPA).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kang Sun, aged 64, is an independent non-executive Director. Mr. Sun is currently the chief executive officer of Amprius Inc., California USA and Amprius Technologies, USA, and the Chairman of Amprius (Wuxi) Co. Ltd, (安普瑞斯(無錫)有限公司) China. Prior to that, he was the chairman and chief executive officer of RayTracker, USA from November 2008 to February 2010, the president and chief operating officer of JA Solar Holding Ltd, China, a company listed on NASDAQ (Code: JASO) from September 2007 to August 2008, the managing director of new business development at Applied Materials Inc., USA from 2005 to 2007. During the period of 1997 and 2005, he had served as the vice president of Microfabrica, the vice president of Honeywell International, USA and the general manager of Optical Devices Business, AlliedSignal, USA, respectively. Mr. Sun received a Ph.D. degree in Materials Science from Brown University, USA in 1988, a M.S. degree in Physical Chemistry from University of Georgia, USA in 1983 and a B.S. degree in Polymer Chemistry from Nanjing University, China in 1978.

Mr. Xu Erming, aged 71, is an independent non-executive Director. Mr. Xu is currently a professor and the dean of Shantou University (汕頭大學) Business School and vice chairman of the Chinese Enterprise Management Research Association. He is entitled to the State Council's special government allowances. Mr. Xu is also currently the independent non-executive director of China Telecom Corporation Limited (a company listed on the Stock Exchange and the New York Stock Exchange with stock codes of "728" and "CHA", respectively).Mr. Xu was once the dean of the Business School and the associate dean of the Graduate School of Renmin University of China (中國人民大學). He was also an independent supervisor of Harbin Electric Company Limited (a company listed on the Stock Exchange with stock code of 1133). Over the years, Professor Xu has conducted research in areas related to strategic management, organisational theories, international management , and has been responsible for research on many subjects put forward by the National Natural Science Foundation, the National Social Science Foundation, and other authorities at provincial and ministry level. He has received many awards such as the Ministry of Education's Class One Excellent Higher Education Textbook Award, the State-Level Class Two Teaching Award and the National Excellent Course Award. Mr. Xu has been a visiting professor at over 10 domestic universities and has been awarded the Fulbright Scholar of U.S.A. twice. Professor Xu was previously a lecturer at the New York State University at Buffalo, U.S.A., the University of Scranton, U.S.A., the University of Technology, Sydney, the Kyushu University, Japan, Panyapiwat Institute of Management, Thailand and the Hong Kong Polytechnic University. Mr. Xu graduated from Renmin University of China with a bachelor's degree in economics in June 1982 and also obtained a master's degree and doctorate degree in economy from Renmin University of China in June 1989 and January 1996, respectively.

Mr. Ma Teng, aged 62, was appointed as an independent non-executive Director, a member of the nomination committee of the Board and a member of the remuneration committee of the Board in March 2020. Mr. Ma is a senior economist and has extensive experience in the financial industry. Mr. Ma joined China Everbright Group Company Limited ("CEB Group") in March 2009 and he has acted as the general manager of its financial management department and an executive director and executive vice president of China Everbright Bank Company Limited ("CEB") before his retirement in April 2018. In additions, he joined China Bohai Bank Company Limited ("China Bohai Bank") in July 2005 and acted as chief executive office of China Bohai Bank from February 2006 to January 2009. Mr. Ma Teng graduated from Dongbei University of Finance and Economics in July 1984, and obtained a bachelor's degree in economics and a doctoral degree in political economics from Zhongnan University of Economics and Law in December 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Che Xiaoxi, aged 31, is the Vice President 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.

Mr. Ye Qing, aged 43, is the Vice President of Accounting of the Company. Mr. Ye joined the Company in 2008 as financial controller. He has since assisted the Company in relation to the financial aspects of its business, including preparing the Company's annual report and other compliance documents, management of the Company's finances and other related matters. Mr. Ye graduated from Lixin College of Accounting (now known as Shanghai Lixin Finance College) in July 1998 and received a master of accounting (MPAcc) from the Shanghai University of Finance and Economics in May 2012. Mr. Ye is qualified as a certified public accountant in the PRC.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2019 are set out in note 46 to the consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the Period and the state of the Company's and the Group's affairs as at 31 December 2019 are set out in the consolidated financial statements on pages 79 to 190 of this annual report.

RESULTS AND DIVIDENDS

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

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

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

RESERVES

Details of movements in reserves of the Group and the Company for the Period are set out in the consolidated statement of changes in equity and note 45 to the financial statement, respectively.

DISTRIBUTABLE RESERVES

There was no reserve available for distribution to Shareholders as at 31 December 2019.

CHARITABLE DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Period are set out in note 17 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 34 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. John Yi Zhang *(Chairman)*
Mr. Zhang Zhen
Mr. Chau Kwok Keung (resigned on 31 January 2020)

Non-Executive Director

Mr. Wang Yixin (resigned on 23 September 2019)
Mr. Dai Ji (appointed on 23 September 2019)
Mr. Qiao Fenglin (appointed on 19 March 2020)

Independent Non-Executive Directors

Mr. Leung Ming Shu
Mr. Kang Sun
Mr. Xu Erming
Mr. Ma Teng (appointed on 19 March 2020)

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

In accordance with article 84 of the Company's articles of association, Mr. Dai Ji, Mr. Qiao Fenglin and Mr. Ma Teng will retire from the Board by rotation at the forthcoming annual general meeting. Each of Mr. Dai Ji, Mr. Qiao Fenglin and Mr. Ma Teng, being eligible, offers themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 24 to 27 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2019 or at any time throughout the Period.

DIRECTORS' SERVICE CONTRACTS

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

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

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

As at 31 December 2019, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Company:

Name of Director	Nature of interest	Number of Consolidated shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Yi Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and founder of a trust	156,070,887	24.84%
Mr. Zhang Zhen[2]	Interest in a controlled corporation/ Beneficial owner	32,281,769	5.14%
Mr. Chau Kwok Keung[3]	Beneficial owner	5,375,000	0.86%
Mr. Dai Ji[4]	Beneficial owner	67,500,000	10.74%
Mr. Kang Sun[5]	Beneficial owner	200,000	0.04%
Mr. Leung Ming Shu[6]	Beneficial owner	150,000	0.03%
Mr. Xu Erming[7]	Beneficial owner	50,000	0.01%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 144,113,461 Consolidated Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 11,957,427 Consolidated Shares which are beneficially owned by Zhang Trusts For Descendants as the founder of the trust.

(2) The 32,281,769 Consolidated Shares in which Mr. Zhang Zhen is deemed to be interested represent (1) 26,906,769 Consolidated Shares held by True Joy Renewable Limited, a company which is wholly-owned by Mr. Zhang Zhen; (2) the 375,000 Consolidated Shares which may be issued to him upon the exercise of the Share Options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below); (3) the 5,000,000 Consolidated Shares which may be issued to him upon the exercise of the New Share Options granted to him on 29 May 2019 under the New Share Option Scheme (as defined below) .

(3) The 375,000 Consolidated Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 375,000 Consolidated Shares which may be issued to him upon the exercise of the Share Options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below) and 5,000,000 Consolidated Shares which may be issued to him upon the exercise of the share options granted to him on 29 May 2019 under the New Share Option Scheme (as defined below). Mr. Chau Kwok Keung resigned as executive director of the company on 31 January 2020.

(4) The 67,500,000 Consolidated Shares in which Mr. Dai Ji is deemed to be interested represent held by himself (as defined below).

(5) The 200,000 Consolidated Shares in which Mr. Kang Sun is deemed to be interested represent 50,000 Consolidated Shares which may be issued to him upon the exercise of the Share Options to him on 2 May 2017 under the Old Share Option Scheme (as defined below) and 150,000 Consolidated Shares which may be issued to him upon the exercise of the share options granted to him on 29 May 2019 under the New Share Option Scheme (as defined below).

(6) The 150,000 Consolidated Shares in which Mr. Leung Ming Shu is deemed to be interested represent 50,000 Consolidated Shares which may be issued to him upon the exercise of the Share Options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below) and 100,000 Consolidated Shares which may be issued to him upon the exercise of the share options granted to him on 29 May 2019 under the New Share Option Scheme (as defined below).

(7) The 50,000 Consolidated Shares in which Mr. Xu Erming is deemed to be interested represent 50,000 Consolidated Shares which may be issued to him upon them exercise of the Share Options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below).

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2019, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest	Number of Consolidated shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty Holdings Limited	Beneficial owner	144,113,461	22.94%
Ms. Carrie Wang[1]	Interest of spouse	156,070,887	24.84%
Harmony Gold Ventures Corp[2]	Beneficial owner	38,662,827	6.15%
Shanghai Hengqu Internet Technology Co., Ltd.*[2]	Interest in a controlled corporation	38,662,827	6.15%
Jiangyin Jinqu Capital Management Co., Ltd.*[2]	Interest in a controlled corporation	38,662,827	6.15%
Mr. Wang Yixin (王藝新)[2]	Interest in a controlled corporation	38,662,827	6.15%
Advanced Gain Limited[3]	Beneficial owner	47,728,179	6.51%
Mr. Wu Zheqiang[3]	Interest in a controlled corporation	47,728,179	6.51%

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 2019, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company has adopted a share option scheme on 2 June 2008 (the "Pre-IPO Share Option Scheme") for the purpose of giving its employees an opportunity to have a personal stake in the Company and helping motivate its employees to optimize their performance and efficiency, and retaining its employees whose contributions are important to the long-term growth and profitability of the Group. Options to subscribe for an aggregate of 574,020 Unconsolidated Shares (the "Underlying Shares") were granted to two independent non-executive Directors and a former Director on 3 August 2009 and 2 October 2009, in respect of 230,000 Underlying Shares and 344,020 Underlying Shares, respectively. The exercise price per Share is HK$2.51, which is at a 19.5% premium to the final Offer Price in the Global Offering. No further options would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

All options granted under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Options") can only be exercised in the following manner: (a) Shares representing 1/12th of the Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme shall vest on 1 November 2009; (b) from 1 November 2009 onwards, the remaining 11/12th of the Underlying Shares shall vest in equal quarterly instalments of 1/12th of the Underlying Shares at the end of each three-month period subject to continued employment with our Company during that period and all other terms and conditions as described in the Pre-IPO Share Option Scheme; and (c) all outstanding Pre-IPO Share Options shall lapse on the date falling 10 years from the offer date of the Pre-IPO Share Options.

Details of the movement of the share options granted under the Pre-IPO Share Option Scheme as at 31 December 2019 are as follows:

			Before share consolidation					After share consolidation	
Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2019	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 31 December 2019	Balance as at 31 December 2019	Exercise price *(HKD)*
Directors									
Mr. Kang Sun	03 August 2009	HK$2.51	249,574			249,574	–	–	–
Mr. Leung Ming Shu	03 August 2009	HK$2.51	62,787			62,787	–	–	–
Others	03 August 2009	HK$2.51	199,659		199,659		–	–	–
Total			**512,020**		**199,659**	**312,361**	**–**	**–**	**–**

Save as disclosed above, all Pre-IPO Share Options have lapsed or been cancelled by grantees during the Period.

Share Option Scheme

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

In view of, among others, the fact that the Old Share Option Scheme expired 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.

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

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

(a) the nominal value of a Share;

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

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

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

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

			Before share consolidation						After share consolidation	
Grantee	**Date of grant**	**Exercise price per Share**	**Balance as at 1 January 2019**	**Share options granted during the Period**	**Exercised during the Period**	**Lapsed during the Period**	**Cancelled during the Period**	**Balance as at 31 December 2019**	**Balance as at 31 December 2019**	**Exercise price *(HKD)***
Other participants in aggregate	15 June 2018	HK$0.151	21,986,175			700,000		21,286,175	5,321,544	0.604
Director										
Mr. Zhang Zhen	02 May 2017	HK$0.335	1,500,000					1,500,000	375,000	1.340
Mr. Chau Kwok Keung[1]	02 May 2017	HK$0.335	1,500,000					1,500,000	375,000	1.340
Mr. Wang Yixin[2]	02 May 2017	HK$0.335	200,000					200,000	50,000	1.340
Mr. Leung Ming Shu	02 May 2017	HK$0.335	200,000					200,000	50,000	1.340
Mr. Kang Sun	02 May 2017	HK$0.335	200,000					200,000	50,000	1.340
Mr. Xu Erming	02 May 2017	HK$0.335	200,000					200,000	50,000	1.340
Other participants in aggregate	02 May 2017	HK$0.335	24,400,000			6,300,000		18,100,000	4,525,000	1.340
Other participants in aggregate	09 September 2016	HK$0.560	89,000,000				71,000,000	18,000,000	4,500,000	2.240
Other participants in aggregate	25 November 2015	HK$0.736	59,000,000				16,400,000	42,600,000	10,650,000	2.944
Other participants in aggregate	26 June 2015	HK$1.500	20,000,000					20,000,000	5,000,000	6.000
Other participants in aggregate	11 May 2015	HK$1.390	59,800,000			5,700,000	54,100,000			
Director										
Mr. Chau Kwok Keung[1]	31 March 2014	HK$1.386	13,000,000				13,000,000			
Other participants in aggregate	31 March 2014	HK$1.386	22,650,000			4,850,000	16,900,000	900,000	225,000	5.544
Other participants in aggregate	30 September 2013	HK$1.870	4,020,000					4,020,000	1,005,000	7.480
Director										
Mr. Kang Sun	27 December 2012	HK$1.262	300,000				300,000			
Mr. Leung Ming Shu	27 December 2012	HK$1.262	300,000				300,000			
Other participants in aggregate	27 December 2012	HK$1.262	6,938,000			300,000	1,788,000	4,850,000	1,212,500	5.048
Director										
Mr. John Yi Zhang	28 June 2012	HK$0.980	5,000,000				5,000,000			
Mr. Chau Kwok Keung[1]	28 June 2012	HK$0.980	228,000				228,000			
Other participants in aggregate	28 June 2012	HK$0.980	3,556,000			2,580,000	926,000	50,000	12,500	3.920
Other participants in aggregate	24 May 2010	HK$1.490	2,240,000			1,340,000	900,000			
			336,218,175			**21,770,000**	**180,842,000**	**133,606,175**	**33,401,544**	

Notes:

(1) Ms. Chau resigned as a Director on 31 January 2020.

(2) Mr. Wang resigned as a Director on 23 September 2019.

Notes:

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

(2) Share options granted under the Old Share Option Scheme on 28 June 2012 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	**Percentage of Share Options to vest**
28 June 2012	50% of the total number of Share Options granted
28 September 2012	12.5% of the total number of Share Options granted
28 December 2012	12.5% of the total number of Share Options granted
28 March 2013	12.5% of the total number of Share Options granted
28 June 2013	12.5% of the total number of Share Options granted

(3) Share options granted under the Old Share Option Scheme on 27 December 2012 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	**Percentage of Share Options to vest**
27 December 2012	50% of the total number of Share Options granted
27 March 2013	12.5% of the total number of Share Options granted
27 June 2013	12.5% of the total number of Share Options granted
27 September 2013	12.5% of the total number of Share Options granted
27 December 2013	12.5% of the total number of Share Options granted

(4) Share options granted under the Old Share Option Scheme on 30 September 2013 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

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

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

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

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

(7) Share options granted under the Old Share Option Scheme on 26 June 2015 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

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

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

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

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

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

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

The 11,500,000 Share Options (including the Share Options granted to the Directors) shall be subject to a vesting schedule as follows:

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

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

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

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

(12) Share options granted under the 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 21,986,175 Share Options granted, 16,686,175 Share Options shall be subject to a vesting schedule as follows:

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

The remaining 4,600,000 Share Options shall be subject to a vesting schedule as follows:

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

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

			Before share consolidation						After share consolidation	
Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2019	Share options granted during the Period	Closing price of the securities immediately before the date on which the share options were granted	Exercised during the Period	Lapsed or Cancelled during the Period	Balance as at 31 December 2019	Balance as at 31 December 2019	Exercise price *(HKD)*
Director										
Mr. Zhang Zhen	29 May 2019	HK$0.070	–	20,000,000	HK$0.072	–	–	20,000,000	5,000,000	0.288
Mr. Chau Kwok Keung	29 May 2019	HK$0.070	–	20,000,000	HK$0.072	–	–	20,000,000	5,000,000	0.288
Mr. Kang Sun	29 May 2019	HK$0.070	–	600,000	HK$0.072	–	–	600,000	150,000	0.288
Mr. Leung Ming Shu	29 May 2019	HK$0.070	–	400,000	HK$0.072	–	–	400,000	100,000	0.288
Other participants in aggregate	29 May 2019	HK$0.070	–	104,613,825	HK$0.072	–	–	104,613,825	26,153,456	0.288
Total				**145,613,825**				**145,613,825**	**36,403,456**	

Notes:

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

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

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 35 to the financial statements.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

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

FUND RAISING AND USE OF PROCEEDS

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hong, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 Unconsolidated Shares at subscription price of HK$0.055 per share to Sun Winning Limited and Mr. Hong respectively. The closing price of each unconsolidated Share on 19 June 2019 was HK$0.268. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share with an aggregate nominal value of HK$72,727.27, all of the net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company conditionally agreed to allot and issue 270,000,000 Unconsolidated Shares at subscription price of HK$0.055 per share to Mr. Dai Ji. The closing price of each unconsolidated share on 20 June 2019 was HK$0.264. The subscription was completed on 19 August 2019 with the 270,000,000 Unconsolidated Shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per Unconsolidated Share, with an aggregate nominal value of HK$270,000. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, all of the net proceeds have been used for the Group's development, construction and investment of downstream projects. Please refer to the announcement of the Company dated 20 June 2019 for further details.

