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

2020
Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. John Yi Zhang *(Chairman)*
Mr. Zhang Zhen *(resigned on 25 January 2021)*
Mr. Chau Kwok Keung *(resigned on 31 January 2020)*

Non-executive Directors

Mr. Dai Ji
Mr. Qiao Fenglin *(appointed on 19 March 2020)*

Independent non-executive Directors

Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Leung Ming Shu *(resigned on 10 February 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng *(appointed on 19 March 2020)*
Mr. Li Shu Pai *(appointed on 22 February 2021, resigned on 12 March 2021)*
Mr. Jiang Qiang *(appointed on 12 March 2021)*

COMPANY SECRETARY

Mr. Chau Kwok Keung *(HKICPA, ACCA, CFA) (resigned on 5 May 2020)*
Ms. Lau Ling Yun Agnes *(appointed on 5 May 2020)*

AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang
Mr. Chau Kwok Keung *(resigned on 5 May 2020)*
Mr. Qiao Fenglin *(appointed on 5 May 2020)*

AUDIT COMMITTEE

Mr. Jiang Qiang *(Chariman) (appointed on 12 March 2021)*
Mr. Leung Ming Shu *(Chairman) (resigned on 10 February 2021)*
Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng *(appointed on 19 March 2020)*

NOMINATION COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Jiang Qiang *(Chariman) (appointed on 12 March 2021)*
Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Leung Ming Shu *(resigned on 10 February 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng *(appointed on 19 March 2020)*
Mr. Qiao Fenglin *(appointed on 19 March 2020)*

REMUNERATION COMMITTEE

Mr. Jiang Qiang *(Chairman) (appointed on 12 March 2021)*
Mr. Leung Ming Shu *(Chairman) (resigned on 10 February 2021)*
Mr. John Yi Zhang
Mr. Kang Sun *(resigned on 20 March 2021)*
Mr. Xu Erming *(resigned on 29 January 2021)*
Mr. Ma Teng *(appointed on 19 March 2020)*
Mr. Qiao Fenglin *(appointed on 19 March 2020)*

CORPORATE GOVERNANCE COMMITTEE

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

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi Zhang *(Chairman)*

REGISTERED OFFICE

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

HEADQUARTERS

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 *(resigned on 8 March 2021)*
Prism CPA Limited *(appointed on 24 March 2021)*

LEGAL ADVISERS AS TO HONG KONG LAW

Patrick Mak & Tse Solicitors

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 RMB55.0 million, representing a year-on-year decrease of 40.9% from approximately RMB93.0 million for the year ended 31 December 2019, primarily as a result of the increase in revenue from our downstream solar business, partially mitigated by the suspension of sales of our upstream solar wafers and ingots as well as the decrease of revenue from lithium batteries, partially mitigated by the increase in revenue from our downstream solar business.

- 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 RMB6.2 million, or 12.9%, from RMB47.8 million for the year ended 31 December 2019 to RMB53.9 million for the year ended 31 December 2020. Such revenue increases were mainly due to our continuous efforts and progress on project developments during the Period.;

- Gross profit for the Period was approximately RMB3.9 million, representing a year-on-year increase of 421.4%, from approximately gross loss of RMB1.2 million for year ended 31 December 2019;

- Net losses attributable to the owners of the Company for the Period was approximately RMB65.7 million, representing a year-on-year decrease of approximately 46.2%, from approximately RMB122.1 million for the year ended 31 December 2019; and

- Our loss per share for the year was RMB9.18 cents, comparing to the loss per share of 21.56 cents for the year ended 31 December 2019.

CHAIRMAN'S STATEMENT

During the Period, the Group has completed its business restructuring. We are embarking on new business initiatives, including the downstream solar business which specifically focus on rooftop distributed generation projects in industrial, commercial and residential buildings as well as its lithium battery systems businesses for electric vehicles and power storage customers. In addition, we have fully suspended 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, negatively impacting the industry demand. 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 the technology of solar PV production is becoming increasingly cost efficient. 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. The Group plans to gradually sell the completed projects to institutional investors to realize the revenues and profits from the development, construction and investment of these projects. This will be one of the major sources of our revenues if the proposed sales come into fruition in future. In addition, we provide EPC services for downstream rooftop distributed generation projects to customers. We expect the developments and prospects of the electric vehicle industry and the power storage industry to drive the growth and profitability of our Group in the future. 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. 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 continuous and healthy growth for the Group in the future.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 in view of the future cash required for the Group's continuous and healthy development in the near future.

APPRECIATION

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

John Yi Zhang
Chairman

Shanghai, 30 April 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group has completed its business restructuring. We are embarking on new business initiatives, including the downstream solar business which specifically focus on rooftop distributed generation projects in industrial, commercial and residential buildings as well as its lithium battery systems businesses for electric vehicles and power storage customers. In additions, we have fully suspended 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, negatively impacting the industry demand. 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 the technology of solar PV production is becoming increasingly cost efficient.

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. The Group plans to gradually sell the completed projects to institutional investors to realize the revenues and profits from development, construction and investment of these projects. 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 expect the developments and growth of the electric vehicle industry and the power storage industry to drive the growth and profitability of our Group in the future.

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.

To leverage on our advanced technological capabilities, high quality product offerings, premium customer bases, profound 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 continuous and healthy growth for the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB38.0 million, or 40.9%, from RMB93.0 million for the year ended 31 December 2019 to RMB55.0 million for the year ended 31 December 2020, primarily as a result of the increase in revenue from our downstream solar business, partially mitigated by the decrease in revenue from the suspension of sales of our upstream solar wafers and ingots as well as the decrease of revenue from lithium batteries, partially mitigated by the increase in revenue from our downstream solar business.

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 RMB6.2 million, or 12.9%, from RMB47.8 million for the year ended 31 December 2019 to RMB53.9 million for the year ended 31 December 2020. Such revenue increases were mainly due to our continuous efforts and progress on project developments during the Period.

Cost of sales and services

Cost of sales and services decreased by RMB43.1 million, or 45.7%, from RMB94.2 million for the year ended 31 December 2019 to RMB51.2 million for the year ended 31 December 2020, which was in line with the decreased of revenue during the year.

Other income

Other income for the year ended 31 December 2020 was approximately RMB8.2 million, representing a decrease of approximately RMB2.4 million, or 22.2%, from RMB10.6 million for the year ended 31 December 2019, which was mainly due to the decrease in government subsidy incomes received in 2019.

Other net losses

Other net losses were approximately RMB21.6 million during the year ended 31 December 2020, representing a decrease by approximately RMB18.9 million or 46.7% from other net losses of approximately RMB40.5 million for the year ended 31 December 2019 mainly due to the one-off other losses of the impairment on goodwill of approximately RMB63.1 million for the year ended 31 December 2019.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB3.1 million, or 75.3%, from RMB4.1 million for the year ended 31 December 2019 to RMB1.0 million for the year ended 31 December 2020, primarily due to the decrease in sales volume as well as decrease in sales and marketing expenses on the upstream solar manufacturing business during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and general expenses

Administrative and general expenses decreased by RMB31.0 million, or 46.5%, from RMB66.7 million for the year ended 31 December 2019 to RMB35.7 million for the year ended 31 December 2020, which was mainly due to the decrease in professional expenses incurred for financing and business development activities of the Group of approximately, the decrease in non-cash amortization expenses during the Period and the decrease in administrative and general expenses due to our continuous efforts to reduce operating expenses.

Interest expenses

Interest expenses amounted to RMB23.8 million and RMB24.9 million for the years ended 31 December 2020 and 31 December 2019 respectively. There was no material fluctuation of the interest expenses.

Loss before taxation

Loss before taxation was approximately RMB70.9 million for the year ended 31 December 2020, decreased by RMB58.6 million, or 45.3%, from approximately RMB129.5 million for the year ended 31 December 2019, due to the aforementioned factors.

Final dividend

The Board resolved not to declare final dividend for the year ended 31 December 2020 (2019: nil).

Liquidity and financial resources

The Group's principal sources of working capital for the year ended 31 December 2020 included cash inflow from investing activities. As at 31 December 2020, the Group's current ratio (current assets divided by current liabilities) was 0.3 (31 December 2019: 0.4) and it was in a net debt position of approximately RMB169.7 million (31 December 2019: approximately RMB125.0 million). The gearing ratio (total liabilities divided by total equity) was (5.3) (31 December 2019: (13.7)).The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB290.5 million as of 31 December 2020 (31 December 2019: approximately RMB189.5 million). Also, the Group recorded net liabilities of approximately RMB89.1 million as of 31 December 2020 (31 December 2019: RMB31.9 million).

Contingent liabilities

As at 31 December 2020, there was no material contingent liability (31 December 2019: RMBnil).