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 Shares at a subscription price of HK$0.1 per share to Mr. Sun Da. The closing price of each Share on 31 December 2019 was HK$0.118. The subscription was completed on 28 February 2020 with 104,885,179 Shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK$10.3 million which represented a net subscription price of approximately HK$0.098 per Share, with an aggregate nominal value of approximately HK$419,541. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this report, an amount of approximately RMB5.2 million been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the year ended 31 December 2019 and up to the date of this annual report.

NON-COMPETE UNDERTAKINGS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTION

On 15 April 2019 (after trading hours), Ms. Lu Ke Ya ("Ms. Lu") proposed to transfer her 27% equity interest in Kexin at nil consideration to Zhenjiang Dingyi Technology Research and Development Co., Ltd.* (鎮江町一科技研發有限公司). Pursuant to Article 71 of the Company Law of the PRC, Comtec Clean Energy, being a majority shareholder holding more than half of the equity interest in Kexin, is entitled to a right of first refusal with respect to any transfer of equity interest in Kexin by other shareholders, including Ms. Lu, to any other persons. Pursuant to the right of first refusal, the Company has the right, but not the obligation, to preferentially acquire the 27% equity interest in Kexin held by Ms. Lu.

As Ms. Lu held more than 10% of equity interest in Kexin, Ms. Lu is a substantial shareholder of Kexin. To the best of the knowledge of the Directors having made all reasonable enquiries, Ms. Lu has no other relationships with the Group or its connected persons other than its equity interests in Kexin. Accordingly, Ms. Lu is a connected person at the subsidiary level of the Company under the Listing Rules.

Accordingly, the non-exercise of the right of first refusal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the non-exercise of the right of first refusal are less than 25% and the total consideration is less than HK$10,000,000, the non-exercise of the right of first refusal is subject to the reporting and announcement requirements under Rule 14A.76(2)(b) of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 15 April 2019 for further details.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

PRE-EMPTIVE RIGHTS

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

PRINCIPAL RISKS AND RISK MANAGEMENT

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

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

Business Risk

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

Financial Risk

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

Compliance Risk

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

Operational Risk

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

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

EMPLOYEES

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

Emolument Policy

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

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' remuneration are set out in note 12 to the financial statements.

The Company has adopted two share option schemes to motivate and reward its Directors and eligible employees. Details of the scheme are set out in the paragraph headed "Share Option Schemes" above and note 35 to the consolidated financial statements.

None of the directors waived any emoluments throughout the Period.

Retirement Benefits Schemes

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers during the year of 2019 were 12.4% and 45.2% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers during the year of 2019 were 48.3% and 71.1% of the Group's total purchases, respectively.

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

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

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

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

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

ENVIRONMENTAL PROTECTION

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITOR

Mazars CPA Limited has been appointed as the external auditor of the Group with effect from 17 December 2019, to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the next annual general meeting of the Company.

Save as disclosed above, there has been no other change in the auditor of the Company in the preceding three years.

Mazars CPA Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

REVIEW OF THE FINANCIAL STATEMENTS

The audit committee of the Company had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the period from the Listing Date to 31 December 2019.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowing of the Group as at 31 December 2019 are set out in note 31 to the consolidated financial statements.

BUSINESS REVIEW

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

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2019 is set out on page 192 of this annual report.

On behalf of the Board

John Yi Zhang

Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

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

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

BOARD OF DIRECTORS

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

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

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

As at the date of this annual report, the Board comprises eight Directors, consisting of two executive Directors, Mr. John Yi Zhang (the chairman of the Board), and Mr. Zhang Zhen, two non-executive Directors, Mr. Dai Ji and Mr. Qiao Fenglin and four independent non-executive Directors, Mr. Leung Ming Shu, Mr. Kang Sun, Mr. Ma Teng and Mr. Xu Erming. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors are set out in the section headed "Biographic Details of Directors and Senior Management" of this annual report.

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

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed four independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

Board Diversity Policy

The Board approved a board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Model Code

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

Independent Non-Executive Directors

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

The Board has four independent non-executive Directors with one of them, Mr. Leung Ming Shu, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

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

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. Details of attendance record of professional training by each Director during the Period is set out below:

Name of Director	Professional Training Attend
Executive Directors	
Mr. John Yi Zhang	✓
Mr. Zhang Zhen	✓
Mr. Chau Kwok Keung (resigned on 31 January 2020)	✓
Non-executive Directors	
Mr. Dai Ji (appointed on 23 September 2019)	✓
Mr. Wang Yixin (resigned on 23 September 2019)	✓
Independent non-executive Directors	
Mr. Leung Ming Shu	✓
Mr. Kang Sun	✓
Mr. Xu Erming	✓

Directors' and Officers' Insurance

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

Meetings

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

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

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. John Yi Zhang *(Chairman)*	11/11*	2/2
Mr. Zhang Zhen	11/11	2/2
Mr. Chau Kwok Keung (resigned on 31 January 2020)	11/11	2/2
Non-executive Director		
Mr. Wang Yixin (resigned on 23 September 2019)	8/11	2/2
Mr. Dai Ji (appointed on 23 September 2019)	3/11	0/2
Independent non-executive Directors		
Mr. Leung Ming Shu	11/11	2/2
Mr. Kang Sun	11/11	2/2
Mr. Xu Erming	11/11	2/2

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. Wang Yixin resigned as a non-executive Director on 23 September 2019. On the same date, Mr. Dai Ji was appointed a non-executive Director.

Mr. Chau Kwok Keung resigned as an executive Director on 31 January 2020.

Mr. Qiao Fenglin and Mr. Ma Teng was appointed as a non-executive Director and an independent non-executive Director, respectively, on 19 March 2020.

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

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

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

Each of Mr. Leung Ming Shu, Mr. Kang Sun, and Mr. Xu Erming being the independent non-executive Directors of the Company, has entered into a service contract with the Company for a specific term of two years commencing from the Listing Date, the Listing Date and 19 April 2017, respectively, and will automatically continue for another three years thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

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

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

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

Board Committees

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

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 October 2009. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company. Their composition and written terms of reference are in line with the Corporate Governance Code. Throughout the Period, the audit committee comprised of three members, namely, three independent non-executive Directors, Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Xu Erming. Mr. Leung Ming Shu is the chairman of the audit committee.

The Group's unaudited interim results for the six months ended 30 June 2019, and the audited annual results for the Period have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the unaudited quarterly financials and the internal control of the Group and oversaw the risk management and internal control systems of the Group throughout the Period.

Throughout the Period, four meetings were held by the audit committee. The individual record of each member of the audit committee at the meetings of the audit committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Leung Ming Shu	4/4
Mr. Kang Sun	4/4
Mr. Xu Erming	4/4

Remuneration Committee

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

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

Throughout the Period, two meetings were held by the remuneration committee. The individual record of each member of the remuneration committee at the meeting of the remuneration committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. John Yi Zhang	2/2
Mr. Leung Ming Shu	2/2
Mr. Kang Sun	2/2
Mr. Xu Erming	2/2

Nomination Committee

The Company established a nomination committee on 2 October 2009 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their composition and written terms of reference are in line with the Corporate Governance Code. Throughout the Period, the nomination committee comprised of four members, namely, Mr. John Yi Zhang, an executive Director and the chairman of the Board, and three independent non-executive Directors, Mr. Kang Sun, Mr. Leung Ming Shu and Mr. Xu Erming. Mr. John Yi Zhang is the chairman of the nomination committee.

The nomination committee reviewed the structure, size and composition of the Board, during the year of 2019.

Throughout the Period, one meeting was held by the nomination committee. The individual record of each member of the nomination committee at the meeting of the nomination committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. John Yi Zhang	1/1
Mr. Kang Sun	1/1
Mr. Leung Ming Shu	1/1
Mr. Xu Erming	1/1

Corporate Governance Committee

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

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

Throughout the Period, two meetings were held by the corporate governance committee. The individual record of each member of the corporate governance committee at the meeting of the corporate governance committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. John Yi Zhang	2/2
Mr. Chau Kwok Keung (resigned on 31 January 2020)	2/2
Mr. Leung Ming Shu	2/2

Company Secretary

The secretary of the Company and authorised representative of the Company is Mr. Chau Kwok Keung. He has served as an executive Director and the chief financial officer of the Group from November 2007 to January 2020 to be responsible for corporate financial and general management. He was also appointed as; (i) an independent director of The9 Limited, whose shares are listed by way of American Depository Shares on the NASDAQ (NASDAQ: NCTY), in October 2015; (ii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Limited, a company listed on the Stock Exchange (Stock Code: 2779), in October 2017; (iii) as independent non-executive director of China Tobacco International (HK) Company Limited, a company listed on the Stock Exchange (Stock Code: 6055) in December 2018; (iv) an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Co., Ltd., a company listed on the Stock Exchange (Stock Code: 2528) since December 2019; and (v) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dually-listed on the Stock Exchange (Stock Code: 6198) and the Shanghai Stock Exchange (Stock Code: SH601298), from May 2014 to May 2019. He has obtained the certificate of Qualified Independent Director from Shanghai Stock Exchange in August 2017. He acted as a member of supervisory board of RIB Software AG, a software company in Germany, which was listed in Frankfurt Stock Exchange, from May 2010 to June 2013. Prior to joining the Group, Mr. Chau served in various positions at China.com Inc., a company listed on the Stock Exchange (Stock Code: 8006) from October 2005 to October 2007, including vice president of the finance department, chief financial officer, company secretary and authorised representative. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited, a company listed on the Stock Exchange (Stock Code:1668) from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Material and Technology Co., Ltd. from June 2002 to August 2003. Mr. Chau was employed by Andersen & Co. initially as an experience staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Andersen & Co. in March 2002. Mr. Chau has been a fellow member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a Chartered Financial Analyst of CFA Institute since September 2003. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in May 1998. Mr. Chau Kwok Keung has been informed of the requirement of the Rule 3.29 of the Listing Rules. Mr. Chau Kwok Keung has informed the Company that he took approximately 20 hours of training covering corporate governance and accounting matters. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

The Board, supported by the VP, Accounting and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Mazars CPA Limited, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

Auditor's Remuneration

The audit committee of the Board (the "Audit Committee") is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages Mazars CPA Limited as its external auditors with effect from 17 December 2019 following the resignation of Deloitte Touche Tohmatsu. Details of the fees paid/payable to Mazars CPA Limited and Deloitte Touche Tohmatsu throughout the Period are as follows:

	RMB'000
Audit services	
— Deloitte Touche Tohmatsu	750
— Mazars CPA Limited	750
	1,500

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

With the integration of the real situation of the Company and various applicable laws and regulations, the management of the Company can act in concert with such to develop solutions towards the risks, to organize the business operation systematically, and to monitor and mitigate possible risks. The Company also formulated and distributed a Compliance Manual and Internal Audit Charter, etc. internally to require all staff of the Group to comply with these internal risk management and internal control standards, and together build a regulatory environment of risk control and standardized operation. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board or the Audit Committee. This process was in place throughout 2019 and is subject to continuous improvement.

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

Pursuant to the Article 58 of the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Level 9 & 11, Lee Garden One, 33 Hysan Ave, Causeway Bay, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Level 9 & 11, Lee Garden One, 33 Hysan Ave, Causeway Bay, Hong Kong or by email at Qing_ye@comtecsolar.com. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Constitutional documents

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

Communications with Shareholders

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This environmental, social and governance ("ESG") report (the "ESG Report") was prepared to present the Group's performance of corporate social responsibility and environmental protection for the year ended 31 December 2019. This ESG Report takes the Company as the main body and covers all the subsidiaries of the Company.

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

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

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

PART I ENVIRONMENTAL

Emissions

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

The principal manufacturing facilities of the Group are based in the PRC. The Group strictly complies with the rules and regulations of the PRC in regards with emission. In addition, the Company has a greenhouse gas monitoring system in place to monitor greenhouse gas emissions. The Company does not generate any greenhouse gas or hazardous waste during manufacturing process. In 2019, the major source of greenhouse gas emissions of the Group was consumption of purchased electricity.

The main non-hazardous waste generated during the production is dust and sludge, most of which is duly processed by our waste water treatment process. Sludge was sent to brickyard and then rebuilt to brick. Dust was sprayed by water and handled by waste water treatment process. In 2019, the Group reduced the generation of waste mainly by improving diamond saw skills and subcontracting the slicing process. In 2019, the Group was not subject to any penalties or fines as a result of non-compliance with environment laws and regulations.

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

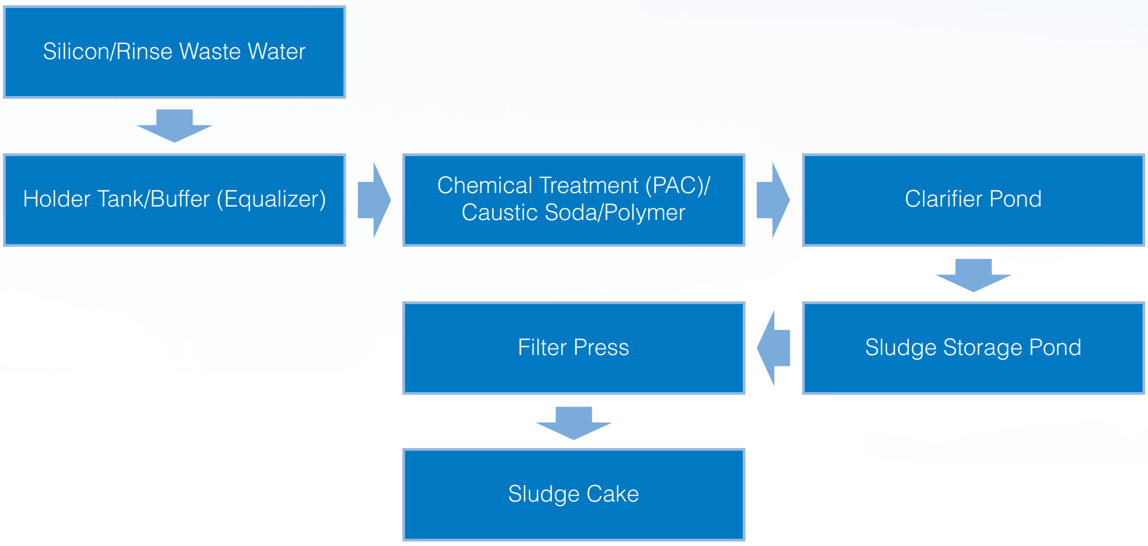
Waste sludge processed in 2019	Unit: tonne
Non-hazardous waste sludge	0.29

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

Waste dust processed in 2019	Unit: kg
Non-hazardous waste dust	32.06

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

General Waste Water Treatment Process



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

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

During the year of 2019, the Group was in compliance with the relevant laws and regulations that have a significant impact of the Company relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

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

Uses of Resources

The Group has minimised energy consumption in production and operation and strived for clean production by continuously promoting effective energy-saving technologies and improving production skills, so as to achieve sustainable development. In 2019, the PRC subsidiaries of the Group continued to improve in production efficiency by hot zone design, improvement of production skills and utilisation of facilities and new materials. Meanwhile, the Group also cultivates employees' awareness on environmental protection and advocates green office work through employee training and education to minimise environmental impact in the course of management and daily operation of the Group.

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

Electricity consumption in 2019	**Unit: kWh**
Plants of the Group	6,323,371

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

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

Water resources consumption in 2019	Unit: tonne
Plants of the Group	48,772

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

Packaging materials (paperboxes) consumption in 2019	Unit: tonne
Plants of the Group	2.23

The Environment and Natural Resources

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

Environmental Protection and Sustainable Development

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

PART II SOCIAL

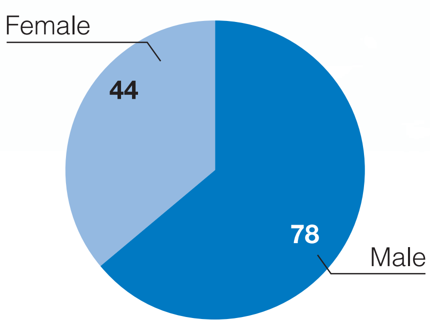
Employment and Labour Practices

Employment

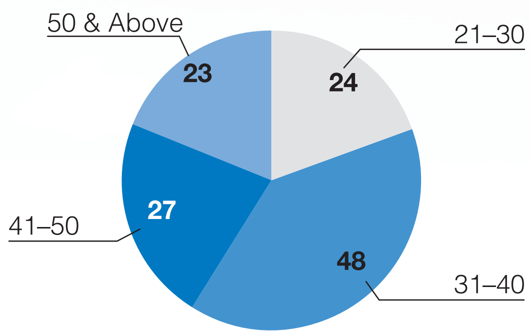
Understanding that staff is one of our most valuable assets, we have established comprehensive staff policies and welfare guidelines to attract and retain talent. We strive to ensure a safe and healthy workplace, which also serves as a platform for staff to excel in career and personal growth.

As of 31 December 2019, the total staff headcount, composition, and turnover rate of the Group are illustrated as follows:

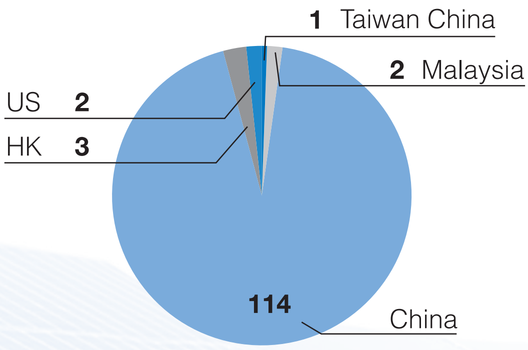
Gender



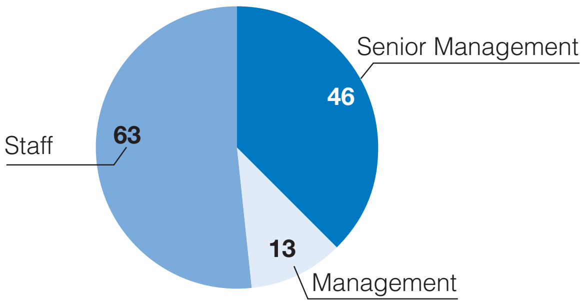
Age



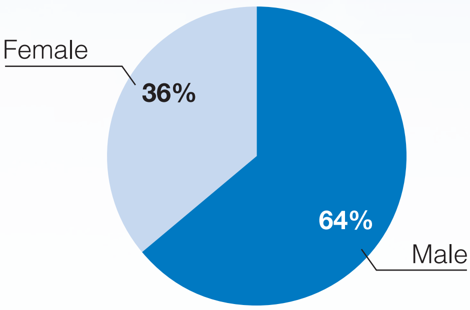
Geographical region



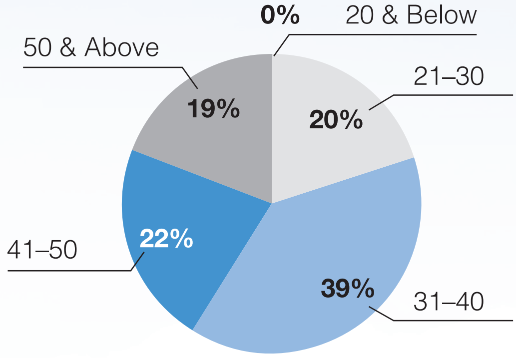
Type



Staff by Gender



Staff by Age



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

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

During the year of 2019, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Health and Safety

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

Health and safety performance	**Performance**
Number of work-related fatalities	0
Lost days due to work injury	0
Number of accident	0

During the year of 2019, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

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

Total training hours by employee category	Hours
Top management level	20
Senior management level	60
General staff	165

Labour Standards

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

The company has implemented internal policies to require all HR departments in different locations to comply with national and local labour laws, including these related to child ad forced labour, and the management of the Company also makes regular communications with the head of the HR departments in different locations to ensure the compliance of the labor laws. In 2019, there were no instances of discrimination, child labor, forced labor or violations of employees' interests.

During the year of 2019, the Group followed the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

Operating Practices

Supply Chain Management

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

Geographical region	Number of suppliers
China	132
Malaysia	nil
Korea	1

Product Responsibility

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

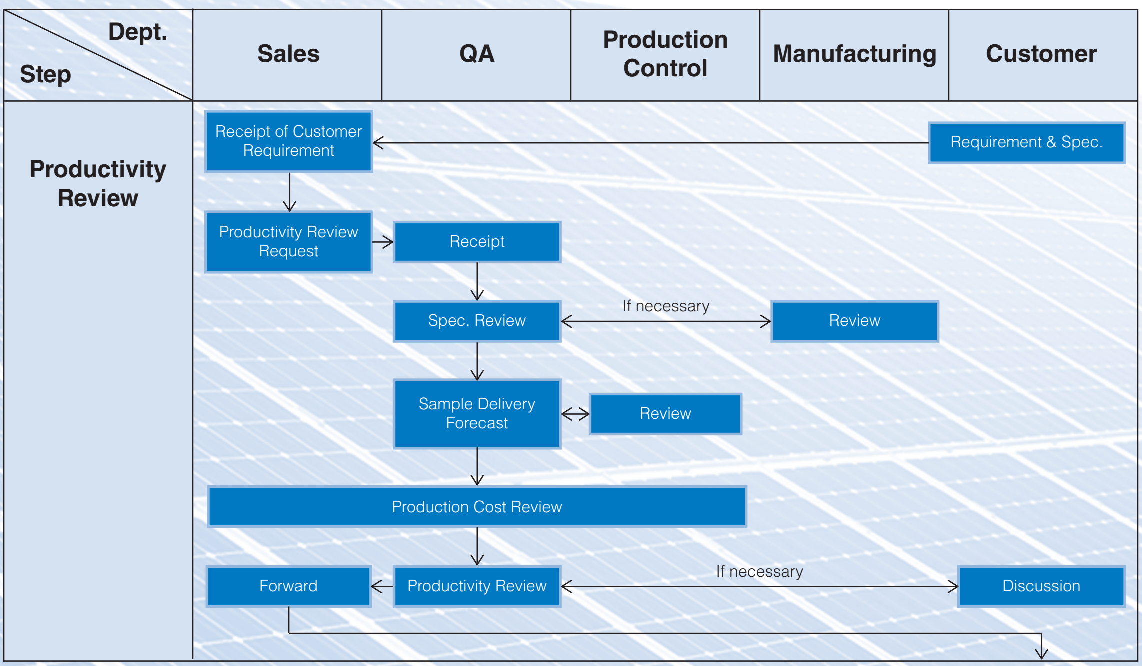
The Group has developed its brands and technologies for its products and therefore the protection of the Group's intellectual property rights is of critical importance. It is the Group's policy to register trademarks and invention patents in most of the major countries where such trademarks or patents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

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

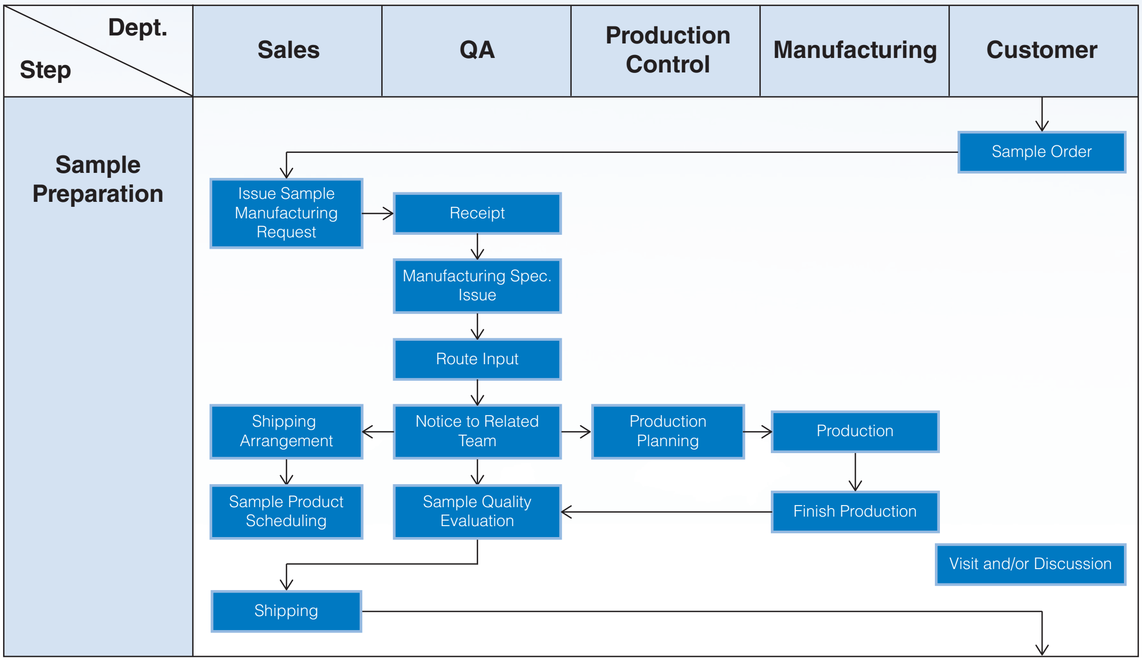
In order to provide consumers with genuine high-quality products, the Group has developed "a system " to strengthen rights protection against competing products suspected of infringing the patent of the Group. In the meantime, the Group has also developed "International Patent Application Process", gradually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

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

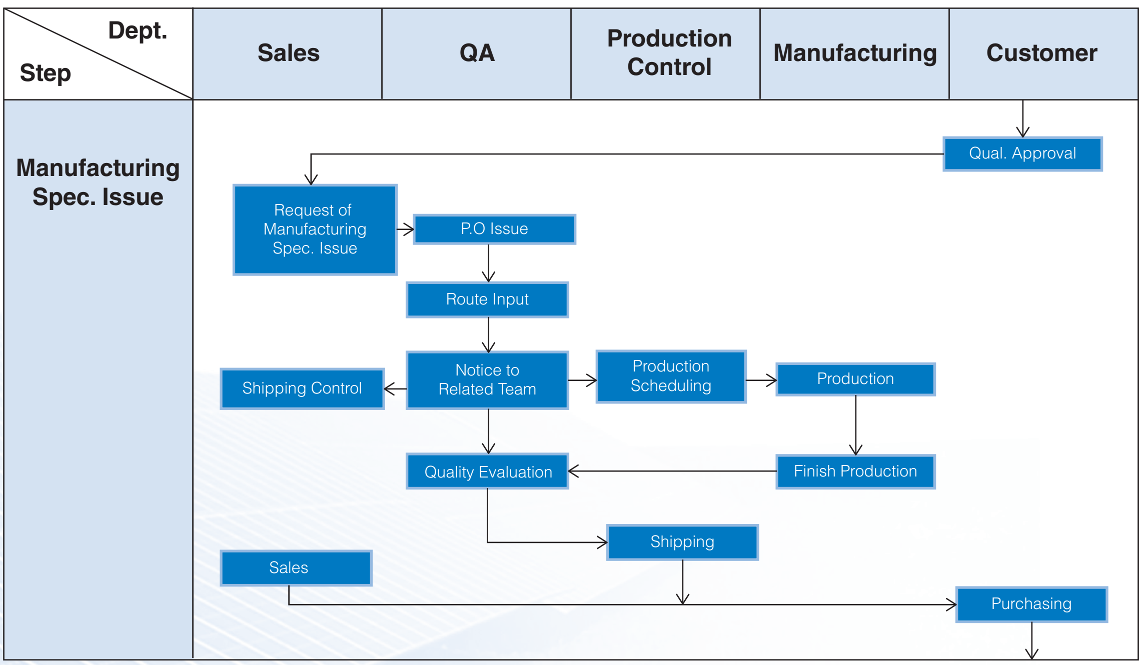
Quality Assurance Flow Chart — Productivity Review



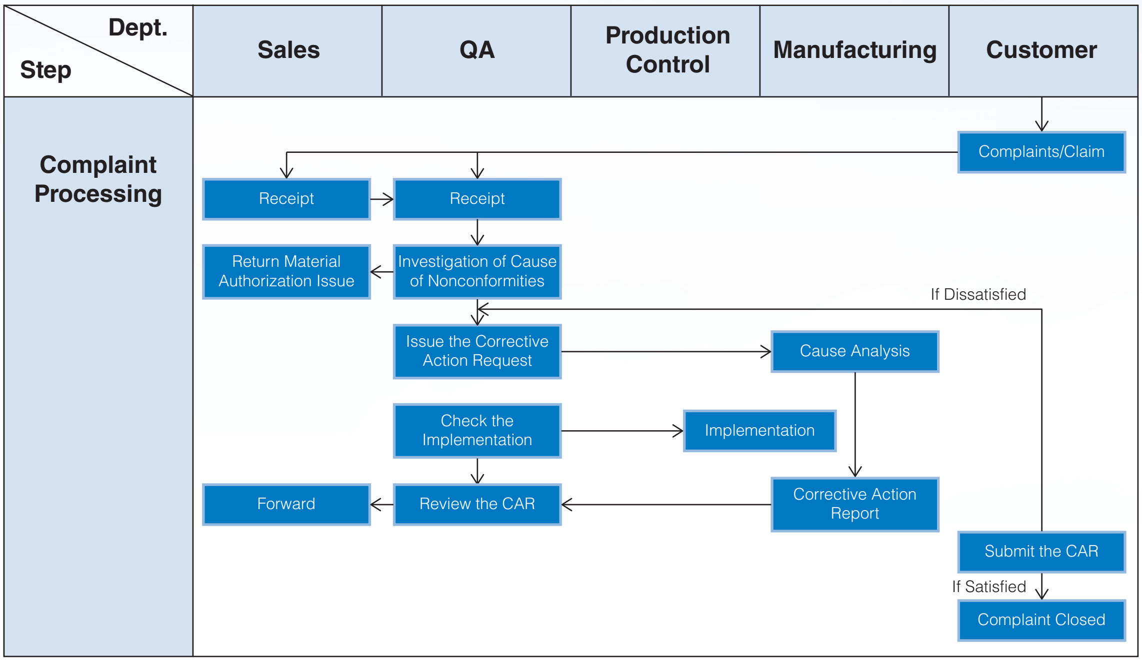
Quality Assurance Flow Chart — Sample Preparation



Quality Assurance Flow Chart — Spec. Issue



Quality Assurance Flow Chart — Complaint Processing



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

During the year of 2019, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption

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

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

During the year of 2019, the Group did not identify any corruption or bribe-taking case and in compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to bribery, extortion, fraud and money laundering.

Community

Community Investment

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

INDEPENDENT AUDITOR'S REPORT

MAZARS

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
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Website網址：www.mazars.hk

TO THE SHAREHOLDERS OF COMTEC SOLAR SYSTEMS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Comtec Solar Systems Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 79 to 190, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of RMB129 million for the year ended 31 December 2019 and had net current liabilities and net liabilities of RMB189 million and RMB32 million as at that date respectively. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "*Material Uncertainty Related to Going Concern*" section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from acquisition *Refer to Note 21 to the consolidated financial statements*	
As at 31 December 2019, the carrying amount of goodwill amounted to approximately RMB3,807,000. The Group engaged an independent professional valuer to assess the recoverable amounts of the goodwill, which involved value in use calculations. As a result of the impairment assessment, an impairment loss of RMB63,085,000 was recognised for the current reporting period. As set out in Note 5(a) to the consolidated financial statements, the value in use calculations involved exercise of significant judgements and estimations. We have identified the impairment assessment of goodwill as a key audit matter because of the significance of the goodwill in the context of the consolidated financial statements and the value in use calculations involved significant management judgements and estimations.	Our key procedures in relation to the impairment assessment of goodwill included: • Obtaining an understanding of the process and internal controls over the impairment assessment of goodwill; • Assessing the competence, objectivity and capabilities of the independent professional valuer; • Examining the determination of the recoverable amount which is the value in use of cash-generating unit to which goodwill has been allocated; • Discussing with management about the cash flow projections used in the value in use calculations; • Evaluating the reasonableness of key assumptions and critical judgement areas underpinning the value in use calculations; and • Checking arithmetical accuracy of the calculations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 15 April 2020

The engagement director on the audit resulting in this independent auditor's report is:
Yip Ngai Shing
Practising Certificate number: P05163