Charges on group assets

As at 31 December 2020 and 2019, the Group had restricted cash of approximately RMB21.2 million and RMB22.4 million respectively, 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 to various parties to secure financing facilities granted to the Group. Save as disclosed above, as at 31 December 2020, no other assets of the Group were charged.

OUTLOOK

Strategic Cooperation Framework Agreement

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

Potential Impact on Project Development

Upon the continuation of the coronavirus disease COVID-19, a series of precautionary and control measures have been and continued to be implemented in China and Hong Kong during 2020. The Group expects its project developments and construction to be less impacted and this may in turn lead to the recovery of the Group's business performance in 2021.

Asset allocation

As we have fully suspended our upstream manufacturing business and prepared to dispose the assets and properties with low utilization, we would also consider to dispose our factories at Shanghai and Haian if we receive an attractive offer from potential buyers.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. John Yi Zhang, aged 58, 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 eleven years of experience in the semiconductor and solar industries from both his founding and development of the Group and his prior professional experience. Prior to founding the Group, Mr. Zhang joined Silicon Systems Inc. which was a semiconductor technology company in California, U.S., in 1992 as an engineer and was responsible for developing and designing communication firmware used in silicon chips. Mr. Zhang graduated from 清華大學 (Tsinghua University) in July 1985 with a Bachelor's degree in Electrical Engineering and from Utah State University with a Master's degree in Electrical Engineering in August 1988.

NON-EXECUTIVE DIRECTOR

Mr. Dai Ji, aged 42, 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 41, 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. Ma Teng, aged 63, was appointed as an independent non-executive Director, a member of the nomination committee of the Board and a member of the remuneration committee of the Board in March 2020. Mr. Ma is a senior economist and has extensive experience in the financial industry. Mr. Ma joined China Everbright Group Company Limited ("CEB Group") in March 2009 and he has acted as the general manager of its financial management department and an executive director and executive vice president of China Everbright Bank Company Limited ("CEB") before his retirement in April 2018. In additions, he joined China Bohai Bank Company Limited ("China Bohai Bank") in July 2005 and acted as chief executive office of China Bohai Bank from February 2006 to January 2009. Mr. Ma Teng graduated from Dongbei University of Finance and Economics in July 1984, and obtained a bachelor's degree in economics and a doctoral degree in political economics from Zhongnan University of Economics and Law in December 2002.

Mr. Jiang Qiang, aged 48, was appointed as an independent non-executive Director, the chairman of the audit committee and the remuneration committee of the Board, and a member of the nomination committee and the corporate governance committeeof the Board in March 2021. Mr. Jiang has accumulated over 18 years of experience in audit, corporate finance and financial management. From June 2002 to March 2012, Mr. Jiang has been serving as the deputy manager and chief financial officer of Shandong Weigao Group Medical Polymer Company Limited*, a company listed on the Stock Exchange (stock code: 1066), being responsible for overall management in finance, strategy plan and investment of the group. Thereafter, during the period from March 2012 to March 2015, Mr. Jiang had also been the chief operation officer, director and the chairman of strategic committee of Biosensors International Group Ltd., a company listed on the Singapore Exchange Limited (SGX: B20). Also, since 2015 to present, Mr. Jiang has been serving as the chairman of the board of Ming Yi Zhong He Technology (Beijing) Limited*(明醫眾禾科技(北京)有限責任公司)and Qingdao Yi Sheng Jian Medical Management Limited*(青島頤生健醫療管理有限公司). Mr. Jiang Qiang graduated from Harbin Institute of Technology with a Bachelor Degree in Business Administration, and obtained his Master Degree in International Finance Management from the Dongbei University of Finance and Economics.

SENIOR MANAGEMENT

Mr. Che Xiaoxi, aged 32, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ye Qing, aged 44, 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. 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 2020 are set out in note 14 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 2020 are set out in the consolidated financial statements on pages 50 to 143 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 30(a) to the financial statements, respectively.

DISTRIBUTABLE RESERVES

There was no reserve available for distribution to Shareholders as at 31 December 2020.

CHARITABLE DONATIONS

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

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Period are set out in note 11(a) to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 30(c) to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. John Yi Zhang *(Chairman)*
Mr. Zhang Zhen (resigned on 25 January 2020)
Mr. Chau Kwok Keung (resigned on 31 January 2020)

Non-Executive Director

Mr. Dai Ji
Mr. Qiao Fenglin (appointed on 19 March 2020)

Independent Non-Executive Directors

Mr. Leung Ming Shu (resigned on 10 February 2021)
Mr. Kang Sun (resigned on 20 March 2021)
Mr. Xu Erming (resigned on 29 January 2021)
Mr. Ma Teng (appointed on 19 March 2020)
Mr. Jiang Qiang (appointed on 12 March 2021)
Mr. Li Shu Pai (appointed on 22 February 2021; resigned on 12 March 2021)

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

In accordance with articles of the Company's articles of association, Mr. John Yi Zhang, Mr. Dai Ji, Mr. Qiao Fenglin, Mr. Ma Teng and Mr. Jiang Qiang will retire from the Board by rotation at the forthcoming annual general meeting. Each of Mr. John Yi Zhang, Mr. Dai Ji, Mr. Qiao Fenglin, Mr. Ma Teng and Mr. Jiang Qiang, 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 10 to 12 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 2020 or at any time throughout the Period.

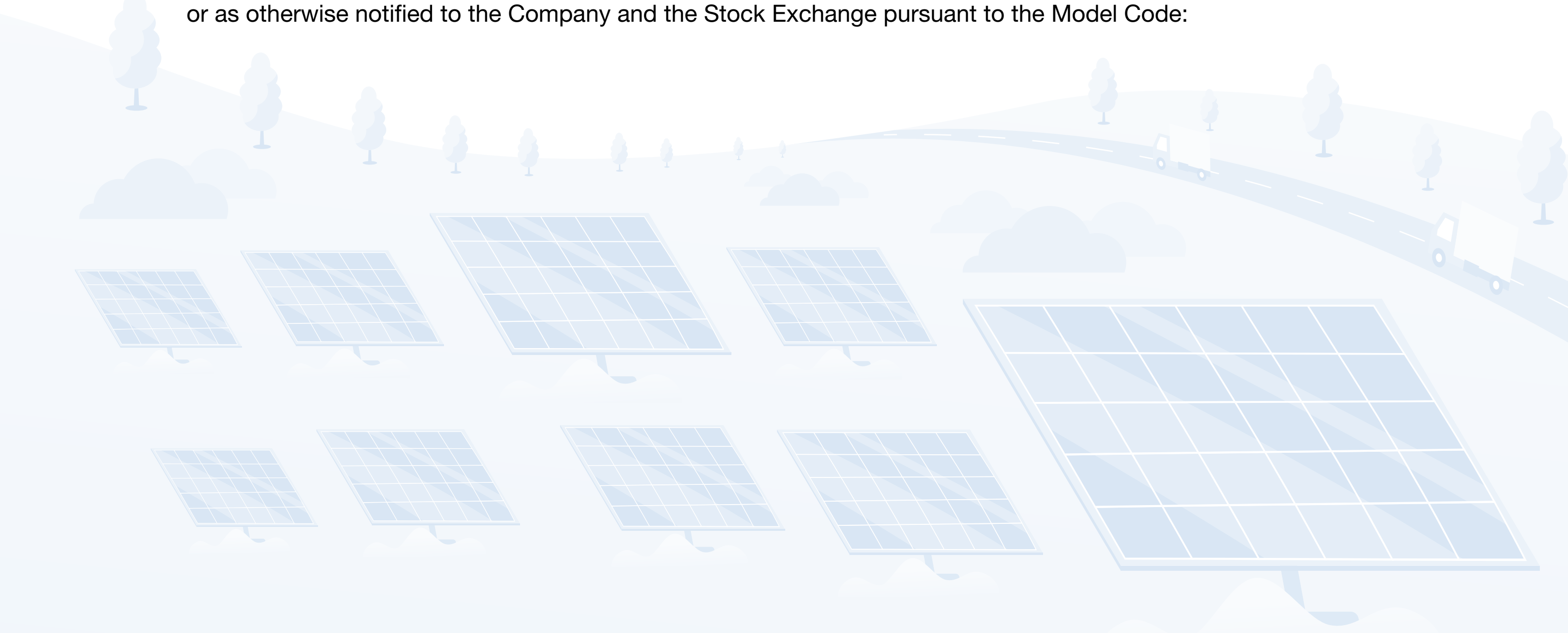
DIRECTORS' SERVICE CONTRACTS

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 2020, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:



REPORT OF THE DIRECTORS

Long positions in the Company:

Name of Director	Nature of interest	Number of Consolidated shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Yi Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and founder of a trust	152,570,887	20.81%
Mr. Dai Ji	Beneficial owner	67,500,000	9.21%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 140,613,461 Consolidated Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 11,957,426 Consolidated Shares which are beneficially owned by Zhang Trusts For Descendants as the founder of the trust.