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	6 & 7	**93,037**	172,617
Cost of sales and services		**(94,239)**	(178,138)
Gross loss		**(1,202)**	(5,521)
Other income	8	**10,584**	14,403
Other gains and losses	9	**(41,085)**	(64,120)
Reversal of impairment losses (impairment losses) on trade receivables, net	41	**619**	(17,054)
Distribution and selling expenses		**(4,109)**	(6,012)
Administrative expenses		**(66,710)**	(92,895)
Research and development expenses		**(3,561)**	(5,785)
Share of profit of a joint venture	23	**794**	1,339
Share of loss of an associate	24	**(21)**	–
Finance costs	10	**(24,856)**	(23,849)
Loss before tax	11	**(129,547)**	(199,494)
Income tax credit	13	**889**	12,912
Loss for the year		**(128,658)**	(186,582)
Loss for the year attributable to			
Owners of the Company		**(122,060)**	(179,882)
Non-controlling interests	15	**(6,598)**	(6,700)
		(128,658)	(186,582)
		RMB cents	*RMB cents* (adjusted)
Loss per share	16		
— Basic		**(21.56)**	(34.30)
— Diluted		**(21.56)**	(34.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Loss for the year		**(128,658)**	(186,582)
Other comprehensive income for the year		**–**	–
Total comprehensive expense for the year		**(128,658)**	(186,582)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(122,060)**	(179,882)
Non-controlling interests	15	**(6,598)**	(6,700)
		(128,658)	(186,582)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**139,083**	166,444
Right-of-use assets	18	**24,196**	–
Prepaid lease payments	19	**–**	12,933
Investment properties	20	**86,027**	86,027
Goodwill	21	**3,807**	66,892
Intangible assets	22	**3,795**	5,645
Interests in a joint venture	23	**11,308**	10,514
Interests in an associate	24	**159**	–
Deposits paid for acquisition of property, plant and equipment		**451**	148
		268,826	348,603
Current assets			
Inventories	25	**18,312**	18,788
Trade and other receivables	26	**54,887**	75,207
Advance to suppliers		**30,908**	71,611
Prepaid lease payments	19	**–**	549
Equity instrument at FVTPL	27	**7,306**	–
Pledged bank deposits	28(a)	**22,436**	22,063
Bank balances and cash	28(b)	**3,286**	8,020
		137,135	196,238
Current liabilities			
Trade and other payables	29	**109,025**	139,068
Contract liabilities	30	**51,320**	51,530
Interest-bearing borrowings	31	**153,179**	170,172
Tax liabilities		**5,790**	5,785
Deferred income	32	**537**	287
Contingent consideration payables	33	**–**	5,936
Consideration payable	39	**4,814**	–
Lease liabilities	38	**1,921**	–
Obligations under finance leases	38	**–**	820
		326,586	373,598
Net current liabilities		**(189,451)**	(177,360)
Total assets less current liabilities		**79,375**	171,243

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Interest-bearing borrowings	31	**4,800**	5,400
Deferred tax liabilities	36	**17,561**	18,503
Consideration payable	39	**–**	4,500
Deferred income	32	**5,438**	3,725
Convertible bonds	37	**72,824**	72,902
Lease liabilities	38	**10,648**	–
Obligations under finance leases	38	**–**	8,501
		111,271	113,531
Net (liabilities) assets		**(31,896)**	57,712
Capital and reserves			
Share capital	34	**2,179**	1,807
Reserves		**(33,085)**	53,074
Equity attributable to owners of the Company		**(30,906)**	54,881
Non-controlling interests	15	**(990)**	2,831
Total (deficits) equity		**(31,896)**	57,712

These consolidated financial statements on pages 79 to 190 were approved and authorised for issue by the Board of Directors on 15 April 2020 and signed on its behalf by

John Yi Zhang
Director

Zhang Zhen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Share options reserve	Special reserve	Statutory surplus reserve	Property revaluation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note (a))	*(Note (b))*	*(Note (c))*	*(Note (d))*	*(Note (e))*				
At 1 January 2018	1,807	1,504,484	110,692	11,012	84,583	31,040	(1,511,419)	232,199	8,961	241,160
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	(179,882)	(179,882)	(6,700)	(186,582)
Transactions with equity holders										
Recognition of equity-settled share-based payments	–	–	2,564	–	–	–	–	2,564	–	2,564
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	570	570
	–	–	2,564	–	–	–	–	2,564	570	3,134
At 31 December 2018	1,807	1,504,484	113,256	11,012	84,583	31,040	(1,691,301)	54,881	2,831	57,712

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000* *(Note (a))*	Share options reserve *RMB'000* *(Note (b))*	Special reserve *RMB'000* *(Note (c))*	Statutory surplus reserve *RMB'000* *(Note (d))*	Property revaluation reserve *RMB'000* *(Note (e))*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2019										
As previously reported	1,807	1,504,484	113,256	11,012	84,583	31,040	(1,691,301)	54,881	2,831	57,712
Changes in accounting policies on adopting IFRS 16 *(note 3.1)*	–	–	–	–	–	–	(951)	(951)	–	(951)
As restated	1,807	1,504,484	113,256	11,012	84,583	31,040	(1,692,252)	53,930	2,831	56,761
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	(122,060)	(122,060)	(6,598)	(128,658)
Transactions with equity holders										
Recognition of equity-settled share-based payments	–	–	6,338	–	–	–	–	6,338	–	6,338
Shares issued upon subscription in July 2019 *(note 34(a))*	128	6,773	–	–	–	–	–	6,901	–	6,901
Shares issued upon subscription in August 2019 *(note 34(b))*	244	13,027	–	–	–	–	–	13,271	–	13,271
Deemed disposal of equity interest in a subsidiary without losing control *(note 14(a))*	–	–	–	2,166	–	–	–	2,166	2,279	4,445
Disposal of equity interest in a subsidiary without losing control *(note 14(a))*	–	–	–	8,420	–	–	–	8,420	1,448	9,868
Acquisition of non-controlling interest in a subsidiary *(note 14(c))*	–	–	–	128	–	–	–	128	(950)	(822)
	372	19,800	6,338	10,714	–	–	–	37,224	2,777	40,001
At 31 December 2019	2,179	1,524,284	119,594	21,726	84,583	31,040	(1,814,312)	(30,906)	(990)	(31,896)

Notes:

(a) Share premium

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

(b) 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 4.

(c) 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.

(d) 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.

(e) 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 2019

	2019 *RMB'000*	2018 *RMB'000*
OPERATING ACTIVITIES		
Loss before taxation	**(129,547)**	(199,494)
Adjustments for:		
Interest income	**(412)**	(382)
Interest expenses	**24,856**	23,849
Depreciation of property, plant and equipment	**16,238**	19,448
Depreciation of right-of-use assets	**3,499**	–
Amortisation of intangible assets	**1,850**	13,412
Share-based payment expenses	**6,338**	2,564
(Reversal of impairment losses) impairment losses on trade receivables, net	**(619)**	17,054
Write-down of inventories	**2,750**	2,633
Impairment losses recognised in respect of advance to suppliers, other receivables and deposits paid for acquisition of property, plant and equipment	**1,325**	8,915
Impairment losses recognised in respect of goodwill	**63,085**	39,025
Impairment losses recognised in respect of intangible assets	**–**	48,700
Gain on fair value change of contingent consideration payables	**(5,936)**	(46,053)
(Gain) loss on fair value change of derivative component of convertible bonds	**(7,407)**	1,040
Release of prepaid lease payments	**–**	337
Release of deferred income	**(537)**	(287)
Share of profit of a joint venture	**(794)**	(1,339)
Share of loss of an associate	**21**	–
(Gain) loss on disposal of subsidiaries	**(181)**	3,450
(Gain) loss on disposal of property, plant and equipment	**(9,408)**	280
Gain on derecognition of right-of-use assets and lease liabilities, net	**(1,131)**	–
Gain on payables waived by counterparties	**(3,706)**	–
Loss on fair value change of equity instrument at FVTPL	**2,562**	–
Net foreign exchange loss	**1,094**	422
Operating cash flows before movements in working capital	**(36,060)**	(66,426)
Decrease in inventories	**86**	21,788
Decrease in trade and other receivables	**19,143**	33,638
Decrease in bills receivable	**–**	1,684
Decrease (increase) in advance to suppliers	**31,185**	(14,593)
Decrease in trade and other payables	**(537)**	(13,433)
(Decrease) increase in contract liabilities	**(209)**	8,327
Increase in deferred income	**2,500**	–
Cash generated from (used in) operations	**16,108**	(29,015)
Taxes paid	**(756)**	(5,091)
Net cash generated from (used in) operating activities	**15,352**	(34,106)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Interest received		**412**	382
Proceeds from disposals of property, plant and equipment		**10,249**	673
Proceeds from disposal of subsidiaries	14(b)	**2,829**	8,005
Placement of pledged bank deposits		**(22,436)**	(22,063)
Withdrawal of pledged bank deposits		**22,063**	20,874
Deposits paid for acquisition of property, plant and equipment		**(303)**	(5,866)
Purchase of property, plant and equipment		**(17,747)**	(12,354)
Capital injection into an associate		**(180)**	–
Capital injection into a joint venture		**–**	(9,175)
Payment of consideration payable		**(886)**	–
Net cash used in investing activities		**(5,999)**	(19,524)
FINANCING ACTIVITIES			
Proceeds from issue of new shares		**20,452**	–
Expenses on issue of new shares		**(280)**	–
Coupon payment		**(2,028)**	–
Repayment of obligations under finance leases		**–**	(525)
Proceeds from issue of convertible bonds		**–**	68,165
Payment of transaction cost for issue of convertible bonds		**–**	(992)
Interest-bearing borrowings raised		**204,470**	193,687
Interest paid		**(13,594)**	(22,008)
Repayment of interest-bearing borrowings		**(222,426)**	(209,354)
Repayment of lease liabilities		**(4,304)**	–
Acquisition of non-controlling interest in a subsidiary	14(c)	**(822)**	–
Capital contribution from non-controlling interests	14(a)	**4,445**	570
Net cash (used in) generated from financing activities		**(14,087)**	29,543
Decrease in cash and cash equivalents		**(4,734)**	(24,087)
Cash and cash equivalents at beginning of the year		**8,020**	32,107
Cash and cash equivalents at end of the year, represented by bank balances and cash		**3,286**	8,020

1. GENERAL

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 parent company 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 addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in research, production and sales of efficient mono-crystalline products, power storage products and lithium battery products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations. The details of the Company's principal subsidiaries are set out in Note 46.

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

2. BASIS OF PREPARATION

The Group experienced a loss of RMB129 million for the year ended 31 December 2019 and had net current liabilities and net liabilities of RMB189 million and RMB32 million as at that date respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Group has developed and implemented the following liquidity plan:

- The Company successfully raised gross proceeds of HKD22,850,000 (equivalent to RMB20,589,000) from issue of new shares during the year ended 31 December 2019. In addition, subsequent to the end of the reporting period, the Company has raised gross proceeds of HKD10,489,000 (equivalent to RMB9,426,000) from issue of new shares of the Company;

- 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 existing convertible bonds holder and 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; and

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

2. BASIS OF PREPARATION *(continued)*

The directors of the Company have prepared a cash flow forecast covering the year ending 31 December 2020 and are satisfied, after taking into account the factors as mentioned above, that Group will have sufficient working capital for at least the next 12 months from 31 December 2019. Hence the consolidated financial statements have been prepared on a going concern basis.

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New/Revised IFRSs that are effective for the current year

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

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015–2017 Cycle*

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

3.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

Definition of 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.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 16 Leases *(continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(continued)*

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of some administration offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from the commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and buildings

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group, except for those that are classified and accounted for as investment properties.

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 16 Leases *(continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(continued)*

As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition (discounting effect) are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 16 Leases *(continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(continued)*

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value (discounting effect) at initial recognition are considered as additional lease payments from lessees.

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(continued)*

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied ranged from 7.03% to 7.80%.

	RMB'000
At 31 December 2018	
Operating lease commitments	7,239
Obligations under finance leases	9,321
Lease commitments at 31 December 2018	16,560
Discounting	(1,231)
Short-term leases	(269)
Lease liabilities at 1 January 2019	15,060
Analysed as	
Current	2,229
Non-current	12,831
	15,060

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	4,788
Reclassified from prepaid lease payments	13,482
Assets held under finance leases under IAS 17 included in property, plant and equipment	10,010
Rental deposits	94
	28,374

	RMB'000
By class	
Leasehold land	13,482
Office and factory premises	4,882
Plant and machinery	10,010
	28,374

The following table summarises the impact of transition to IFRS 16 on accumulated losses as at 1 January 2019.

	RMB'000
Accumulated losses	(951)

3. NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected have not been presented.

	At 31 December 2018	Adjustments	At 1 January 2019
	RMB'000	*RMB'000*	***RMB'000***
Non-current assets			
Prepaid lease payments	12,933	(12,933)	**–**
Other receivables — rental deposits	941	(94)	**847**
Property, plant and equipment	166,444	(10,010)	**156,434**
Right-of-use assets	–	28,374	**28,374**
Current assets			
Prepaid lease payments	549	(549)	**–**
Current liabilities			
Lease liabilities	–	2,229	**2,229**
Obligations under finance leases	820	(820)	**–**
Non-current liabilities			
Lease liabilities	–	12,831	**12,831**
Obligations under finance leases	8,501	(8,501)	**–**
Capital and reserves			
Reserves	53,074	(951)	**52,123**

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

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

New/Revised IFRSs in issue but not yet effective

The Group has not early applied the following new/revised IFRSs that have been issued but not yet effective:

Amendments to IASs 1 and 8	*Definition of Material* [1]
Amendments to IAS 39, IFRSs 7 and 9	*Interest Rate Benchmark Reform* [1]
Amendments to IFRS 3	*Definition of a Business* [2]
IFRS 17	*Insurance Contracts* [3]
Amendments to IAS 1	*Classification of Liabilities as Current or non-Current* [4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [5]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective for annual periods beginning on or after 1 January 2022

[5] The effective date to be determined

The directors do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the results of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's interests in existing subsidiaries

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

Goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in joint ventures

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in joint ventures *(continued)*

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

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

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

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

Revenue from contracts with customers

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

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

Output method

The progress towards complete satisfaction of a performance obligation 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.

Input method

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Applicable from 1 January 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the redemption to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Applicable from 1 January 2019 *(continued)*

As lessee (continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	10 years
Machinery	10–20 years
Vehicles	5 years
Office equipment	5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Applicable from 1 January 2019 *(continued)*

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Applicable from 1 January 2019 *(continued)*

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the finance lease.

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Applicable from 1 January 2019 *(continued)*

As lessor (continued)

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group:

  (i) accounts for the lease modification as a new lease from the effective date of the modification; and

  (ii) measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification.

(b) otherwise, the Group applies the requirements of IFRS 9.

Applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the respective functional currency (ies) (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss in the period in which they arise.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group would purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

Share options granted to the directors and employees of the Company

Equity-settled share-based payment to directors and employees and others providing similar services are measured at fair value of the services received, unless that fair value cannot be estimated reliably. If the fair value of the services received cannot be reliably estimated, their value are measured by reference to the fair value of the equity instruments granted. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 35.

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

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount of share options previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to consultants

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit/loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

Current and deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or administrative purposes (other than construction in progress) are stated in consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Research and development expenditure *(continued)*

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

Impairment of financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade receivables and other receivables);

- Past-due status;

- Nature, size and industry of debtors.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of financial assets measured at amortised cost where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

Financial liabilities at amortised cost

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

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instrument is conversion option derivative.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derivative financial instruments

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

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

Derecognition of financial liabilities

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the value in use calculation are disclosed in Note 21.

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

(b) Provision of ECL for trade receivables

Except for those debtors with significant balances or credit-impaired which are assessed individually, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings 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 available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 41 and 26 respectively.

(c) Fair value measurement of convertible bonds

The derivative component of convertible bonds amounting to RMB224,000 (2018: RMB7,549,000) as at 31 December 2019 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 41 for further disclosures.

(d) Impairment of property, plant and equipment

In assessing the impairment of property, plant and equipment, the Group is required to estimate the recoverable amount as the higher of the cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount, which is determined by the value in use calculation, requires the Group to estimate the future cash flows expected to arise from the cash-generating units or the underlying assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(e) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. The Group inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a net realisable value that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down of inventories in that year.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019		2018	
	Upstream RMB'000	Downstream solar and power storage RMB'000	Upstream RMB'000	Downstream solar and power storage RMB'000
Types of goods or service				
Sales of monocrystalline solar wafers	**3,834**	**–**	58,805	–
Sales of monocrystalline solar ingots	**2,280**	**–**	22,697	–
Sales of polysilicon	**34,922**	**–**	4,633	–
Sales of solar modules	**1,649**	**–**	4,564	–
Sales of power storage products	**–**	**28,634**	–	65,633
Consulting services for photovoltaic power stations	**–**	**205**	–	840
Installation service for photovoltaic power stations	**–**	**12,163**	–	5,080
Power generation	**–**	**6,767**	–	9,862
Sales of others	**2,583**	**–**	503	–
Total revenue	**45,268**	**47,769**	91,202	81,415
Geographical markets				
The PRC including Hong Kong	**43,306**	**47,043**	82,030	78,339
Philippines and Malaysia	**1,649**	**726**	–	3,076
Japan	**–**	**–**	9,127	–
Korea	**313**	**–**	45	–
Total revenue	**45,268**	**47,769**	91,202	81,415
Timing of revenue recognition				
At a point in time	**45,268**	**28,839**	91,202	66,473
Overtime	**–**	**18,930**	–	14,942
Total revenue	**45,268**	**47,769**	91,202	81,415

6. REVENUE *(continued)*

(ii) Performance obligations for contracts with customers

For sales of products, revenue is recognised at a point in time, being when control of the goods has been transferred to the customers, which generally coincides with the time when the goods are delivered and accepted by the customers. A certain percentage of prepayment will be made by the customers before the Group's obligations have been performed and completed.

For the provision of consulting service, revenue is recognised at a point in time, being when the service has been accepted by the customers.

For the installation service for photovoltaic power stations, the Group provides the installation services for photovoltaic power stations at the request of the customers. The Group recognises the revenue over time by reference to the progress towards the satisfaction of the completion. For the power generation, revenue is also recognised over time when electricity is generated and transmitted.

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

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

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

7. SEGMENT INFORMATION

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products. The Group has two operating and reportable segments for financial reportable purpose. The Group's segment (loss) profit is the (loss) profit before tax of the Group except that finance costs as well as corporate income and expenses are excluded from the measurement of segment (loss) profit.

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

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

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

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results

	Upstream RMB'000	Downstream solar and power storage RMB'000	Total RMB'000
For the year ended 31 December 2019			
Revenue	45,268	47,769	93,037
Cost of sales and services*	(56,024)	(38,215)	(94,239)
Segment (loss) profit	(10,756)	9,554	(1,202)
Other income			10,584
Other gains and losses			(41,085)
Reversal of impairment losses on trade receivables, net			619
Distribution and selling expenses			(4,109)
Administrative expenses			(66,710)
Research and development expenses			(3,561)
Share of profit of a joint venture			794
Share of loss of an associate			(21)
Finance costs			(24,856)
Loss before tax			(129,547)

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

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

* Included in the cost of sales and services of the upstream segment and the downstream solar and power storage segment for the year ended 31 December 2019 was depreciation of RMB5,082,000 (2018: RMB8,209,000) and RMB5,409,000 (2018: RMB4,882,000) respectively.

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

During the year ended 31 December 2019, addition of properties, plant and equipments for the upstream segment and the downstream solar and power storage segment amounted to nil (2018: RMB126,000) and RMB894,000 (2018: RMB65,491,000) respectively.

Information about major customers

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

	2019 ***RMB'000***	2018 *RMB'000*
Customer A[1]	**11,519**	58,022
Customer B[2]	**9,669**	–
Customer C[2]	**–**	19,256

1 Revenue from downstream solar and power storage segment

2 Revenue from upstream segment

Geographical information

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

	2019 ***RMB'000***	2018 *RMB'000*
The PRC including Hong Kong	**257,357**	337,700
Malaysia	**2**	389
	257,359	338,089

8. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grant *(Note)*	**1,638**	6,886
Deferred income amortisation	**537**	287
Rental income	**4,602**	5,078
Interest income	**412**	382
Others	**3,395**	1,770
	10,584	14,403

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

9. OTHER GAINS AND LOSSES

	Note	2019 RMB'000	2018 RMB'000
Net foreign exchange losses		**(1,882)**	(8,763)
Gain on fair value change of contingent consideration payables	*33*	**5,936**	46,053
Gain (loss) on disposal of property, plant and equipment		**9,408**	(280)
Gain (loss) on disposal of subsidiaries	*14(b)*	**181**	(3,450)
Impairment losses recognised in respect of advance to suppliers, other receivables and deposits paid for acquisition of property, plant and equipment		**(1,325)**	(8,915)
Impairment loss recognised in respect of goodwill	*21*	**(63,085)**	(39,025)
Impairment loss recognised in respect of intangible assets		**–**	(48,700)
Gain on payables waived by counterparties		**3,706**	–
Gain on derecognition of right-of-use assets and lease liabilities, net	*40(b)(iii)*	**1,131**	–
Loss on fair value change of equity instrument at FVTPL		**(2,562)**	–
Gain (loss) on fair value change of derivative component of the convertible bonds	*37*	**7,407**	(1,040)
		(41,085)	(64,120)

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on borrowings	**13,594**	22,008
Imputed interest on convertible bonds	**8,160**	3,275
Interest on finance lease	**–**	159
Imputed interest on lease liabilities	**1,434**	–
Others	**1,668**	992
Less: amounts capitalised in the cost of qualifying assets	**–**	(2,585)
	24,856	23,849

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2019 RMB'000	2018 RMB'000
Staff costs, including directors' remuneration		
Salaries, wages, bonus and other benefits	**24,491**	36,969
Retirement benefits schemes contributions	**2,274**	3,397
Share-based payments expenses	**6,338**	2,564
Total staff costs	**33,103**	42,930
Depreciation of property, plant and equipment	**16,238**	19,448
Depreciation of right-of-use assets	**3,499**	–
	19,737	19,448
Auditor's remuneration	**1,500**	2,140
Cost of inventories recognised as expense *(Note)*	**83,482**	170,247
Release of prepaid lease payments	**–**	337
Amortisation of intangible assets *(Note)*	**1,850**	13,412
Operating lease rentals in respect of rented premises	**–**	7,731
Rental income from investment properties	**(4,602)**	(5,078)

Note: Included in cost of inventories recognised as expense was write-down of inventories of approximately RMB2,750,000 (2018: RMB2,633,000) to their net realisable values.

The amortisation of intangible assets was included in administrative expenses.

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

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

	2019				
	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefits schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. John Yi Zhang	–	600	–	16	616
Mr. Chau Kwok Keung (resigned on 31 January 2020)	–	1,920	448	16	2,384
Mr. Zhang Zhen	–	886	449	16	1,351
	–	3,406	897	48	4,351
Non-executive directors					
Mr. Dai Ji (appointed on 23 September 2019)	50	–	–	–	50
Mr. Wang Yi Xin (resigned on 23 September 2019)	150	–	7	–	157
	200	–	7	–	207
Independent non-executive directors					
Mr. Leung Ming Shu	200	–	15	–	215
Mr. Kang Sun	346	–	19	–	365
Mr. Xu Erming	200	–	7	–	207
	746	–	41	–	787

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

	2018				
	Fees	Basic salaries and allowance	Share-based payments expense	Retirement benefits schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. John Yi Zhang	–	600	–	15	615
Mr. Chau Kwok Keung	–	1,920	106	15	2,041
Mr. Zhang Zhen	–	853	106	15	974
	–	3,373	212	45	3,630
Non-executive directors					
Mr. Wang Yi Xin	200	–	14	–	214
Independent non-executive directors					
Mr. Leung Ming Shu	200	–	14	–	214
Mr. Kang Sun	331	–	14	–	345
Mr. Xu Erming	200	–	14	–	214
	731	–	42	–	773

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

The five highest paid individuals included two (2018: three) directors of the Company for the year ended 31 December 2019, details of whose emoluments are set out above. The emoluments of the remaining three (2018: two) individuals during the year are as follows:

	2019 **RMB'000**	2018 RMB'000
Employees:		
Basic salaries and allowance	**1,674**	936
Share-based payments expense	**142**	128
Retirement benefits schemes contributions	**282**	199
Performance related incentive bonuses	**41**	67
	2,139	1,330

The emoluments of the five highest paid individuals, including two (2018: three) directors, were within the following bands:

	2019 **No. of employees**	2018 No. of employees
Nil to HKD1,000,000	**3**	3
HKD1,000,001 to HKD1,500,000	**–**	1
HKD1,500,001 to HKD2,000,000	**1**	–
HKD2,000,001 to HKD2,500,000	**–**	1
HKD2,500,001 to HKD3,000,000	**1**	–

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the directors nor the five highest paid individuals waived any emoluments during the years ended 31 December 2019 and 2018.

13. INCOME TAX CREDIT

	2019 RMB'000	2018 RMB'000
Current tax		
PRC Enterprise Income Tax		
— Under provision in prior years	**53**	543
	53	543
Deferred tax *(Note 36)*		
Current year	**(942)**	(13,455)
	(889)	(12,912)

No Hong Kong Profits Tax was provided for the years ended 31 December 2019 and 2018 as the group entities either had no assessable profits or incurred tax losses in Hong Kong.

PRC Enterprise Income Tax is calculated at the applicable tax rate of 25% in accordance with the relevant laws and regulations in the PRC. During the year ended 31 December 2018, the applicable tax rate to a subsidiary operating in the PRC was 15% as it qualified as a New High-Tech enterprise for a period of five years from 1 January 2014 to 31 December 2018.

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

	2019 RMB'000	2018 RMB'000
Loss before tax	**(129,547)**	(199,494)
Tax at PRC Enterprise Income Tax rate of 25% (2018: 25%)	**(32,386)**	(49,874)
Tax effect of share of profit of a joint venture	**(198)**	(335)
Tax effect of share of loss of an associate	**5**	–
Tax effect of expenses not deductible for tax purpose	**394**	1,377
Tax effect of temporary difference not recognised	**9,794**	36,835
Tax effect of unrecognised tax losses	**21,701**	–
Tax effect of preferential tax rate for a PRC subsidiary	**–**	(1,379)
Under provision in prior years	**53**	543
Others	**(252)**	(79)
Income tax credit for the year	**(889)**	(12,912)

14. CHANGES OF INTERESTS IN SUBSIDIARIES

14(a). Deemed disposal/disposal of equity interest in a subsidiary without losing control

On 23 November 2018, Comtec Clean Energy Group Limited, a wholly-owned subsidiary of the Company, Zhenjiang Kexin Power System Design and Research Company Limited ("Kexin"), a 70%-owned subsidiary of the Company, and Lu Ke Ya, the owner of 30% equity interest in Kexin, entered into a capital injection agreement with ISDN Investments Pte Ltd ("ISDN") pursuant to which ISDN has agreed to contribute RMB4,445,000 in cash to the registered capital of Kexin for 10% equity interest in the enlarged registered capital of Kexin (the "Deemed Disposal"). The capital injection took place in March 2019. As a result of the Deemed Disposal, the Group's equity interest in Kexin was reduced from 70.0% to 63.0% and Kexin remains as a subsidiary of the Company. The Deemed Disposal resulted in an increase in non-controlling interest of RMB2,279,000 and an increase in equity attributable to owners of the Company of RMB2,166,000.

	RMB'000
Consideration received	4,445
Disposal of equity interest in Kexin	(2,279)
Difference recognised in equity	2,166

On 17 June 2019, the Group disposed of its 9.9% equity interest in Kexin to an independent third party namely The9 Limited ("The9") at a consideration of RMB9,868,000 (the "Disposal"). The consideration was satisfied by the allotment and issue of 3,444,882 ordinary shares of The9 at the issue price of USD0.41 per ordinary share. As a result of the Disposal, the Group's equity interest in Kexin was reduced from 63.0% to 53.1% and Kexin remains as a subsidiary of the Company. The Disposal resulted in an increase in non-controlling interest of RMB1,448,000 and an increase in equity attributable to owners of the Company of RMB8,420,000.

	RMB'000
Consideration received	9,868
Disposal of equity interest in Kexin	(1,448)
Difference recognised in equity	8,420

14. CHANGES OF INTERESTS IN SUBSIDIARIES *(continued)*

14(b). Disposal of a subsidiary

In October 2019, the Group disposed of its 100% equity interest in Suzhou Comtec Tianyi Solar Technology Co., Ltd. to an independent third party at a consideration of RMB3,049,000, details of which are as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,737
Right-of-use assets	3,633
Trade and other receivables	394
Bank balances and cash	220
Tax recoverable	709
Lease liabilities	(3,825)
Net assets disposed of	2,868
Consideration received	3,049
Gain on disposal	181
Net cash inflow arising on disposal:	
Cash consideration	3,049
Less: bank balances and cash disposed of	(220)
	2,829

14(c). Acquisition of non-controlling interest in a subsidiary

On 30 October 2019, the Company acquired the remaining 30% of the issued shares of C&I Renewable Limited, a 70% owned subsidiary of the Company, at a consideration of RMB822,000. The carrying amount of the non-controlling interests in C&I Renewable Limited on the date of acquisition was RMB950,000. The Group derecognised non-controlling interests of RMB950,000 and recognised directly in equity attributable to owners of the Company of RMB128,000 for the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid.

	RMB'000
Consideration paid	(822)
Acquisition of additional interests in a subsidiary	950
Difference recognised in equity	128

15. FINANCIAL INFORMATION OF SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	Kexin *RMB'000*	Comtec (Asia) Limited *RMB'000*
At 31 December 2019		
Proportion of NCI's ownership interests	**46.90%**	**48.95%**
Current assets	**49,236**	**17,708**
Non-current assets	**22,064**	**383**
Current liabilities	**(60,455)**	**(32,001)**
Non-current liabilities	**(2,000)**	**(1,959)**
Net assets (liabilities)	**8,845**	**(15,869)**
Carrying amount of NCI	**2,503**	**(3,493)**
Year ended 31 December 2019		
Revenue	**30,370**	**1,003**
Costs and expenses	**(37,749)**	**(7,414)**
Loss for the year	**(7,379)**	**(6,411)**
Other comprehensive income	**–**	**–**
Total comprehensive expense	**(7,379)**	**(6,411)**
Loss attributable to NCI	**(3,461)**	**(3,137)**
Total comprehensive loss attributable to NCI	**(3,461)**	**(3,137)**
Net cash flows from (used in)		
Operating activities	**(390)**	**(9,382)**
Investing activities	**385**	**5,177**
Financing activities	**446**	**(414)**

15. FINANCIAL INFORMATION OF SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

	Kexin *RMB'000*	Comtec (Asia) Limited *RMB'000*
At 31 December 2018		
Proportion of NCI's ownership interests	30.00%	48.95%
Current assets	62,079	15,873
Non-current assets	28,092	5,940
Current liabilities	(79,340)	(28,861)
Non-current liabilities	–	(3,722)
Net assets (liabilities)	10,831	(10,770)
Carrying amount of NCI	2,238	593
Year ended 31 December 2018		
Revenue	66,370	24,342
Costs and expenses	(72,860)	(33,953)
Loss for the year	(6,490)	(9,611)
Other comprehensive income	–	–
Total comprehensive expense	(6,490)	(9,611)
Loss attributable to NCI	(1,947)	(4,753)
Total comprehensive loss attributable to NCI	(1,947)	(4,753)
Net cash flows from (used in)		
Operating activities	14,868	(3,269)
Investing activities	(19,303)	(859)
Financing activities	4,246	(723)

16. LOSS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Loss for the year		
Loss for the year attributable to owners of the Company	**(122,060)**	(179,882)
		(adjusted)
Number of shares		
Weighted average number of ordinary shares	**566,128,884**	524,425,895

The number of shares for the year ended 31 December 2018 has been adjusted and restated to reflect the share consolidation during the year ended 31 December 2019 as detailed in Note 34.

The outstanding share options and conversion option of convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the years ended 31 December 2019 and 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2018	198,272	470,655	3,341	4,126	74,441	750,835
Additions	–	20,643	1,042	38	51,131	72,854
Transfer	–	60,492	–	–	(60,492)	–
Disposals of subsidiaries	–	(29,443)	–	–	–	(29,443)
Disposals	(2,439)	(27,193)	(77)	(1,072)	(584)	(31,365)
At 31 December 2018 and 1 January 2019	195,833	495,154	4,306	3,092	64,496	762,881
Change in accounting policies						
— Transfer to right-of-use assets	–	(10,479)	–	–	–	(10,479)
As restated	195,833	484,675	4,306	3,092	64,496	752,402
Additions	–	1,283	182	–	–	1,465
Disposal of a subsidiary	–	(1,867)	–	–	–	(1,867)
Disposals	–	(219,027)	(9)	(234)	(46,446)	(265,716)
At 31 December 2019	**195,833**	**265,064**	**4,479**	**2,858**	**18,050**	**486,284**
Depreciation and impairment						
At 1 January 2018	105,007	435,499	1,359	2,723	64,118	608,706
Depreciation	12,027	6,544	581	296	–	19,448
Eliminated on disposals of subsidiaries	–	(1,305)	–	–	–	(1,305)
Eliminated on disposals	(2,439)	(27,193)	(20)	(760)	–	(30,412)
At 31 December 2018 and 1 January 2019	114,595	413,545	1,920	2,259	64,118	596,437
Change in accounting policies						
— Transfer to right-of-use assets	–	(469)	–	–	–	(469)
As restated	114,595	413,076	1,920	2,259	64,118	595,968
Depreciation	9,695	5,583	631	329	–	16,238
Eliminated on disposal of a subsidiary	–	(130)	–	–	–	(130)
Eliminated on disposals	–	(218,290)	(2)	(177)	(46,406)	(264,875)
At 31 December 2019	**124,290**	**200,239**	**2,549**	**2,411**	**17,712**	**347,201**
Carrying amounts						
At 31 December 2019	**71,543**	**64,825**	**1,930**	**447**	**338**	**139,083**
At 31 December 2018	81,238	81,609	2,386	833	378	166,444

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives:

Buildings:	Over the shorter of the period of the respective land use rights on which the buildings are erected or 20 years
Plant and machinery:	3-20 years
Furniture, fixtures and equipment:	5 years
Motor vehicles:	5 years

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

As at 31 December 2019, the Group pledged its buildings and plant and machinery with total carrying amount of RMB93,001,000 (2018: RMB98,415,000) to banks to secure banking facilities granted to the Group.

18. LEASES

The details of the lease income from operating leases are set out in Note 8.

The information about the leases in which the right-of-use assets meet the definition of investment properties is set out in Note 20.