Save as disclosed above, as at 31 December 2020, 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 2020, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Company

Name of Shareholders	Nature of interest	Number of Consolidated shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty Holdings Limited	Beneficial owner	140,613,461	19.18%
Ms. Carrie Wang[1]	Interest of spouse	152,570,887	20.81%
Harmony Gold Ventures Corp[2]	Beneficial owner	38,662,827	5.27%
Shanghai Hengqu Internet Technology Co., Ltd.*[2]	Interest in a controlled corporation	38,662,827	5.27%
Jiangyin Jinqu Capital Management Co., Ltd.*[2]	Interest in a controlled corporation	38,662,827	5.27%
Mr. Wang Yixin (王藝新)[2]	Interest in a controlled corporation	38,662,827	5.27%
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%
Mr. Sun Da	Beneficial owner	104,885,179	14.31%

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 2020, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES

Share Option Scheme

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

As at 30 April 2021, being the date of the 2020 Annual Report, the total number of shares of the Company under the Old Share Option Scheme which may be issued upon exercise of all outstanding share options was 38,844,044 (after the Share Consolidation), representing approximately 4.99% of the shares of the Company in issue on 30 April 2021. Since the old share option scheme was terminated on 1 October 2019, no further options can be granted under it. However, the share options granted under the Old Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

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

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

As at 30 April 2021, the total number of shares of the Company under the New Share Option Scheme which may be issued upon exercise of all outstanding share options was 52,442,589 (after the Share Consolidation), representing approximately 6.74% of the shares of the Company in issue on 30 April 2021.

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

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

(a) the nominal value of a Share;

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

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

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

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

			After share consolidation					
Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2020	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 31 December 2020
Director								
Mr. Chau Kwok Keung[13]	02 May 2017	HK$1.340	375,000	–	–	–	–	375,000
Mr. Kang Sun[13]	02 May 2017	HK$1.340	50,000	–	–	–	–	50,000
Mr. Leung Ming Shu[13]	02 May 2017	HK$1.340	50,000	–	–	–	–	50,000
Mr. Xu Erming[13]	02 May 2017	HK$1.340	50,000	–	–	–	–	50,000
Mr. Zhang Zhen[13]	02 May 2017	HK$1.340	375,000	–	–	–	–	375,000
Other participants								
Employees	15 June 2018	HK$0.604	1,150,000	–	–	–	–	1,150,000
Employees	02 May 2017	HK$1.340	1,975,000	–	–	–	–	1,975,000
Consultants	15 June 2018	HK$0.604	4,171,544	–	–	–	–	4,171,544
Consultants	02 May 2017	HK$1.340	2,600,000	–	–	–	–	2,600,000
Consultants	09 September 2016	HK$2.240	4,500,000	–	–	–	–	4,500,000
Consultants	25 November 2015	HK$2.944	10,650,000	–	–	–	–	10,650,000
Consultants	26 June 2015	HK$6.000	5,000,000	–	–	–	–	5,000,000
Consultants	31 March 2014	HK$5.544	225,000	–	–	–	–	225,000
Consultants	30 September 2013	HK$7.480	1,005,000	–	–	–	–	1,005,000
Consultants	27 December 2012	HK$5.048	1,212,500	–	–	–	–	1,212,500
Consultants	28 June 2012	HK$3.920	12,500	–	–	–	–	12,500
Total			33,401,544	–	–	–	–	33,401,544

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

(13) Mr. Chau, Mr. Kang, Mr. Leung, Mr. Xu, Mr. Zhang resigned as a Director on 31 January 2020, 20 March 2021, 10 February 2021, 29 January 2021 and 25 January 2020 respectively.

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

			After share consolidation					
Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2020	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 31 December 2020
Director								
Mr. Zhang Zhen(2)	29 May 2019	HK$0.280	5,000,000	–	–	–	–	5,000,000
Mr. Chau Kwok Keung(2)	29 May 2019	HK$0.280	5,000,000	–	–	–	–	5,000,000
Mr. Kang Sun(2)	29 May 2019	HK$0.280	150,000	–	–	–	–	150,000
Mr. Leung Ming Shu(2)	29 May 2019	HK$0.280	100,000	–	–	–	–	100,000
Other participants								
Employees	29 May 2019	HK$0.280	3,325,000	–	–	–	–	3,325,000
Consultants	29 May 2019	HK$0.280	22,828,456	–	–	–	–	22,828,456
Total			36,403,456	–	–	–	–	36,403,456

Notes:

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

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

(2) Mr. Chau, Mr. Zhang, Mr. Kang and Mr. Leung resigned as a Director on 31 January 2020, 25 January 2020, 20 March 2021 and 10 February 2021 respectively.

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

Further details of the Old Share Option Scheme and the New Share Option Scheme are set out in note 26 to the financial statements.

REPORT OF THE DIRECTORS

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

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

NON-COMPETE UNDERTAKINGS

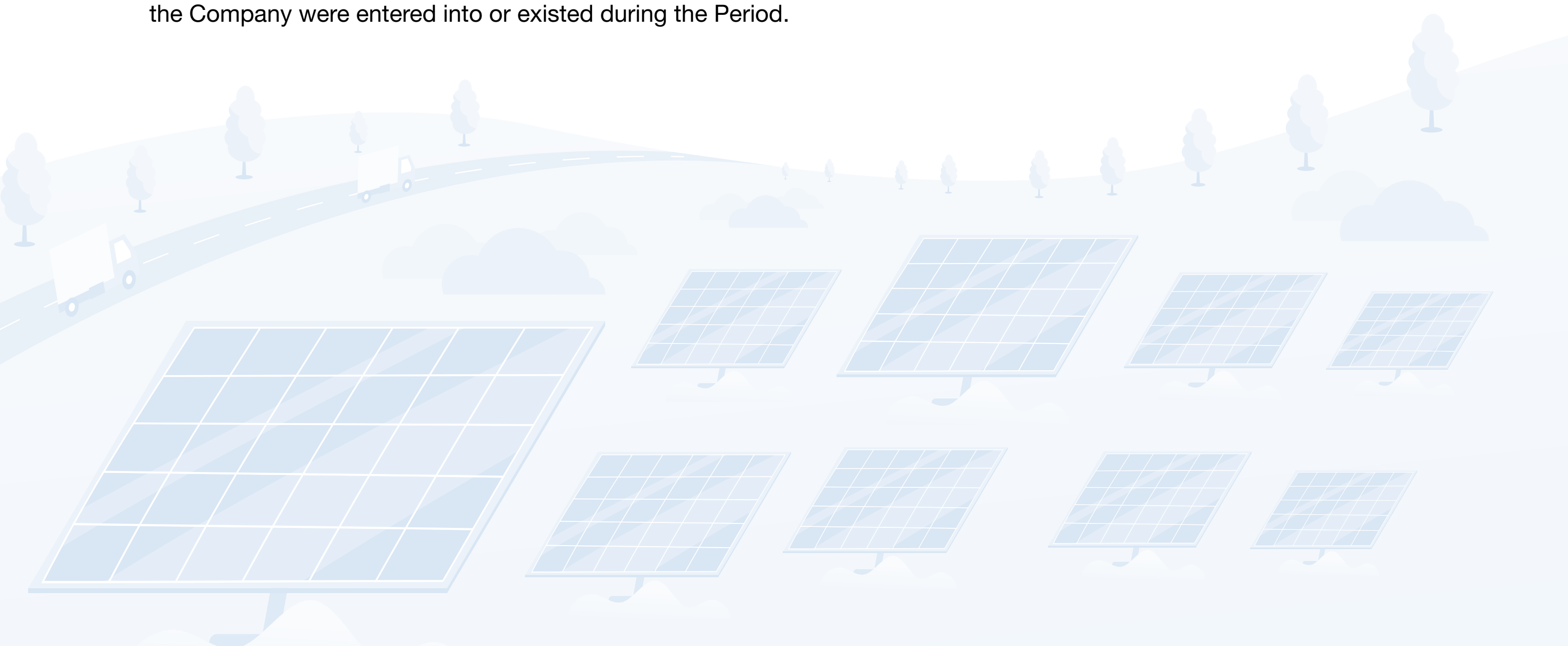
Each of the Controlling Shareholders has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Non-competition Deeds (as defined in the Prospectus). The independent non-executive Directors of the Company have reviewed the status of compliance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

DIRECTORS’INTEREST IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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



REPORT OF THE DIRECTORS

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND RISK MANAGEMENT

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

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

Business Risk

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

Financial Risk

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

Compliance Risk

The Board adopts procedures to ensure the Company is in compliance with the applicable laws, rules and regulations. The Company engages professional advisors and consultants to keep the Company abreast of the latest developments in the regulatory environment, including legal, financial, environmental and operational developments. The Company also adopts a strict policy in prohibiting any 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 8 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 26 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.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers during the year of 2020 were 53.5% and 63.4% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers during the year of 2020 were 25.7% and 44.4% of the Group's total purchases, respectively.