The Group as lessee

Right-of-use assets

	Leasehold land *RMB'000*	Office and factory premises *RMB'000*	Plant and machinery *RMB'000*	Total *RMB'000*
Reconciliation of carrying amounts				
At 1 January 2019 — Upon adoption of IFRS 16	13,482	4,882	10,010	28,374
Additions	–	16,547	–	16,547
Depreciation	(337)	(2,733)	(429)	(3,499)
Disposal of a subsidiary	–	–	(3,633)	(3,633)
Termination of leases	–	(13,593)	–	(13,593)
At 31 December 2019	**13,145**	**5,103**	**5,948**	**24,196**
Carrying amounts				
Cost	16,434	6,554	6,611	29,599
Accumulated depreciation	(3,289)	(1,451)	(663)	(5,403)
At 31 December 2019	**13,145**	**5,103**	**5,948**	**24,196**

18. LEASES *(continued)*

The Group as lessee *(continued)*

The leasehold land represents the land use rights situated in the PRC. As at 31 December 2019, the Group pledged its leasehold land with carrying amount of RMB13,145,000 to banks to secure banking facilities granted to the Group.

As at 31 December 2019, the Group pledged its plant and machinery with carrying amount of RMB5,948,000 to secure lease liabilities granted to the Group.

The Group leases various office and factory premises and plant and machinery for its daily operations. Lease terms range from 1 to 8 years, with an option to renew the lease when all terms are renegotiated. Lease payments were usually increased annually to reflect current market rentals.

Restrictions or covenants

For leases of office and factory premises, most of the leases impose a restriction that, unless the approval is obtained from the lessor, the properties can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. For lease of office premises, the Group is required to keep the office premises in a good state of repair and return the office premises in their original condition at the end of the lease.

The interest expenses on lease liabilities are set out in Note 10.

The Group has recognised the following amounts for the year:

	2019 ***RMB'000***	2018 *RMB'000*
Lease payments:		
Short-term leases	**1,192**	–
Operating lease rentals in respect of rented premises	**–**	7,731
Total cash outflows for leases	**5,496**	8,256

18. LEASES *(continued)*

The Group as lessee *(continued)*

Commitments under operating leases

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its office and factory premises, which are payable as follows:

	RMB'000
Within one year	1,723
In the second to fifth years inclusive	5,127
Over five years	389
	7,239

19. PREPAID LEASE PAYMENTS

	2019 **RMB'000**	2018 *RMB'000*
Carrying amounts		
At 1 January	–	13,819
Released to profit or loss	–	(337)
	–	13,482
At 31 December		
Current portion	–	549
Non-current portion	–	12,933
	–	13,482

The lease payments represented the land use rights situated in the PRC.

As at 31 December 2018, prepaid lease payments with carrying amount of approximately RMB13,482,000 were pledged to banks to secure banking facilities granted to the Group.

Upon the adoption of IFRS 16, the prepaid lease payments are presented under right-of-use assets.

20. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Fair value		
At 1 January	**86,027**	86,027
Gain on revaluation of properties recognised in profit or loss	**–**	–
At 31 December	**86,027**	86,027

Note:

(a) The fair value of the Group's investment properties as at 31 December 2019 has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer, Shanghai Wanqian Tudi Real Estate Appraisal Co., Ltd. In the opinion of the directors of the Company, the fair value change of the Group's investment properties for the year ended 31 December 2019 was insignificant.

The following table gives information about how the fair value of the investment properties as at 31 December 2019 is determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

Investment properties	Fair value hierarchy	Valuation technique and key input(s)
Industrial properties located in Shanghai	Level 3	Income approach — monthly market rent, taking into account the differences in location and individual factors, such as frontage and size.

Any significant increase in monthly market rent would result in a significantly higher fair value, and vice versa.

(b) As at 31 December 2019, the investment properties of the Group are situated on land in the PRC. The remaining lease terms are within the range from 37 to 39 years.

(c) As at 31 December 2019, the Group pledged its investment properties with carrying amount of RMB86,027,000 (2018: RMB86,027,000) to banks to secure banking facilities granted to the Group.

20. INVESTMENT PROPERTIES *(continued)*

Note: (continued)

(d) The investment properties are leased to tenants for terms ranging from 2 years to 5 years. The lease does not contain any renewal option. Monthly rental charges consist of fixed payments.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of investment properties.

	At 31 December 2019 *RMB'000*
Year 1	4,527
Year 2	4,264
Year 3	3,765
	12,556

As at 31 December 2018, the future aggregate minimum rental receivables under non-cancellable operating leases in respect of the Group's investment properties were as follows:

	RMB'000
Within one year	4,659
In the second to fifth years inclusive	12,156
	16,815

(e) The Group has purchased insurance to protect the investment properties against any loss that may arise from accidents or physical damages of the properties.

21. GOODWILL

	2019 RMB'000	2018 RMB'000
At 1 January	**105,917**	105,917
Accumulated impairment	**(102,110)**	(39,025)
At 31 December	**3,807**	66,892

The carrying amounts of goodwill arose from acquisitions of subsidiaries in prior years are as follows:

	2019 RMB'000	2018 RMB'000
Comtec Renewable Energy Group Limited ("Comtec Renewable")		
Cost	**60,256**	60,256
Accumulated impairment	**(60,256)**	–
	–	60,256
Comtec (Asia) Limited		
Cost	**39,025**	39,025
Accumulated impairment	**(39,025)**	(39,025)
	–	–
Kexin		
Cost	**6,636**	6,636
Accumulated impairment	**(2,829)**	–
	3,807	6,636
At 31 December	**3,807**	66,892

21. GOODWILL *(continued)*

For the purposes of impairment testing, the net carrying amount of the goodwill has been allocated to the cash generating units ("CGU") relating to the downstream business: (i) the power storage CGU (arising from the acquisition of Kexin); and (ii) the photovoltaic power stations CGU (arising from the acquisition of Comtec Renewable).

The Group has engaged an independent professional valuer to assess the recoverable amounts of the goodwill as at 31 December 2019. The recoverable amounts of the above CGU are determined using value in use calculations. Cash flow projections for a period of five years are based on approved financial budgets covering the year ending 31 December 2020. Cash flows beyond the one-year period are extrapolated using declining growth rates ranging from 5% to 30% for the power storage CGU and 6% to 10% for the photovoltaic power stations CGU. The long term average growth rate for the power storage CGU and the photovoltaic power stations CGU is 3%. The estimated average gross profit margin for the power storage CGU and the photovoltaic power stations CGU is 17% and 19% respectively. The discount rate applied to the cash flow projections of the power storage CGU and the photovoltaic power stations CGU is 16% and 19% respectively.

The key assumptions used in the value in use calculations are discount rates, growth rates and gross profit margins. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are estimated with reference to industry growth forecasts while the gross profit margins are based on past history and expectations of future changes in the market.

As a result of the impairment assessment, impairment loss of RMB2,829,000 and RMB60,256,000 was recognised in respect of the power storage CGU and the photovoltaic power stations CGU for the year ended 31 December 2019 respectively.

22. INTANGIBLE ASSETS

	Cooperative agreement	Non-compete agreement	Franchise relationship	Backlog	Technology	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amounts						
At 1 January 2018	38,625	20,169	3,168	–	5,795	67,757
Amortisation	(6,438)	(4,115)	(1,639)	–	(1,220)	(13,412)
Impairment	(32,187)	(14,984)	(1,529)	–	–	(48,700)
At 31 December 2018 and 1 January 2019	**–**	**1,070**	**–**	**–**	**4,575**	**5,645**
Amortisation	**–**	**(630)**	**–**	**–**	**(1,220)**	**(1,850)**
At 31 December 2019	**–**	**440**	**–**	**–**	**3,355**	**3,795**
Carrying amounts						
Cost	**51,500**	**24,576**	**5,899**	**970**	**6,100**	**89,045**
Accumulated amortisation and impairment	**(51,500)**	**(24,136)**	**(5,899)**	**(970)**	**(2,745)**	**(85,250)**
At 31 December 2019	**–**	**440**	**–**	**–**	**3,355**	**3,795**
Cost	51,500	24,576	5,899	970	6,100	89,045
Accumulated amortisation and impairment	(51,500)	(23,506)	(5,899)	(970)	(1,525)	(83,400)
At 31 December 2018	–	1,070	–	–	4,575	5,645

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

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

23. INTERESTS IN A JOINT VENTURE

	2019	2018
	RMB'000	*RMB'000*
Cost of investment in a joint venture	**9,175**	9,175
Share of profit or loss of a joint venture	**2,133**	1,339
	11,308	10,514

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

Name of entity	Country of incorporation/ registration	Principle place of operation	Proportion of ownership interest held by the Group		Proportion of voting power held		Principal activity
			2019	2018	**2019**	2018	
			%	%	**%**	%	
Future Energy Capital Group Limited	British Virgin Islands ("BVI")	PRC	**50**	50	**50**	50	Investment holding

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

Relationship with the joint venture

In January 2018, the Group together with an independent third party set up the joint venture to develop and expand the downstream solar business. The total subscription amount for each party was USD1,358,000 as at 31 December 2019.

Fair Value of investment

The above joint venture is private company and there is no quoted market price available for the investment.

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

Financial information of individually material joint venture

	2019 RMB'000	2018 RMB'000
Gross amount		
Non-current assets	**15,328**	27,594
Current assets	**18,364**	15,098
Current liabilities	**(4,877)**	(2,313)
Non-current liabilities	**(6,200)**	(19,350)
Equity	**22,615**	21,029
Included in above:		
Cash and cash equivalents	**556**	7,860
Current financial liabilities	**4,250**	1,000
Non-current financial liabilities	**6,200**	19,350
Reconciliation		
Gross amount of equity	**22,615**	21,029
Group's ownership interests	**50%**	50%
Group's share of equity and carrying amount of interests	**11,308**	10,514
Gross amount		
Revenue	**4,131**	1,564
Profit for the year	**1,587**	2,678
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**1,587**	2,678
Included in above:		
Depreciation	**1,234**	632
Interest expense	**1,271**	771
Group's share of profit and total comprehensive income	**794**	1,339

24. INTERESTS IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Cost of investment in an associate	430	250
Share of profit or loss of an associate	(271)	(250)
	159	–

Details of the Group's associate at the end of the reporting period is as follows:

Name of entity	Country of incorporation/ registration	Principle place of operation	Proportion of ownership interest held by the Group		Proportion of voting power held		Principal activity
			2019 %	2018 %	2019 %	2018 %	
Comtec Future Energy Technology Development (Tianjin) Co., Ltd.	PRC	PRC	20	20	20	20	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

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

25. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	3,399	8,555
Work-in-progress	9,732	3,814
Finished goods	5,181	6,419
	18,312	18,788

As at 31 December 2019, inventories with carrying amount of approximately RMB3,972,000 were pledged to secure financing facilities granted to the Group.

26. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**43,499**	61,536
Written off	**–**	(131)
Impairment	**(24,939)**	(25,558)
	18,560	35,847
Value-added-tax recoverable	**31,217**	32,412
Other receivables	**5,110**	6,948
	54,887	75,207

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. The following is an ageing analysis of trade receivables net of impairment based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2019 RMB'000	2018 RMB'000
0 to 30 days	**2,189**	2,805
31 to 60 days	**333**	7,656
61 to 90 days	**509**	1,052
91 to 180 days	**2,389**	12,260
Over 180 days	**13,140**	12,074
	18,560	35,847

As at 31 December 2019, trade receivables amounting to RMB675,000 (2018: RMB526,000) were pledged as security for the Group's lease liabilities.

Information about the Group's exposure to credit risks and impairment of trade and other receivables is set out in Note 41.

26. TRADE AND OTHER RECEIVABLES *(continued)*

The Group's trade and other receivables that were denominated in United States dollars ("USD") and Malaysian Ringgit ("MYR"), foreign currencies of the relevant group entities, as at 31 December 2019 were as follows:

	2019	2018
	RMB'000	*RMB'000*
Trade and other receivables denominated in USD	**294**	289
Trade and other receivables denominated in MYR	**198**	1,613

27. EQUITY INSTRUMENTS AT FVTPL

	2019	2018
	RMB'000	*RMB'000*
Mandatorily at FVTPL		
Listed outside Hong Kong	**7,306**	–

Details of valuation technique and key inputs adopted are disclosed in Note 41.

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Pledged bank deposits

As at 31 December 2019, the Group pledged its bank deposits of approximately RMB22,436,000 (2018: RMB22,063,000) as security for short-term bank loans. The pledged bank deposits carried interests at variable rates ranging from 0.30% to 1.60% (2018: 1.35% to 2.75 %) per annum as at 31 December 2019.

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH *(continued)*

(b) Bank balances and cash

Bank balances and cash carried interests at market rates ranging from 0.01% to 0.30% (2018: 0.01% to 0.30%) per annum as at 31 December 2019.

The Group's bank balances and cash that were denominated in Hong Kong dollars ("HKD"), USD, Japanese yen ("JPY"), MYR and European dollars ("Euro"), foreign currencies of the relevant group entities, as at 31 December 2019 were as follows:

	2019	2018
	RMB'000	*RMB'000*
Bank balances and cash denominated in:		
Euro	**2**	75
HKD	**465**	841
USD	**111**	598
JPY	**13**	12
MYR	**173**	25
Other currencies	**12**	11

29. TRADE AND OTHER PAYABLES

		2019	2018
	Note	***RMB'000***	*RMB'000*
Trade payables	*29(a)*	**55,736**	79,148
Payables for acquisition of property, plant and equipment		**21,522**	39,177
Staff salaries and welfare payables		**6,813**	7,412
Other payables and accrued charges	*29(b)*	**24,954**	13,331
		109,025	139,068

29. TRADE AND OTHER PAYABLES *(continued)*

(a) The following is an ageing analysis of trade payables based on the invoice dates at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Age		
0 to 30 days	**6,200**	20,788
31 to 60 days	**1,170**	5,571
61 to 90 days	**1,096**	2,698
91 to 180 days	**1,377**	10,173
181 to 365 days	**9,384**	24,256
Over 365 days	**36,509**	15,662
	55,736	79,148

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.

The Group's trade and other payables that were denominated in USD and MYR, foreign currencies of the relevant group entities, as at 31 December 2019 were as follows:

	2019	2018
	RMB'000	*RMB'000*
Trade and other payables denominated in:		
USD	**25,131**	27,226
MYR	**105**	86

(b) Included in other payables and accrued charges as at 31 December 2019 were professional fee payables of RMB5,070,000 (2018: RMB4,248,000), amounts payable to the subsidiaries of a joint venture of RMB3,800,000 (2018: nil) and interest payable for other borrowings and contract liabilities of RMB8,415,000 (2018: nil). The amounts are unsecured, interest-free and have no fixed repayment term.

30. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
To a joint venture	**10,940**	3,442
To third parties	**40,380**	48,088
	51,320	51,530

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within IFRS 15 during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**51,530**	43,203
Recognised as revenue	**(11,801)**	(43,203)
Receipt of advances	**13,380**	51,530
Refund of advances	**(1,789)**	–
At 31 December	**51,320**	51,530

As at 31 December 2019, the contract liabilities that are expected to be settled after more than 12 months are RMB23,258,000 (2018: RMB14,881,000).

	2019 RMB'000	2018 RMB'000
Expected timing of revenue recognition:		
Within 1 year	**28,062**	36,649
More than 1 year but within 2 years	**17,678**	14,881
More than 2 years but within 3 years	**5,580**	–
At the end of the reporting period	**51,320**	51,530

31. INTEREST-BEARING BORROWINGS

	Note	2019 RMB'000	2018 RMB'000
Bank loans			
— Secured	31(a)	**136,554**	174,392
— Unsecured	31(a)	**–**	1,180
		136,554	175,572
Other borrowings			
— Unsecured	31(b)	**21,425**	–
		157,979	175,572

(a) Bank loans

The bank loans are repayable:

	2019 RMB'000	2018 RMB'000
Within one year	**131,754**	170,172
More than one year but not exceeding two years	**2,700**	600
More than two years but not exceeding five years	**2,100**	2,700
More than five years	**–**	2,100
	136,554	175,572
Presented as:		
Current	**131,754**	170,172
Non-current	**4,800**	5,400
	136,554	175,572

31. INTEREST-BEARING BORROWINGS *(continued)*

(a) Bank loans *(continued)*

The interest rate exposures of the bank loans as at 31 December 2019 were as follows:

	2019	2018
	RMB'000	*RMB'000*
Fixed-rate borrowings	**114,230**	6,780
Variable-rate borrowings	**22,324**	168,792
	136,554	175,572

Bank loans of RMB22,324,000 (2018: RMB168,792,000) as at 31 December 2019 carried interest at variable market rates benchmarking to the interest rates of the People's Bank of China or the London Interbank Offered Rate.

The effective interest rates (which are also equal to contract interest rates) on the Group's bank loans during the year ended 31 December 2019 were as follows:

	2019	2018
	Per annum	Per annum
Effective interest rate:		
Fixed rate	**5.44% to 7.80%**	5.55% to 7.80%
Variable rate	**3.92%**	4.00% to 4.35%

The Group's bank loans that were denominated in USD, foreign currencies of the relevant group entities, as at 31 December 2019 were as follows:

	2019	2018
	RMB'000	*RMB'000*
Bank loans denominated in USD	**22,324**	21,962

(b) Other borrowings

At the end of the reporting period, the Group's other borrowings are unsecured, interest-bearing at rates ranging from 5.5% to 24.0% per annum and repayable within twelve months.

32. DEFERRED INCOME

	2019 *RMB'000*	2018 *RMB'000*
Government grants		
Current	**537**	287
Non-current	**5,438**	3,725
	5,975	4,012

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 2019, deferred income of RMB536,500 (2018: RMB286,500) was recognised as other income in profit or loss.

33. CONTINGENT CONSIDERATION PAYABLES

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**5,936**	51,989
Change in fair value	**(5,936)**	(46,053)
At 31 December	**–**	5,936

The contingent consideration arose from the issue of ordinary shares of the Company on an earn-out basis in relation to business acquisitions in prior years. The contingent consideration is measured at fair value, which is calculated based on the expected business performance of the acquired companies and the share price of the Company. The periods in relation to the profit targets ended on 30 June 2019. Since the profit targets could not be met, no contingent consideration payable was recognised as at 31 December 2019 (2018: RMB5,936,000).

34. SHARE CAPITAL

	2019 Number of shares	2019 HKD'000	2018 Number of shares	2018 HKD'000
Authorised:				
Ordinary shares				
At 1 January	**7,600,000,000**	**7,600**	7,600,000,000	7,600
Share consolidation (note 34(c))	**(5,700,000,000)**	**–**	–	–
At 31 December	**1,900,000,000**	**7,600**	7,600,000,000	7,600
Issued and fully paid:				
Ordinary shares				
At 1 January	**2,097,703,580**	**2,098**	2,097,703,580	2,098
Shares issued upon subscription in July 2019 (note 34(a))	**145,454,546**	**145**	–	–
Shares issued upon subscription in August 2019 (note 34(b))	**270,000,000**	**270**		
Share consolidation (note 34(c))	**(1,884,868,595)**	**–**	–	–
At 31 December	**628,289,531**	**2,513**	2,097,703,580	2,098

	2019 RMB'000	2018 RMB'000
Presented in RMB:		
Ordinary shares	**2,179**	1,807

(a) On 17 July 2019, the Company issued 145,454,546 new shares pursuant to subscription agreements dated 19 June 2019 at the subscription price of HKD0.055 per subscription share, with an aggregate net proceed of HKD7,695,000 (equivalent to RMB6,901,000), after deducting related expenses of HKD305,000 (equivalent to RMB274,000).

(b) On 19 August 2019, the Company issued 270,000,000 new shares pursuant to a subscription agreement dated 20 June 2019 at the subscription price of HKD0.055 per subscription share, with an aggregate net proceed of HKD14,693,000 (equivalent to RMB13,271,000), after deducting related expenses of HKD157,000 (equivalent to RMB143,000).

34. SHARE CAPITAL *(continued)*

(c) Pursuant to the resolution passed by the shareholders of the Company on 26 August 2019, every four issued ordinary shares of par value of HKD0.001 each had been consolidated into one ordinary share of HKD0.004 each. The share consolidation became effective as from 28 August 2019. All the shares issued by the Company ranked pari passu in all respects.

(d) On 31 December 2019, the Company entered into a subscription agreement with an independent third party (the "Subscriber") pursuant to which the Company had conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for or procure its nominee to subscribe for, 104,885,179 ordinary shares of the Company at the subscription price of HKD0.10 per share. The subscription was completed on 28 February 2020 and the aggregate gross proceed from the subscription was HKD10,489,000 (equivalent to RMB9,426,000).

35. SHARE-BASED COMPENSATION

Pre-IPO Share Option Scheme

The Company's share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a resolution passed on 2 June 2008 for the primary purpose of giving the grantees an opportunity to have personal stake in the Company and motivating the grantees to optimise their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the Pre-IPO Share Option Scheme, the board of directors may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is not permitted to exceed 3% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted must be taken up within 30 days from the date of grant, upon payment of HKD1.00. Subject to the vesting as detailed below, options may be exercised at any time from the grant date of the share options to the 10th anniversary of the date of grant. The exercise price of the shares in the Company shall be a price determined by the board of directors with reference to future earnings potential of the Company and notified to the eligible participants.

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

(2) All holders of options granted may only exercise their options in the following manner:

   (i) 1/12th of the share options vested on 1 November 2009 and become exercisable; and

   (ii) from 1 November 2009 onwards, for the remaining 11/12th share options, every 1/12th of the granted share options will vest at the end of each three-month period on a quarterly basis.

(3) The options will be lapse automatically and not be exercisable (to the extent not already exercised) when the grantees ceased to be employees of the Group.

35. SHARE-BASED COMPENSATION *(continued)*

Pre-IPO Share Option Scheme *(continued)*

Set out below are details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the years ended 31 December 2019 and 2018:

	Number of options				
Date of grant	**At 1 January 2018, 31 December 2018 and 1 January 2019**	**Exercised**	**Cancelled**	**Lapsed**	**At 31 December 2019**
3 August 2009 and 2 October 2009	512,020	–	(312,361)	(199,659)	–
Weighted average exercise price (HKD)	2.510				–
Exercisable	512,020				–

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.

35. SHARE-BASED COMPENSATION *(continued)*

Share Option Scheme *(continued)*

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.

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.

35. SHARE-BASED COMPENSATION *(continued)*

Share Option Scheme *(continued)*

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the years ended 31 December 2019 and 2018:

	2018				2019				
					(Before share consolidation)			(After share consolidation)	
Date of grant	Exercise price (HKD)	At 1 January 2018	Granted	At 31 December 2018	**Cancelled**	**Lapsed**	**At 31 December 2019**	**At 31 December 2019**	**Exercise price (HKD)**
15 June 2018 (a)	0.151	–	21,986,175	21,986,175	**–**	**(700,000)**	**21,286,175**	**5,321,544**	**0.604**
2 May 2017 (b)	0.335	28,200,000	–	28,200,000	**–**	**(6,300,000)**	**21,900,000**	**5,475,000**	**1.340**
9 September 2016	0.560	89,000,000	–	89,000,000	**(71,000,000)**	**–**	**18,000,000**	**4,500,000**	**2.240**
25 November 2015	0.736	59,000,000	–	59,000,000	**(16,400,000)**	**–**	**42,600,000**	**10,650,000**	**2.944**
26 June 2015	1.500	20,000,000	–	20,000,000	**–**	**–**	**20,000,000**	**5,000,000**	**6.000**
11 May 2015	1.390	59,800,000	–	59,800,000	**(54,100,000)**	**(5,700,000)**	**–**	**–**	**–**
31 March 2014	1.386	35,650,000	–	35,650,000	**(29,900,000)**	**(4,850,000)**	**900,000**	**225,000**	**5.544**
30 September 2013	1.870	4,020,000	–	4,020,000	**–**	**–**	**4,020,000**	**1,005,000**	**7.480**
27 December 2012	1.262	7,538,000	–	7,538,000	**(2,388,000)**	**(300,000)**	**4,850,000**	**1,212,500**	**5.048**
28 June 2012	0.980	8,784,000	–	8,784,000	**(6,154,000)**	**(2,580,000)**	**50,000**	**12,500**	**3.920**
24 May 2010	1.490	2,240,000	–	2,240,000	**(900,000)**	**(1,340,000)**	**–**	**–**	**–**
		314,232,000	21,986,175	336,218,175	**(180,842,000)**	**(21,770,000)**	**133,606,175**	**33,401,544**	

Except as detailed in (a) and (b) below, all of the above options are fully vested and exercisable as at 31 December 2019 and 2018:

(a) 5,034,043 shares (after share consolidation) and 13,839,629 shares (before share consolidation) are vested and exercisable as at 31 December 2019 and 2018, respectively.

(b) 5,475,000 shares (after share consolidation) and 23,750,000 shares (before share consolidation) are vested and exercisable as at 31 December 2019 and 2018, respectively.

35. 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.

35. 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 Company granted 145,613,825 share options (before share consolidation) of the Company under the New Share Option Scheme on 29 May 2019. The options granted are at an exercise price of HKD0.070 per share (before share consolidation) 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 year ended 31 December 2019:

	Number of options					
					At 31 December 2019	
Date of grant	Granted	Exercised	Cancelled	Lapsed	(Before share consolidation)	(After share consolidation)
29 May 2019	145,613,825	–	–	–	145,613,825	36,403,456
Exercise price (HKD)	0.070				0.070	0.280
Exercisable					109,210,368	27,302,592

35. 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 was 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.

The Group recognised an expense of approximately RMB6,338,000 (2018: RMB2,564,000) for the year ended 31 December 2019 in relation to the share options granted by the Company.

36. DEFERRED TAX LIABILITIES

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

	Withholding tax on undistributed dividends	Fair value adjustment	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	6,919	25,039	31,958
Credit to profit or loss	(79)	(13,376)	(13,455)
At 31 December 2018 and 1 January 2019	**6,840**	**11,663**	**18,503**
Credit to profit or loss	**(252)**	**(690)**	**(942)**
At 31 December 2019	**6,588**	**10,973**	**17,561**

Under the relevant laws and regulations in the PRC, dividends paid out of profits derived by the Company's PRC operating subsidiaries to non-PRC resident shareholders for financial years commencing from 1 January 2008 are subject to PRC withholding tax at the rate of 10% or lower rates as provided in tax treaties. The PRC withholding tax has been provided for based on the anticipated dividends to be distributed by the Company's PRC operating subsidiaries to non-PRC resident shareholders at 10%.

As at 31 December 2019, deferred tax liabilities were provided for the undistributed profits of certain PRC operating subsidiaries in the amount of RMB66,000,000 (2018: RMB68,000,000), 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 RMB1,211,419,000 (2018: RMB1,266,952,000). The deductible temporary differences do not expire while the tax losses expire in 5 years since the losses are incurred.

37. CONVERTIBLE BONDS

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

Principal terms of the Bonds:

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

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

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

(iv) Conversion

(a) Conversion price — The initial conversion price is HKD0.174 per share, subject to adjustments.

Upon the completion of the share consolidation on 28 August 2019 (Note 34(c)), the conversion price has been increased to HKD0.696 per share.

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

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

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.

37. CONVERTIBLE BONDS *(continued)*

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

	Debt component *RMB'000*	Derivative component *RMB'000*
Issued on 27 July 2018	61,689	6,476
Imputed interest	3,275	–
Loss on fair value changes	–	1,040
Exchange realignment	389	33
At 31 December 2018 and 1 January 2019	**65,353**	**7,549**
Imputed interest	**8,160**	**–**
Interest paid	**(2,028)**	**–**
Gain on fair value changes	**–**	**(7,407)**
Exchange realignment	**1,115**	**82**
At 31 December 2019	**72,600**	**224**

38. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

	2019 ***RMB'000***	2018 *RMB'000*
Lease liabilities		
Current liabilities	**1,921**	–
Non-current liabilities	**10,648**	–
	12,569	–
Obligation under finance lease		
Current liabilities	**–**	820
Non-current liabilities	**–**	8,501
	–	9,321

As at 31 December 2018, it was the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term was 8 years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 7.90% to 9.54% per annum.

38. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES *(continued)*

Obligations under finance leases payable:

	2018	
	Minimum lease payment *RMB'000*	Present value of minimum lease payment *RMB'000*
Within one year	1,174	820
Within a period of more than one year but not more than two years	1,274	892
Within a period of more than two years but not more than five years	5,417	3,839
Within a period of more than five years	4,285	3,770
	12,150	9,321
Less: future finance charges	(2,829)	N/A
Present value of lease obligations	9,321	9,321
Less: Amount due for settlement within 12 months (shown under current liabilities)		(820)
Amount due for settlement after 12 months		8,501

39. CONSIDERATION PAYABLE

	2019 *RMB'000*	2018 *RMB'000*
Consideration payable	**4,814**	4,500

The outstanding consideration payable arising from the acquisition of Kexin in 2017 is repayable in 2020.

40. OTHER CASH FLOW INFORMATION

(a) Reconciliation of liabilities arising from financing activities

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

	Interest payable RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Interest-bearing borrowings RMB'000	Total RMB'000
At 1 January 2019 — Upon adopting IFRS 16	–	72,902	15,060	175,572	263,534
Financing cash flows	(13,594)	(2,028)	(4,304)	(17,956)	(37,882)
New leases	–	–	18,928	–	18,928
Termination of leases	–	–	(14,724)	–	(14,724)
Disposal of a subsidiary	–	–	(3,825)	–	(3,825)
Interests on borrowings	13,594	–	–	–	13,594
Interests on convertible bonds	–	8,160	–	–	8,160
Interests on lease liabilities	–	–	1,434	–	1,434
Fair value adjustments	–	(7,407)	–	–	(7,407)
Exchange realignment	–	1,197	–	363	1,560
At 31 December 2019	–	72,824	12,569	157,979	243,372

	Interest payable RMB'000	Convertible bonds RMB'000	Obligations under finance leases RMB'000	Interest-bearing borrowings RMB'000	Total RMB'000
At 1 January 2018	–	–	–	212,289	212,289
Financing cash flows	(22,008)	67,173	(525)	(15,667)	28,973
New finance leases	–	–	9,687	–	9,687
Interests on borrowings	22,008	–	–	–	22,008
Interests on convertible bonds	–	3,275	–	–	3,275
Interests on finance lease	–	–	159	–	159
Cost of convertible bonds	–	992	–	–	992
Fair value adjustments	–	1,040	–	–	1,040
Disposal of a subsidiary	–	–	–	(21,050)	(21,050)
Foreign exchange	–	422	–	–	422
At 31 December 2018	–	72,902	9,321	175,572	257,795

40. OTHER CASH FLOW INFORMATION *(continued)*

(b) Major non-cash transactions

(i) During the year ended 31 December 2019, the Group acquired assets by means of lease arrangement in respect of assets with a total capital value at the inception of the leases of RMB16,547,000 (2018: RMB9,687,000).

(ii) During the year ended 31 December 2019, the Group disposed of its 9.9% equity interest in Kexin to The9 at a consideration of RMB9,868,000 which was satisfied by the allotment and issue of 3,444,882 ordinary shares of The9 at the issue price of USD0.41 per ordinary share.

(iii) During the year ended 31 December 2019, 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 RMB13,593,000 (2018: Nil) and RMB14,724,000 (2018: Nil) respectively, resulted in a gain of RMB1,131,000.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019	2018
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Equity instruments at FVTPL	**7,306**	–
	7,306	–
Financial assets at amortised cost		
Trade receivables	**18,560**	35,847
Other receivables	**5,110**	6,948
Pledged bank deposits	**22,436**	22,063
Bank balances and cash	**3,286**	8,020
	49,392	72,878
	56,698	72,878

41. FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments *(continued)*

	2019 RMB'000	2018 RMB'000
Financial liabilities at fair value through profit or loss		
Convertible bonds — derivative component	**224**	7,549
Contingent consideration payables	**–**	5,936
	224	13,485
Financial liabilities at amortised cost		
Trade payables	**55,736**	79,148
Payables for acquisition of property, plant and equipment	**21,522**	39,177
Other payables and accrued charges	**24,954**	13,331
Short-term interest-bearing borrowings	**153,179**	170,172
Long-term interest-bearing borrowings	**4,800**	5,400
Consideration payable	**4,814**	4,500
Convertible bonds — debt component	**72,600**	65,353
Lease liabilities	**12,569**	–
Obligations under finance leases	**–**	9,321
	350,174	386,402
	350,398	399,887

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, short-term interest-bearing borrowings, long-term interest-bearing borrowings, consideration payable, contingent consideration payables, convertible bonds, lease liabilities and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks

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

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 and other receivables, trade and other payables and interest-bearing borrowings that are denominated in foreign currencies, mainly in HKD, USD, JPY, MYR and Euro as at 31 December 2019 are set out in respective notes.

The following table details the Group's sensitivity to a 5% (2018: 5%) change in respective functional currencies against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities as at 31 December 2019.

A positive (negative) number below indicates an increase (decrease) in post-tax loss where the respective functional currencies strengthen 5% (2018: 5%) against the relevant foreign currencies. For a 5% (2018: 5%) weakening of the respective functional currencies against the relevant currencies, there would be an equal and opposite impact on the post-tax loss.

	Loss for the year	
	2019	2018
	RMB'000	*RMB'000*
USD	**3,769**	5,957
HKD	**(17)**	(40)
MYR	**(10)**	(78)
Euro	**–**	(4)
JPY	**(1)**	(1)

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, deposits and loans. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing bank balances, deposits and loans as at 31 December 2019 and the stipulated changes taking place at the beginning of the financial year and held constant throughout the year.