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

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

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

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

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

ENVIRONMENTAL PROTECTION

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

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

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

REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITOR

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

REVIEW OF THE FINANCIAL STATEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the period from the Listing Date to 31 December 2020.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowing of the Group as at 31 December 2020 are set out in note 23 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 2020 is set out on page 145 of this annual report.

On behalf of the Board
John Yi Zhang
Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

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

The Company has, throughout the Period, complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except for the deviations from code provision A2.1.

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 and procedures, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Board makes decisions objectively in the interests of the Company.

Pursuant to Code Provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Chairman of the Group is responsible for leading the Board to ensure that it operates effectively and performs its duties, while Chief Executive Officer of the Group is responsible for the overall implementation of the Group's business development and general management. The Company currently has no Chief Executive Officer following the resignation of Mr. Zhang Zhen in January 2021. The daily operation and management of the Company is monitored by the Executive Director, Mr. John Yi Zhang. Mr. Zhang, being the founder of the Group, had been in charge of the overall management of the Company since the listing of the Company in 2009 and the Company considered that such temporary arrangement after the resignation of Mr. Zhang Zhen would promote the efficient formulation and implementation of the Company's strategies which would enable the Group to further develop its businesses effectively. The Board considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of power by the Board and the effective functions of the non-executive Directors and independent non-executive Directors. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company. The delegated functions and work tasks are periodically reviewed. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and CEO is necessary. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

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

Throughout the Period 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 independent non-executive Directors representing more than one-third of the Board throughout the Period and is in compliance with Rule 3.10A of the Listing Rules. Following the resignation of Mr. Kang Sun, an independent non-executive Director to the Board, after the Period on 20 March 2021the Board has two independent non-executive Directors with one of them, Mr. Jiang Qiang, possessing appropriate accounting and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules. The Company is actively identifying potential candidate to fill up the one vacancy in order to become compliant with Rule 3.10(1) again.

Board Diversity Policy

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

Model Code

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

Independent Non-Executive Directors

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

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

Training and Support for Directors

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

During the Reporting Period, all newly appointed directors, namely Mr. Qiao Fenglin, Ma Teng had read through the induction package provided and all Directors had read through a number of written material with regards to Director's duties and on-going obligations of listed companies.

Directors' and Officers' Insurance

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

Meetings

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

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

Name of Director	Attendance/Number of Board Meeting(s)	Attendance/Number of General Meeting(s)
Executive Directors		
Mr. John Yi Zhang	8/8	1/1
Mr. Zhang Zhen (resigned on 25 January 2021)	0/0	0/1
Mr. Chau Kwok Keung (resigned on 31 January 2020)	1/1	0/0
Non-Executive Directors		
Mr. Dai Ji	8/8	1/1
Mr. Qiao Fenglin (appointed on 19 March 2020)	7/7	0/1
Independent non-executive Directors		
Mr. Leung Ming Shu (resigned on 10 February 2021)	8/8	0/1
Mr. Kang Sun (resigned on 20 March 2021)	8/8	0/1
Mr. Xu Erming (resigned on 29 January 2021)	8/8	0/1
Mr. Ma Teng (appointed on 19 March 2020)	7/7	1/1
Mr. Jiang Qiang (appointed on 12 March 2021)	0/0	0/0
Mr. Li Shu Pai (appointed on 22 February 2021; resigned on 12 March 2021)	0/0	0/0

CORPORATE GOVERNANCE REPORT

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. CHAU Kwok Keung resigned as an executive Director, the chief financial officer of the Company, a member of the corporate governance committee of the Board and a member of the significant payments committee of the Board on 31 January 2020.

Mr. MA Teng was appointed as an independent non-executive Director on 19 March 2020. On the same date, Mr. QIAO Fenglin was appointed as a non-executive Director.

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

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

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

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

Mr. John Yi Zhang 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.

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

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

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

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 October 2009. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company. Their composition and written terms of reference are in line with the Corporate Governance Code. As at the date of this report, the audit committee comprised of two members, namely, two independent non-executive Directors, Mr. Jiang Qiang and Mr. Ma Teng. Mr. Jiang Qiang 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. Jiang Qiang	0/0
Mr. Ma Teng	5/5
Mr. Leung Ming Shu	5/5
Mr. Kang Sun	5/5
Mr. Xu Erming	5/5

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 nonexecutive Directors. Their composition and written terms of reference are in line with the Corporate Governance Code. As at the date of this report, the remuneration committee comprised of four members, namely, Mr. John Yi Zhang, an executive Director, one non-executive Director, Mr. Qiao Fenglin and two independent non-executive Directors, Mr. Jiang Qiang and Mr. Ma Teng. Mr. Jiang Qiang is the chairman of the remuneration committee.

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

Throughout the Period, 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. Jiang Qiang	0/0
Mr. John Yi Zhang	2/2
Mr. Ma Teng	2/2
Mr. Qiao Fenglin	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. As at the date of this report, the nomination committee comprised of four members, namely, Mr. John Yi Zhang, an executive Director and the chairman of the Board, one non-executive Director, Mr. Qiao Fenglin and two independent non-executive Directors, Mr. Jiang Qiang and Mr. Ma Teng. 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 2020.

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	3/3
Mr. Qiao Fenglin	2/2
Mr. Jiang Qiang	0/0
Mr. Ma Teng	2/2
Mr. Kang Sun	1/3
Mr. Leung Ming Shu	1/3
Mr. Xu Erming	1/3

CORPORATE GOVERNANCE REPORT

Corporate Governance Committee

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

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

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

Name of Director	Attendance/Number of Committee Meeting(s)
Mr. John Yi Zhang	3/3
Mr. Jiang Qiang	0/0
Mr. Leung Ming Shu	3/3

Company Secretary

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

Ms. Lau has been informed of the requirement of the Rule 3.29 of the Listing Rules. Ms. Lau has informed the Company that she took not less than 15 hours of training covering corporate governance and company secretarial matters. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

The Board, supported by the 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 Prism 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 Prism CPA Limited as its external auditors with effect from 24 March 2021 following the resignation of Mazars CPA Limited with effect on 15 March 2021. Details of the fees paid/payable to Prism CPA Limited and Mazars CPA Limited throughout the Period are as follows:

	RMB'000
Audit services	
Mazars CPA Limited	750
Prism CPA Limited	1,100

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.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

Procedures by which enquiries may be put to the Board

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

Constitutional documents

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

Communications with Shareholders

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

We have audited the consolidated financial statements of Comtec Solar Systems Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 50 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, 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 consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, 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 1(c) 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 RMB67 million for the year ended 31 December 2020 and had net current liabilities and net liabilities of RMB291 million and RMB89 million as at that date respectively. These conditions, along with other matters as set forth in note 1(c) 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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 15 April 2020.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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.

Impairment assessment of property, plant and equipment of the upstream manufacturing business

Refer to note 11 to the consolidated financial statements and the accounting policies in notes 1(j) and 1(m).

The Key Audit Matter	How the matter was addressed in our audit
The Group had property, plant and equipment of the upstream manufacturing business as at 31 December 2020. Given the operating loss position of the upstream manufacturing business, there existed impairment indicators for its property, plant and equipment as at 31 December 2020. The Group engaged an independent professional valuer to assess the fair value of leasehold land and buildings of the upstream manufacturing business. Management has carried out impairment assessment which involved estimating the recoverable amount, using fair value less costs to sell and considered that no provision for impairment loss for property, plant and equipment of the upstream manufacturing business was necessary as at 31 December 2020.	Our audit procedures to the impairment assessment of property, plant and equipment of upstream manufacturing business included the following: • Understanding management's control and process for determining the carrying amounts of property, plant and equipment of the upstream manufacturing business and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Checking, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer; • Assessing the methodologies used by the external valuer to estimate the fair value; and • Involving our in-house valuation expert and assessing the reasonableness of the key assumptions adopted by the independent external valuer.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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.

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.

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

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

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

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

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

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

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

Prism CPA Limited
Certified Public Accountants

Dai Tin Yau
Practising Certificate Number: P06318

Hong Kong

30 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	**55,015**	93,037
Cost of sales and services		**(51,152)**	(94,239)
Gross profit/(loss)		**3,863**	(1,202)
Other income	4	**8,230**	10,584
Other net losses	5	**(21,579)**	(40,466)
Distribution and selling expenses		**(1,014)**	(4,109)
Administrative expenses		**(35,674)**	(66,710)
Research and development expenses		**(1,112)**	(3,561)
Share of profit of a joint venture		**134**	794
Share of loss of an associate		**—**	(21)
Finance costs	6(a)	**(23,770)**	(24,856)
Loss before taxation	6	**(70,922)**	(129,547)
Income tax	7(a)	**4,087**	889
Loss for the year		**(66,835)**	(128,658)
Attributable to:			
Equity shareholders of the Company		**(65,704)**	(122,060)
Non-controlling interests		**(1,131)**	(6,598)
Loss for the year		**(66,835)**	(128,658)
		RMB cents	RMB cents
Loss per share	10		
Basic		**(9.18)**	(21.56)
Diluted		**(9.18)**	(21.56)

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020 RMB'000**	2019 RMB'000
Loss for the year		**(66,835)**	(128,658)
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**(66,835)**	(128,658)
Attributable to:			
Equity shareholders of the Company		**(65,704)**	(122,060)
Non-controlling interests		**(1,131)**	(6,598)
Total comprehensive income for the year		**(66,835)**	(128,658)

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	**2020 RMB'000**	2019 RMB'000
Non-current assets			
Investment properties	11	**82,914**	86,027
Property, plant and equipment	11	**147,804**	163,279
Intangible assets	12	**2,135**	3,795
Goodwill	13	**6,573**	3,807
Interest in an associate	15	**159**	159
Interest in a joint venture	16	**—**	11,308
Deposits paid for acquisition of property, plant and equipment		**691**	451
		240,276	268,826
Current assets			
Inventories	17	**17,215**	18,312
Trade and other receivables	20	**70,771**	54,887
Advance to suppliers		**29,737**	30,908
Equity instruments at FVTPL	18	**—**	7,306
Pledged bank deposits	21	**21,214**	22,436
Cash and cash equivalents	21	**5,126**	3,286
		144,063	137,135
Current liabilities			
Trade and other payables	22	**137,444**	109,025
Contract liabilities	19	**34,720**	51,320
Interest-bearing borrowings	23	**164,481**	153,179
Tax liabilities		**5,808**	5,790
Deferred income	24	**840**	537
Consideration payable	29	**5,130**	4,814
Convertible bonds	28	**84,587**	—
Lease liabilities		**1,591**	1,921
		434,601	326,586
Net current liabilities		**(290,538)**	(189,451)
Total assets less current liabilities		**(50,262)**	79,375

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	**2020 RMB'000**	2019 RMB'000
Non-current liabilities			
Interest-bearing borrowings	23	**10,300**	4,800
Deferred tax liabilities	27	**11,541**	17,561
Deferred income	24	**7,329**	5,438
Convertible bonds	28	**—**	72,824
Lease liabilities		**9,713**	10,648
		38,883	111,271
NET LIABILITIES		**(89,145)**	(31,896)
CAPITAL AND RESERVES			
Share capital	30	**2,556**	2,179
Reserves		**(89,580)**	(33,085)
Total equity attributable to equity shareholders of the Company		**(87,024)**	(30,906)
Non-controlling interests		**(2,121)**	(990)
TOTAL DEFICIT		**(89,145)**	(31,896)

Approved and authorised for issue by the board of directors on 30 April 2021.

John Yi Zhang
Director

Dai Ji
Director

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Property revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non – controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019		1,807	1,504,484	113,256	11,012	84,583	31,040	(1,692,252)	53,930	2,831	56,761
Changes in equity for 2019:											
Loss for the year and total comprehensive income for the year		–	–	–	–	–	–	(122,060)	(122,060)	(6,598)	(128,658)
Recognition of equity – settled share – based payments	26	–	–	6,338	–	–	–	–	6,338	–	6,338
Shares issued upon subscription in July 2019	30(c)(i)	128	6,773	–	–	–	–	–	6,901	–	6,901
Shares issued upon subscription in August 2019	30(c)(ii)	244	13,027	–	–	–	–	–	13,271	–	13,271
Deemed disposal of equity interest in a subsidiary without losing control		–	–	–	2,166	–	–	–	2,166	2,279	4,445
Disposal of equity interest in a subsidiary without losing control		–	–	–	8,420	–	–	–	8,420	1,448	9,868
Acquisition of non – controlling interest in a subsidiary		–	–	–	128	–	–	–	128	(950)	(822)
		372	19,800	6,338	10,714	–	–	–	37,224	2,777	40,001
Balance at 31 December 2019 and 1 January 2020		2,179	1,524,284	119,594	21,726	84,583	31,040	(1,814,312)	(30,906)	(990)	(31,896)
Changes in equity for 2020:											
Loss for the year and total comprehensive income for the year		–	–	–	–	–	–	(65,704)	(65,704)	(1,131)	(66,835)
Recognition of equity – settled share – based payments	26	–	–	454	–	–	–	–	454	–	454
Shares issued upon subscription in February 2020	30(c)(iv)	377	8,755	–	–	–	–	–	9,132	–	9,132
		377	8,755	454	–	–	–	–	9,586	–	9,586
Balance at 31 December 2020		2,556	1,533,039	120,048	21,726	84,583	31,040	(1,880,016)	(87,024)	(2,121)	(89,145)

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Loss before taxation		**(70,922)**	(129,547)
Adjustments for:			
Interest income	4	**(146)**	(412)
Interest expenses	6(a)	**23,770**	24,856
Depreciation	6(c)	**12,274**	19,737
Amortisation of intangible assets	6(c)	**1,660**	1,850
Share-based payment expenses	6(b)	**454**	6,338
Valuation loss on investment properties	11(a)	**3,113**	—
Impairment loss/(reversal of impairment losses) on trade receivables, net	5	**10,474**	(619)
Write-down of inventories		**—**	2,750
Impairment losses recognised in respect of advance to suppliers, other receivables and deposits paid for acquisition of property, plant and equipment	5	**—**	1,325
Impairment losses recognised in respect of goodwill	5	**—**	63,085
Gain on fair value change of contingent consideration payables	5	**—**	(5,936)
Loss/(gain) on fair value change of derivative component of convertible bonds	5	**9,926**	(7,407)
Release of deferred income		**(553)**	(537)
Share of profit of a joint venture		**(134)**	(794)
Share of loss of an associate		**—**	21
Loss on deemed disposal of a joint venture	5	**3,780**	—
Gain on disposal of subsidiaries	5	**—**	(181)
Gain on disposal of property, plant and equipment	5	**(1,134)**	(9,408)
Gain on derecognition of right-of-use assets and lease liabilities, net	21(c)(ii)	**(1,223)**	(1,131)
Gain on payables waived by counterparties		**—**	(3,706)
Loss on disposal of equity instruments at FVTPL	5	**861**	—
Loss on fair value change of equity instrument at FVTPL	5	**—**	2,562
Net foreign exchange (gain)/loss		**(5,635)**	1,094
		(13,435)	(36,060)
Changes in working capital:			
Decrease in inventories		**5,197**	86
(Increase)/decrease in trade and other receivables		**(8,729)**	19,143
Decrease in advance to suppliers		**1,171**	31,185
Increase/(decrease) in trade and other payables		**26,949**	(537)
Decrease in contract liabilities		**(16,600)**	(209)
Increase in deferred income		**2,747**	2,500
Cash (used in)/generated from operations		**(2,700)**	16,108
Tax paid		**(25)**	(756)
Net cash (used in)/generated from operating activities		**(2,725)**	15,352

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Investing activities			
Interest received		**146**	412
Proceeds from disposal of property, plant and equipment		**9,697**	10,249
Proceeds from disposal of subsidiaries		**—**	2,829
Proceeds from disposal of equity instruments at FVTPL		**6,445**	—
Placement of pledged bank deposits		**—**	(22,436)
Withdrawal of pledged bank deposits		**—**	22,063
Deposits paid for acquisition of property, plant and equipment		**(240)**	(303)
Purchase of property, plant and equipment		**(830)**	(17,747)
Capital injection into an associate		**—**	(180)
Payment of consideration payable		**—**	(886)
Net cash generated from/(used in) investing activities		**15,218**	(5,999)
Financing activities			
Proceeds from issue of new shares	30(c)(iv)	**9,273**	20,452
Expenses on issue of new shares	30(c)(iv)	**(141)**	(280)
Coupon payment	21(b)	**(1,998)**	(2,028)
Interest-bearing borrowings raised	21(b)	**15,621**	204,470
Interest paid	21(b)	**(13,380)**	(13,594)
Repayment of interest-bearing borrowings	21(b)	**(6,675)**	(222,426)
Repayment of lease liabilities	21(b)	**(2,452)**	(4,304)
Acquisition of subsidiaries		**(10,901)**	—
Acquisition of non-controlling interest in a subsidiary		**—**	(822)
Capital contribution from non-controlling interests		**—**	4,445
Net cash used in financing activities		**(10,653)**	(14,087)
Net increase/(decrease) in cash and cash equivalents		**1,840**	(4,734)
Cash and cash equivalents at 1 January		**3,286**	8,020
Cash and cash equivalents at 31 December		**5,126**	3,286

The notes on pages 57 to 143 form part of these financial statements.'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 SIGNIFICANT ACCOUNTING POLICIES

(a) General information

Comtec Solar Systems Group Limited ("the Company") is a public limited company incorporated in the Cayman Islands, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2009. Its 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 14.