A 10 basis points (2018: 10 basis points) increase or decrease on variable-rate bank balances and deposits and 100 basis points (2018: 100 basis points) increase or decrease on variable-rate bank loans are used when reporting interest rate risk internally to key management personnel and represents managements' assessment of the reasonably possible change in interest rates.

The following table details the Group's sensitivity to 10 basis points (2018: 10 basis points) increase in interest rates on bank balances and deposits. A positive number below indicates a decrease in post-tax loss for the year.

	2019	2018
	RMB'000	*RMB'000*
Decrease in post-tax loss for the year	**19**	23

The post-tax loss for the year would be increased by an equal and opposite amount if interest rate on bank balances and deposits had been 10 basis points lower and all other variables were held constant.

The following table details the Group's sensitivity to 100 basis points (2018: 100 basis points) increase in interest rates on variable-rate bank loans. A positive number below indicates an increase in post-tax loss for the year.

	2019	2018
	RMB'000	*RMB'000*
Increase in post-tax loss for the year	**167**	1,317

The post-tax loss for the year would be decreased by an equal and opposite amount if interest rate on variable-rate bank loans had been 100 basis points (2018: 100 basis points) lower and all other variables were held constant.

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2019, 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 individually or based on 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.

As at 31 December 2019, the credit risk on trade receivables of the Group is concentrated on one of the Group's customers, which accounted for RMB8,629,000 (2018: RMB8,616,000) of the trade receivables. This customer has 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.

Except for the debtors with significant balances or credit-impaired which are assessed individually, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit 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.

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group's internal credit risk assessment is generally based on the following ratings:

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
Doubtful	There have been significant increases in credit risk since initial recognition based on information developed internally or external sources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

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

Financial assets at amortised cost	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2019 Gross carrying amount *RMB'000*
Trade receivables	26	N/A	<(a) >	Lifetime ECL (provision matrix)	**11,326**
			Loss	Credit-impaired	**23,544**
			Doubtful	Lifetime ECL not-credit-impaired	**8,629**
					43,499
Other receivables	26	N/A	<(b) >	12-month ECL	**5,110**
Pledged bank deposits	28	AA+	N/A	12-month ECL	**22,436**
Bank balances and cash	28	AA+	N/A	12-month ECL	**3,286**

Financial assets at amortised cost	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2018 *RMB'000*
Trade receivables	26	N/A	<(a) >	Lifetime ECL (provision matrix)	27,896
			Loss	Credit-impaired	23,848
			Doubtful	Lifetime ECL not-credit-impaired	9,661
			Write-off	Amount is written off	131
					61,536
Other receivables	26	N/A	<(b) >	12-month ECL	6,948
Pledged bank deposits	28	AA+	N/A	12-month ECL	22,063
Bank balances and cash	28	AA+	N/A	12-month ECL	8,020

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

Notes:

(a) The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for trade receivables. Except for debtors with significant outstanding balances or credit-impaired, the Group determines ECL on trade receivables using a provision matrix as follows.

	Average loss rate		Gross carrying amount		Impairment loss allowance	
	2019	2018	**2019**	2018	**2019**	2018
	%	*%*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Past due						
1–30 days	**0.95**	0.95	**2,584**	2,831	**25**	27
31–60 days	**2.25**	2.25	**1,421**	7,832	**32**	176
61–90 days	**2.76**	2.76	**416**	1,050	**11**	29
91–180 days	**5.13**	5.13	**2,005**	12,923	**103**	663
More than 180 days	**25.00**	25.00	**4,900**	3,260	**1,224**	815
			11,326	27,896	**1,395**	1,710

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.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB18,478,000 (2018: RMB12,921,000) which were past due as at the reporting date. Out of the past due balances, RMB7,891,000 (2018: RMB9,661,000) has been past due 90 days or more but is not considered as credit-impaired as the Group has collaterals over these balances, which are trade payables to the same counterparties.

As at 31 December 2019, impairment losses of RMB24,939,000 was recognised (2018: RMB25,558,000), of which RMB1,395,000 (2018: RMB1,710,000) and RMB23,544,000 (2018: RMB23,848,000) was recognised using the provision matrix and for credit-impaired debtors, respectively.

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

Notes: (continued)

(a) *(continued)*

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

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
At 1 January 2019	**1,710**	**23,848**	**25,558**
Impairment losses reversed	**(315)**	**(304)**	**(619)**
At 31 December 2019	**1,395**	**23,544**	**24,939**
At 1 January 2018	945	7,690	8,635
Impairment losses recognised	765	17,359	18,124
Impairment losses reversed	–	(1,070)	(1,070)
Impairment losses, net	765	16,289	17,054
Write-offs	–	(131)	(131)
At 31 December 2018	1,710	23,848	25,558

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

(b) Other receivables are considered to be with low credit risk as it is mainly consisted of utility and rental deposits for which the counterparties are with high credit rating or financially strong.

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk

The directors of the Company have adopted an appropriate liquidity risk management framework for the management of the Group's funding and liquidity requirements. The Group manages liquidity risk by closely and continuously monitoring the Group's financial position. The directors of the Company maintain the sufficiency of cash flows with availability of unutilised banking facilities, internally generated funds and funds arose from financing activities, if necessary. The directors of the Company also review the forecasted cash flows on an on-going basis to ensure that the Group will be able to meet its financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be re-negotiated with creditors and changes on capital expansion plan will be made should the need arise.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The table includes both interest and principal cash flows.

	On demand or less than 6 months *RMB'000*	6 months to 1 year *RMB'000*	1 year to 2 years *RMB'000*	2 years to 5 years *RMB'000*	More than 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amounts *RMB'000*
At 31 December 2019							
Financial liabilities							
Trade and other payables	45,171	57,041	–	–	–	102,212	102,212
Short-term interest-bearing borrowings	147,881	10,392	–	–	–	158,273	153,179
Long-term interest-bearing borrowings	187	189	1,062	3,763	1,057	6,258	4,800
Consideration payable	–	5,314	–	–	–	5,314	4,814
Convertible bonds	1,046	1,046	85,458	–	–	87,550	72,600
Lease liabilities	1,094	1,094	2,188	8,909	2,674	15,959	12,569
	195,379	75,076	88,708	12,672	3,731	375,566	350,174

41. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	On demand or less than 6 months *RMB'000*	6 months to 1 year *RMB'000*	1 year to 2 years *RMB'000*	2 years to 5 years *RMB'000*	More than 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amounts *RMB'000*
At 31 December 2018							
Financial liabilities							
Trade and other payables	58,183	73,473	–	–	–	131,656	131,656
Short-term interest-bearing borrowings	153,492	20,130	–	–	–	173,622	170,172
Long-term interest-bearing borrowings	209	212	1,010	3,582	2,300	7,313	5,400
Consideration payable	–	–	4,500	–	–	4,500	4,500
Convertible bonds	1,021	1,039	2,362	76,558	–	80,980	65,353
Obligations under finance leases	806	806	1,612	5,417	4,288	12,929	9,321
	213,711	95,660	9,484	85,557	6,588	411,000	386,402

Fair value measurements

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

41. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements *(continued)*

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31 December 2019	31 December 2018		
Equity instruments at FVTPL	**RMB7,306,000**	–	Level 1	Quoted market price.

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31 December 2019	31 December 2018		
Contingent consideration payables	**Nil**	RMB5,936,000	Level 3	Income approach based on the scenario analysis with parameters including probabilities assessment to the operating results estimated by the management under each scenario.
Convertible bonds-derivative component	**RMB224,000**	RMB7,549,000	Level 3	Binomial option pricing model with parameters including effective interest rate, risk-free rate and volatility. If volatility increased by 5%, the fair value would be RMB91,000 higher.

41. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements *(continued)*

Reconciliation of Level 3 fair value measurements

	2019		2018	
	Consideration payables	**Convertible bonds derivative component**	Consideration payables	Convertible bonds derivative component
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Financial liabilities				
At 1 January	**5,936**	**7,549**	51,989	–
Fair value changes — profit or loss	**(5,936)**	**(7,407)**	(46,053)	1,040
Issuance of convertible bonds	**–**	**–**	–	6,476
Exchange realignment	**–**	**82**	–	33
At 31 December	**–**	**224**	5,936	7,549

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

42. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme in Hong Kong which was established under the Mandatory Provident Fund Ordnance in December 2000 (the "MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group and are invested in funds under the control of independent trustees. For members of the MPF Scheme, the Group contributes 5%, with maximum of HKD1,500 per person of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute 13% to 20% of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

43. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

As at 31 December 2019, included in trade and other payables of RMB3,800,000 (2018: Nil) payable to the subsidiaries of the joint venture of the Company and contract liabilities of RMB10,940,000 (2018: RMB3,442,000) received from the joint venture of the Company. Details of these balances are disclosed in note 29 and 30 respectively to the financial statements.

(b) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the year was as follows:

	2019	2018
	RMB'000	*RMB'000*
Basic salaries and allowances	**6,484**	5,686
Retirement benefits scheme contributions	**444**	369
Share-based payments expense	**1,126**	410
Performance related incentive bonuses	**61**	88
	8,115	6,553

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

44. DIVIDENDS

No dividend was paid, declared or proposed during the years ended 31 December 2019 and 2018.

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

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries and amounts due from subsidiaries, net of impairment loss	**51,684**	145,363
Current assets		
Bank balances and cash	**135**	132
	135	132
Current liabilities		
Other payables	**5,210**	4,070
Interest-bearing borrowings	**3,837**	–
	9,047	4,070
Net current liabilities	**(8,912)**	(3,938)
Total assets less current liabilities	**42,772**	141,425
Non-current liabilities		
Convertible bonds	**72,824**	72,902
Net (liabilities) assets	**(30,052)**	68,523
Capital and reserves		
Share capital	**2,179**	1,807
Reserves *(Note)*	**(32,231)**	66,716
Total (deficits) equity	**(30,052)**	68,523

This statement of financial position was approved and authorised for issue by the Board of Directors on 15 April 2020 and signed on its behalf by

John Yi Zhang
Director

Zhang Zhen
Director

45. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note: **Reserves**

	Share premium	Share options reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	1,504,484	110,692	(1,310,082)	305,094
Loss and total comprehensive expense for the year	–	–	(240,942)	(240,942)
Recognition of equity-settled share-based payments	–	2,564	–	2,564
At 31 December 2018 and 1 January 2019	1,504,484	113,256	(1,551,024)	66,716
Loss and total comprehensive expense for the year	–	–	(125,085)	(125,085)
Issue of ordinary shares	19,800	–	–	19,800
Recognition of equity-settled share-based payments	–	6,338	–	6,338
At 31 December 2019	1,524,284	119,594	(1,676,109)	(32,231)

46. SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2019	2018	
Comtec Clean Energy Group Limited	PRC 17 October 2016	USD150,000,000	**100%**	100%	Investment holding and solar related parts, equipment and products
Comtec Renewable	Hong Kong 27 May 2016	HKD1,158,502	**100%**	100%	Investment holding
Comtec Solar International (M) Sdn Bhd	Malaysia 7 February 2013	MYR 266,600,002	**100%**	100%	Trading of solar related parts, equipment and products
Comtec Solar Trading Limited	Hong Kong 4 December 2013	HKD2	**100%**	100%	Provision of sourcing, invoicing and support services for group companies
Comtec Solar (Cayman) Limited	Cayman Islands 23 April 2007	USD2	**100%**	100%	Investment holding
Comtec Solar (Hong Kong) Limited	Hong Kong 12 October 2007	HKD144,300,000	**100%**	100%	Investment holding, provision of sourcing, invoicing and support services for group companies

46. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2019	2018	
Comtec Solar (Jiangsu) Co., Limited	PRC 11 February 2012	USD66,500,020	**100%**	100%	Manufacturing and sales of solar wafers and related products
Comtec (Asia) Limited	Hong Kong 7 September 2016	HKD1,001	**51%**	51%	Investment holding
Jiangyang Comtec Yuanshuo Solar Co., Ltd.	PRC 3 May 2017	RMB10, 000,000	**100%**	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Kexin	PRC 1 August 2016	RMB50, 000,000	**53.1%**	70%	Research and development, integration and sales of lithium battery management
Shanghai Comtec Solar Technology Co Limited	PRC 5 July 2005	USD18,500,000	**100%**	100%	Manufacturing and sales of solar wafers and related products
Sichuan Sunmell Construction Engineering Co., Ltd	PRC 29 June 2016	RMB20, 000,000	**100%**	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the financial performance of the Group for the year or formed a substantial portion of the net assets/liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

47. EVENT AFTER REPORTING PERIOD

After the outbreak of the coronavirus disease COVID-19 in early 2020, a series of precautionary and control measures have been and continue to be implemented in China and Hong Kong. The Group expects its project developments and construction to potentially be impacted and this may in turn affect the Group's business performance in the first half of 2020.

Management has taken relevant actions to minimise the unfavourable impact of COVID-19 to the Group. The Group will pay close attention to the development and evaluate its impact on the financial position and operating results of the Group.

PARTICULARS OF INVESTMENT PROPERTIES

for the year ended 31 December 2019

Particulars of investment properties held by the Group as at 31 December 2019 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%

FIVE YEARS SUMMARY

Results	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Turnover	1,091,200	810,045	489,208	172,617	**93,037**
Loss before interest expenses and taxation	(420,333)	(998,677)	(115,275)	(175,645)	**(104,691)**
Interest expense	(14,762)	(9,112)	(15,925)	(23,849)	**(24,856)**
Loss before taxation	(435,095)	(1,007,789)	(131,200)	(199,494)	**(129,547)**
Taxation	381	719	(14,247)	12,912	**889**
Loss and total comprehensive expense for the year	(434,714)	(1,007,070)	(145,447)	(186,582)	**(128,658)**
Loss and total comprehensive expense for the year attributable to					
Owners of the Company	(434,714)	(1,007,070)	(140,296)	(179,882)	**(122,060)**
Non-controlling interests	–	–	(5,151)	(6,700)	**(6,598)**
	(434,714)	(1,007,070)	(145,447)	(186,582)	**(128,658)**

Assets and liabilities	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Total assets	2,125,319	1,362,006	731,732	544,841	**405,961**
Total liabilities	(988,407)	(1,151,935)	(489,627)	(487,129)	**(437,857)**
Shareholders' funds	1,136,912	210,071	242,105	57,712	**(31,896)**
Attributable to					
Owners of the Company	1,136,912	210,071	233,144	54,881	**(30,906)**
Non-controlling interests	–	–	8,961	2,831	**(990)**
	1,136,912	210,071	242,105	57,712	**(31,896)**

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
"Comtec Solar China"	Comtec Solar (China) Investment Holding Ltd, a company incorporated under the laws of Hong Kong
"Comtec Windpark Renewable"	Comtec Windpark Renewable (Holdings) Co Ltd, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"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

DEFINITIONS

"Future Energy Capital"	Future Energy Capital Group Limited, a company incorporated under the laws of the British Virgin Islands and a co-investment vehicle established and owned by Comtec Renewable Energy, a wholly-owned subsidiary of the Company, as to 50% and Macquarie Capital, as to 50%, respectively
"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
"ISDN"	ISDN Investments Pte Ltd, a company registered under the laws of the Republic of Singapore and a wholly-owned subsidiary of ISDN Holdings
"ISDN Holdings"	ISDN Holdings Limited, a company incorporated in the Republic of Singapore and dually listed on the Main Board of the Stock Exchange (stock code: 1656) and the Stock Exchange of Singapore (stock code: I07.SI)
"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"	17 April 2020, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macquarie Capital"	Macquarie Corporate Holdings Pty Limited, a company incorporated under the laws of Australia
"Mr. Hong"	Mr. Hong Guorong (洪國榮) , an individual resident in Hong Kong, who was allotted and issued 72,727,273 Unconsolidated Shares following a subscription which completed on 17 July 2019

DEFINITIONS

"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Mr. Zhang" or "Mr. John Yi Zhang"	Mr. John Yi Zhang, an executive Director and the chairman of the Board
"MW"	megawatt, which equals 10^6 Watt
"NDRC"	the National Development and Reform Commission of the PRC
"Period"	the year ended 31 December 2019
"PRC" or "China"	the People 's Republic of China which, for the purpose of this report, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	the prospectus of the Company dated 19 October 2009
"PV"	Photovoltaic
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	Ordinary share(s) of HK$0.004 each in the share capital of the Company
"Share Consolidation"	the share consolidation of every four issued and unissued Unconsolidated Shares into one (1) Share
"Shareholder(s)"	Shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tianjin Comtec"	Tianjin Comtec Earth Shell Solar Technology Co., Ltd.* (天津卡姆丹克地殼光伏科技有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

"Tianjin Shell"	Shell (Tianjin) Lubricants Co., Ltd* (殼牌(天津)潤滑油有限公司)
"The9"	The9 Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY"
"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
"Zhuhai Comtec"	Zhuhai Comtec Dirun Solar Technology Co., Ltd.* (珠海卡姆丹克地潤光伏科技有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
"Zhuhai Shell"	Shell (Zhuhai) Lubricants Co., Ltd* (殼牌(珠海)潤滑油有限公司)
"*"	For identification only
"%"	per cent