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

(b) Statement of compliance

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of preparation of the financial statements

(i) These Group experienced a loss of RMB67 million for the year ended 31 December 2020 and had net current liabilities and net liabilities of RMB291 million and RMB89 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 HKD10,489,000 (equivalent to RMB9,273,000) from issue of new shares during the year ended 31 December 2020;

- 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.

The directors of the Company have prepared a cash flow forecast covering the year ending 31 December 2021 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 2020. Hence the consolidated financial statements have been prepared on a going concern basis.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of preparation of the financial statements *(continued)*

(ii) The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and a joint venture.

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

— convertible note (see note 1(t));

— investment property (see note 1(i)); and

— investments in equity securities (see note 1(h)).

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Changes in accounting policies

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

- Amendments to IFRS 3, Definition of a Business
- Amendments to IFRS 9, IFRS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8, Definition of Material

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

(e) Subsidiaries and non-controlling interests

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

(f) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Associates and joint ventures *(continued)*

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 1(m)).

(g) Goodwill

Goodwill represents the excess of

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/ sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31(f). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(vi).

(i) Investment property

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Other property, plant and equipment

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Other property, plant and equipment *(continued)*

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Intangible assets (other than goodwill)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Leased assets

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

(i) As a lessee

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Leased assets *(continued)*

(ii) As a lessor

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

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

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Other financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

— variable-rate financial assets: current effective interest rate.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) Credit losses from financial instruments *(continued)*

Significant increases in credit risk (continued)

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

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

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) Credit losses from financial instruments (continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

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

- Calculation of recoverable amount

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Impairment of other non-current assets (continued)

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Inventories

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

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

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

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

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

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

(o) Contract liabilities

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

(p) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

(q) Cash and cash equivalents

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Trade and other payables

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

(s) Interest-bearing borrowings

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

(t) Convertible notes

(i) Convertible notes that contain an equity component

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Convertible notes *(continued)*

(ii) Other convertible notes

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

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

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

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

(iii) Derivative financial instruments

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

(u) Employee benefits

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Employee benefits *(continued)*

(ii) Share-based payments

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

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

(iii) Termination benefits

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax *(continued)*

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

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

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

  — the same taxable entity; or

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(x) Revenue and other income

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

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

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

(i) Sale of products

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

(ii) Provision of consulting services

Revenue is recognised when the relevant services are rendered.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iii) Installation services for photovoltaic power stations

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

(iv) Power generation

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

(v) Rental income from operating leases

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

(vi) Dividends

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(vii) Interest income

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

(viii) Government grants

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

(y) Translation of foreign currencies

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

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

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

(z) Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operation results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(i) Impairment of assets

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

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(ii) Fair value measurement of convertible bonds

The derivative component of convertible bonds amounting to RMB10,127,000 (2019: RMB224,000) as at 31 December 2020 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 31(f) for further disclosures.

(iii) Write-down of inventories

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	2020 **RMB'000**	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Sales of monocrystalline solar wafers	**454**	3,834
— Sales of monocrystalline solar ingots	**—**	2,280
— Sales of polysilicon	**629**	34,922
— Sales of solar modules	**—**	1,649
— Sales of power storage products	**36,136**	28,634
— Consulting services for photovoltaic power stations	**—**	205
— Installation services for photovoltaic power stations	**11,616**	12,163
— Power generation	**6,170**	6,767
— Sales of others	**10**	2,583
	55,015	93,037

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

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

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to all its contracts such that no information regarding revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date is disclosed because either the remaining performance obligation is part of a contract that has an original expected duration of one year or less or the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

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

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

- 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

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Segment result includes revenue and expenses that are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results (continued)

For the year ended 31 December 2020

	Upstream RMB'000	Downstream solar and power storage RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Point in time	1,093	36,136	37,229
Over time	—	17,786	17,786
Total revenue	1,093	53,922	55,015
Cost of sales and services*	(12,144)	(39,008)	(51,152)
Segment (loss)/profit	(11,051)	14,914	3,863
Other income			8,230
Other net losses			(21,579)
Distribution and selling expenses			(1,014)
Administrative expenses			(35,674)
Research and development expenses			(1,112)
Share of profit of a joint venture			134
Finance costs			(23,770)
Loss before taxation			(70,922)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results *(continued)*

For the year ended 31 December 2019

	Upstream RMB'000	Downstream solar and power storage RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Point in time	45,268	28,839	74,107
Over time	—	18,930	18,930
Total 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 net losses			(40,466)
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 taxation			(129,547)

During the year ended 31 December 2020, additions to property, plant and equipment for the downstream solar and power storage segment amounted to RMB923,000 (2019: RMB18,012,000).

* 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 2020 was depreciation of RMB4,812,000 (2019: RMB5,082,000) and RMB3,961,000 (2019: RMB5,409,000) respectively.

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Geographic information

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

(iii) Information about major customers

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

	2020 **RMB'000**	2019 RMB'000
Customer A	**13,016**	11,519
Customer B	**0**	9,669

Notes:

(1) Revenue from customer A is generated from downstream solar and power storage segment.

(2) Revenue from customer B is generated from upstream segment.

4 OTHER INCOME

	2020 **RMB'000**	2019 RMB'000
Government grant (note)	**864**	1,638
Deferred income amortisation	**—**	537
Rental income	**4,507**	4,602
Interest income	**146**	412
Others	**2,713**	3,395
	8,230	10,584

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

5 OTHER NET LOSSES

	2020 RMB'000	2019 RMB'000
Net foreign exchange gains/(losses)	**8,316**	(1,882)
Gain on fair value change of contingent consideration payables	**—**	5,936
Gain on disposal of property, plant and equipment	**1,134**	9,408
Gain on disposal of subsidiaries	**—**	181
Valuation loss on investment properties	**(3,113)**	—
Impairment loss on trade receivables, net	**(10,474)**	619
Impairment losses recognised in respect of advance to suppliers, other receivables and deposits paid for acquisition of property, plant and equipment	**—**	(1,325)
Impairment loss recognised in respect of goodwill	**—**	(63,085)
Gain on payables waived by counterparties	**—**	3,706
Gain on derecognition of right-of-use assets and lease liabilities, net	**—**	1,131
Loss on fair value change of equity instruments at FVTPL	**—**	(2,562)
Loss on disposal of equity instruments at FVTPL	**(861)**	—
(Loss)/gain on fair value change of derivative component of the convertible bonds	**(9,926)**	7,407
Loss on deemed disposal of a joint venture	**(3,780)**	—
Others	**(2,875)**	—
	(21,579)	(40,466)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interest on borrowings	**13,696**	15,262
Imputed interest on convertible bonds	**9,042**	8,160
Interest on lease liabilities	**1,032**	1,434
	23,770	24,856

6 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages, bonus and other benefits	**13,018**	24,491
Retirement benefits schemes contributions	**1,048**	2,274
Share-based payments expenses	**454**	6,338
	14,520	33,103

(c) Other items

	2020 RMB'000	2019 RMB'000
Depreciation charge (note 11)		
— owned property, plant and equipment	**10,435**	16,238
— right-of-use assets	**1,839**	3,499
	12,274	19,737
Amortisation cost of intangible assets (note 12)	**1,660**	1,850
Auditor's remuneration	**1,100**	1,500
Cost of inventories (note)	**41,802**	83,482

Note: Included in cost of inventories recognised as expense was write-down of inventories of approximately RMBNil (2019: RMB2,750,000) to their net realisable values.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current tax — PRC Enterprise Income Tax		
Under-provision in respect of prior years	**43**	53
Deferred tax		
Origination and reversal of temporary differences	**(4,130)**	(942)
	(4,087)	(889)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not earn any income assessable to Hong Kong Profits Tax during the years ended 31 December 2020 and 2019.

PRC Enterprise Income Tax is calculated at the applicable tax rate of 25% in accordance with the relevant laws and regulations in the PRC.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Loss before taxation	**(70,922)**	(129,547)
Notional tax on loss before taxation, calculated at 25% (2019: 25%)	**(17,731)**	(32,386)
Tax effect of share of profit of a joint venture	**(34)**	(198)
Tax effect of share of loss of an associate	**—**	5
Tax effect of expenses not deductible for tax purpose	**211**	394
Tax effect of temporary difference not recognised	**3,831**	9,794
Tax effect of unrecognised tax losses	**9,714**	21,701
Under-provision in respect of prior years	**43**	53
Others	**(121)**	(252)
Actual tax credit	**(4,087)**	(889)

8 DIRECTORS' EMOLUMENTS

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

	Fees RMB'000	Basic salaries and allowance RMB'000	Share-based payments expense RMB'000	Retirement benefits schemes contributions RMB'000	2020 Total RMB'000
Executive directors					
Mr. John Yi Zhang	—	600	—	16	616
Mr. Chau Kwok Keung (resigned on 31 January 2020)	—	480	132	5	617
Mr. Zhang Zhen (resigned on 25 January 2021)	—	825	132	16	973
Non-executive directors					
Mr. Dai Ji	200	—	—	—	200
Mr. Qiao Fenglin (appointed on 19 March 2020)	157	—	—	—	157
Independent non-executive directors					
Mr. Leung Ming Shu (resigned on 10 February 2021)	200	—	3	—	203
Mr. Kang Sun (resigned on 20 March 2021)	344	—	4	—	348
Mr. Xu Erming (resigned on 29 January 2021)	200	—	—	—	200
Mr. Ma Teng (appointed on 19 March 2020)	157	—	—	—	157
	1,258	1,905	271	37	3,471

	Fees RMB'000	Basic salaries and allowance RMB'000	Share-based payments expense RMB'000	Retirement benefits schemes contributions RMB'000	2019 Total 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
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
Independent non-executive directors					
Mr. Leung Ming Shu	200	—	15	—	215
Mr. Kang Sun	346	—	19	—	365
Mr. Xu Erming	200	—	7	—	207
	946	3,406	945	48	5,345

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2019: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2019: three) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowance	**427**	1,674
Share-based payments expense	**—**	142
Retirement benefits schemes contributions	**16**	282
Performance related incentive bonuses	**—**	41
	443	2,139

The emoluments of the five highest paid individuals, including four (2019: two) directors, were within the following bands:

	2020 Number of individuals	2019 Number of individuals
$Nil — $1,000,000	**5**	3
$1,000,001 — $1,500,000	**—**	—
$1,500,001 — $2,000,000	**—**	1
$2,000,001 — $2,500,000	**—**	—
$2,500,001 — $3,000,000	**—**	1

During the years ended 31 December 2020 and 2019, 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 2020 and 2019.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB65,704,000 (2019: RMB122,060,000) and the weighted average of 715,693,847 ordinary shares (2019: 566,128,884) in issue during the year.

(b) Diluted loss per share

There were no potential dilutive shares in existence during the years ended 31 December 2020 and 2019.

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 2020 and 2019.

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Total RMB'000
Cost or valuation:									
At 1 January 2019	16,434	200,715	494,685	4,306	3,092	64,496	783,728	86,027	869,755
Additions	–	16,547	1,283	182	–	–	18,012	–	18,012
Disposal of a subsidiary	–	–	(5,266)	–	–	–	(5,266)	–	(5,266)
Disposals	–	–	(219,027)	(9)	(234)	(46,446)	(265,716)	–	(265,716)
Termination of leases	–	(14,875)	–	–	–	–	(14,875)	–	(14,875)
At 31 December 2019	16,434	202,387	271,675	4,479	2,858	18,050	515,883	86,027	601,910
Representing:									
Cost	16,434	202,387	271,675	4,479	2,858	18,050	515,883	–	515,883
Valuation – 2019	–	–	–	–	–	–	–	86,027	86,027
	16,434	202,387	271,675	4,479	2,858	18,050	515,883	86,027	601,910
At 1 January 2020	16,434	202,387	271,675	4,479	2,858	18,050	515,883	86,027	601,910
Additions	–	95	784	44	–	–	923	–	923
Acquisition of subsidiaries	–	1,172	9,729	–	–	–	10,901	–	10,901
Disposals	–	–	(26,705)	(413)	(254)	–	(27,372)	–	(27,372)
Termination of leases	–	(6,553)	–	–	–	–	(6,553)	–	(6,553)
Valuation loss	–	–	–	–	–	–	–	(3,113)	(3,113)
At 31 December 2020	16,434	197,101	255,483	4,110	2,604	18,050	493,782	82,914	576,696
Representing:									
Cost	16,434	197,101	255,483	4,110	2,604	18,050	493,782	–	493,782
Valuation – 2020	–	–	–	–	–	–	–	82,914	82,914
	16,434	197,101	255,483	4,110	2,604	18,050	493,782	82,914	576,696

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

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

	Leasehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Total RMB'000
Accumulated amortisation and depreciation:									
At 1 January 2019	2,952	114,595	413,545	1,920	2,259	64,118	599,389	–	599,389
Charge for the year	337	12,428	6,012	631	329	–	19,737	–	19,737
Written back on disposal of a subsidiary	–	–	(365)	–	–	–	(365)	–	(365)
Written back on disposals	–	–	(218,290)	(2)	(177)	(46,406)	(264,875)	–	(264,875)
Termination of leases	–	(1,282)	–	–	–	–	(1,282)	–	(1,282)
At 31 December 2019	3,289	125,741	200,902	2,549	2,411	17,712	352,604	–	352,604
At 1 January 2020	3,289	125,741	200,902	2,549	2,411	17,712	352,604	–	352,604
Charge for the year	353	9,246	1,961	435	279	–	12,274	–	12,274
Acquisition of subsidiaries	–	118	2,607	–	–	–	2,725	–	2,725
Written back on disposals	–	–	(18,596)	(272)	(141)	–	(19,009)	–	(19,009)
Termination of leases	–	(2,616)	–	–	–	–	(2,616)	–	(2,616)
At 31 December 2020	3,642	132,489	186,874	2,712	2,549	17,712	345,978	–	345,978
Net book value:									
At 31 December 2020	12,792	64,612	68,609	1,398	55	338	147,804	82,914	230,718
At 31 December 2019	13,145	76,646	70,773	1,930	447	338	163,279	86,027	249,306

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

As at 31 December 2020, the Group pledged its buildings and plant and machinery with total carrying amount of RMB77,070,000 (2019: RMB93,001,000) to banks to secure banking facilities granted to the Group.

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

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

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

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment properties:				
— Industrial properties located in Shanghai	86,027	—	—	86,027

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

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

(i) Fair value hierarchy (continued)

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2020. The valuations were carried out by an independent firm of surveyors, Beijing Zhongwei Chenguang Asset Appraisal Co., Ltd (2019: Shanghai Wanqian Tudi Real Estate Appraisal Co., Ltd), who have among their staff China Appraisal Society with recent experience in the location and category of property being valued. The directors of the Company have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties: Industrial properties located in China	Income approach	Market yield Market rent per sq.m per year	5% RMB255
	Market approach	Market price per sq.m	RMB972-RMB1,377

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

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

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

(c) Right-of-use assets

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

	Notes	**2020 RMB'000**	2019 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost in China, with remaining lease term between 10 and 50 years	(i)	**12,792**	13,145
Other properties leased for own use, carried at depreciated cost	(ii)	**1,125**	5,103
Plant and machinery, carried at depreciated cost	(iii)	**5,651**	5,948
		6,776	11,051
Ownership interests in leasehold investment property situated in China, carried at fair value, with remaining lease term of between 10 and 50 years		**82,914**	86,027
		102,482	110,223

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

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	**353**	337
Other properties leased for own use	**1,189**	2,733
Plant and machinery	**297**	429
	1,839	3,499

During the year, additions to right-of-use assets were RMB95,000 (2019: RMB16,547,000), which related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the future cash outflows arising from leases that are not yet commenced are set out in notes 21(d) and 31(b), respectively.

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

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

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

The leasehold land represents the land use rights situated in the PRC. As at 31 December 2020, the Group pledged its leasehold land with carrying amount of RMB12,792,000 (2019: RMB13,145,000) to banks to secure banking facilities granted to the Group.

(ii) Other properties leased for own use

The Group leases various office and factory premises and plant and machinery for its daily operations. Lease terms range from 1 to 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.

(iii) Other leases

The Group leases plant and machinery for its operations. As at 31 December 2020, the Group pledged its leased plant and machinery with carrying amount of RMB5,651,000 (2019: RMB5,948,000) to secure lease liabilities granted to the Group.

(d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated.

As at 31 December 2020, the Group pledged its investment properties with carrying amount of RMB82,914,000 (2019: RMB86,027,000) to banks to secure banking facilities granted to the Group.

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

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**5,912**	4,527
After 1 year but within 2 years	**3,769**	4,264
After 2 years but within 3 years	**—**	3,765
	9,681	12,556

12 INTANGIBLE ASSETS

	Cooperative agreement RMB'000	Non-compete agreement RMB'000	Franchise relationship RMB'000	Backlog RMB'000	Technology RMB'000	Total RMB'000
Cost:						
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	51,500	24,576	5,899	970	6,100	89,045
Accumulated amortisation and impairment:						
At 1 January 2019	51,500	23,506	5,899	970	1,525	83,400
Amortisation	—	630	—	—	1,220	1,850
At 31 December 2019	51,500	24,136	5,899	970	2,745	85,250
At 1 January 2020	51,500	24,136	5,899	970	2,745	85,250
Amortisation	—	440	—	—	1,220	1,660
At 31 December 2020	51,500	24,576	5,899	970	3,965	86,910
Net book value:						
At 31 December 2020	—	—	—	—	2,135	2,135
At 31 December 2019	—	440	—	—	3,355	3,795

13 GOODWILL

	2020 RMB'000	2019 RMB'000
Cost	**108,683**	105,917
Accumulated impairment	**(102,110)**	(102,110)
	6,573	3,807

The net carrying amount of the goodwill arose from acquisitions of the downstream business.

The directors of the Company assessed and determined that there were no impairment indicators for the goodwill as at 31 December 2020.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ establishment and business	Particulars of issued and paid up capital/ registered capital	Group's effective interest 2020	Group's effective interest 2019	Principal activity
Comtec Clean Energy Group Limited	PRC	USD150,000,000	100%	100%	Investment holding and solar related parts, equipment and products
Comtec Renewable Energy Group Limited	Hong Kong	HKD1,158,502	100%	100%	Investment holding
Comtec Solar International (M) Sdn Bhd	Malaysia	MYR266,600,002	100%	100%	Trading of solar related parts, equipment and products
Comtec Solar Trading Limited	Hong Kong	HKD2	100%	100%	Provision of sourcing, invoicing and support services for group companies
Comtec Solar (Cayman) Limited	Cayman Islands	HKD2	100%	100%	Investment holding
Comtec Solar (Hong Kong) Limited	Hong Kong	HKD144,300,000	100%	100%	Investment holding, provision of sourcing, invoicing and support services for group companies
Comtec Solar (Jiangsu) Co., Limited	PRC	USD66,500,020	100%	100%	Manufacturing and sales of solar wafers and related products
Comtec (Asia) Limited	Hong Kong	HKD1,001	51%	51%	Investment holding
Future Energy Capital Group Limited	British Virgin Islands	USD2,715,002	100%	50%	Investment holding
Jiangyang Comtec Yuanshuo Solar Co., Ltd.	PRC	RMB10,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business
Kexin Power System Design and Research Company Limited ("Kexin")	PRC	RMB50,000,000	53.1%	53.1%	Research and development, integration and sales of lithium battery management
Shanghai Comtec Solar Technology Co Limited	PRC	USD18,500,000	100%	100%	Manufacturing and sales of solar wafers and related products
Sichuan Sunmell Construction Engineering Co., Ltd	PRC	RMB20,000,000	100%	100%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information relating to Kexin and Comtec (Asia) Limited, the subsidiaries of the Group which have a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

2020

	Kexin RMB'000	**Comtec (Asia) Limited RMB'000**
NCI percentage	46.90%	48.95%
Current assets	64,004	17,662
Non-current assets	14,463	159
Current liabilities	(64,177)	(32,134)
Non-current liabilities	(4,480)	(4,790)
Net assets/(liabilities)	9,810	(19,103)
Carrying amount of NCI	2,955	(5,076)
Revenue	36,136	—
Profit/(loss) for the year	965	(3,234)
Total comprehensive income	965	(3,234)
Profit/(loss) allocated to NCI	452	(1,583)
Cash flows from operating activities	(822)	(4,661)
Cash flows from investing activities	80	5,603
Cash flows from financing activities	43	(619)

2019

	Kexin RMB'000	Comtec (Asia) Limited RMB'000
NCI percentage	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)
Revenue	30,370	1,003
Loss for the year	(7,379)	(6,411)
Total comprehensive income	(7,379)	(6,411)
Loss allocated to NCI	(3,461)	(3,137)
Cash flows from operating activities	(390)	(9,382)
Cash flows from investing activities	385	5,177
Cash flows from financing activities	446	(414)

15 INTEREST IN AN ASSOCIATE

Details of the Group's associate at the end of the reporting period are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Comtec Future Energy Technology Development (Tianjin) Co., Ltd.	Incorporated	PRC	RMB10,000,000	20%	Investment, development, construction, operation and consulting service of the solar photovoltaic power stations in downstream solar business

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

16 INTEREST IN A JOINT VENTURE

Details of the Group's interest in the joint venture as at 31 December 2019, which was accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Future Energy Capital Group Limited	Incorporated	British Virgin Islands	USD2,715,002	50%	Investment holding

During the year ended 31 December 2020, the Group acquired the remaining 50% of equity interest of Future Energy Capital Group Limited, which becomes a wholly-owned subsidiary of the Group.

16 INTEREST IN A JOINT VENTURE *(continued)*

Summarised financial information of Future Energy Capital Group Limited, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2019 RMB'000
Gross amounts of Future Energy Capital Group Limited's	
Current assets	18,364
Non-current assets	15,328
Current liabilities	(4,877)
Non-current liabilities	(6,200)
Equity	22,615
Included in the above assets and liabilities:	
Cash and cash equivalents	556
Current financial liabilities (excluding trade and other payables and provisions)	4,250
Non-current financial liabilities (excluding trade and other payables and provisions)	6,200

	2019 RMB'000
Revenue	4,131
Profit from continuing operations	1,587
Other comprehensive income	—
Total comprehensive income	1,587
Included in the above profit:	
Depreciation	1,234
Interest expense	1,271
Reconciled to the Group's interest in Future Energy Capital Group Limited	
Gross amounts of Future Energy Capital Group Limited's net assets	22,615
Group's effective interest	50%
Group's share of Future Energy Capital Group Limited's net assets	11,308

17 INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Raw materials	**4,411**	3,399
Work-in-progress	**5,421**	9,732
Finished goods	**7,383**	5,181
	17,215	18,312

As at 31 December 2020, inventories with carrying amount of approximately RMB7,087,000 (2019: RMB3,972,000) were pledged to secure financing facilities granted to the Group.

18 EQUITY INSTRUMENTS AT FVTPL

	2020 **RMB'000**	2019 RMB'000
Listed equity securities at FVTPL — outside Hong Kong	**—**	7,306

The equity instruments were fully disposed of during the year ended 31 December 2020, resulting in a loss on disposal of RMB861,000 (see note 5).

19 CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
To a joint venture	—	10,940
To third parties	34,720	40,380
	34,720	51,320

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	51,320	51,530
Recognised as revenue	(27,081)	(11,801)
Receipt of advances	11,288	13,380
Refund of advances	(807)	(1,789)
Balance at 31 December	34,720	51,320

Expected timing of revenue recognition

	2020 RMB'000	2019 RMB'000
Within 1 year	19,702	28,062
More than 1 year but within 2 years	12,861	17,678
More than 2 years but within 3 years	2,157	5,580
Balance at 31 December	34,720	51,320

20 TRADE AND OTHER RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Trade debtors, net of loss allowance	**30,699**	18,560
Other receivables	**40,072**	36,327
	70,771	54,887

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As at 31 December 2020, trade receivables amounting to RMB501,000 (2019: RMB675,000) were pledged as security for the Group's lease liabilities.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 month	**8,325**	2,189
1 to 2 months	**2,584**	333
2 to 3 months	**1,061**	509
Over 3 months but within 6 months	**6,766**	2,389
Over 6 months	**11,963**	13,140
	30,699	18,560

The Group requests prepayment from customers before delivery of goods and allows a credit period of 7 to 180 days for the remaining balance on a case-by-case basis. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 31(a).

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

(a) Pledged bank deposits

As at 31 December 2020, the Group pledged its bank deposits of approximately RMB21,214,000 (2019: RMB22,436,000) as security for short-term bank loans.

(b) Reconciliation of liabilities arising from financing activities

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

	Interest payable RMB'000	Convertible bonds RMB'000 (Note 28)	Lease liabilities RMB'000	Interest-bearing borrowings RMB'000 (Note 23)	Total RMB'000
At 1 January 2019	—	72,902	15,060	175,572	263,534
Changes from financing cash flows:					
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

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

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

	Interest payable RMB'000	Convertible bonds RMB'000 (Note 28)	Lease liabilities RMB'000	Interest-bearing borrowings RMB'000 (Note 23)	Total RMB'000
At 1 January 2020	—	72,824	12,569	157,979	243,372
Changes from financing cash flows:					
Financing cash flows	(13,380)	(1,998)	(2,452)	8,946	(8,884)
New leases	—	—	4,195	—	4,195
Termination of leases	—	—	(5,160)	—	(5,160)
Acquistion of subsidiaries	—	—	1,120	9,300	10,420
Interests on borrowings	13,380	—	—	—	13,380
Interests on convertible bonds	—	9,042	—	—	9,042
Interests on lease liabilities	—	—	1,032	—	1,032
Fair value adjustments	—	9,926	—	—	9,926
Exchange realignment	—	(5,207)	—	(1,444)	(6,651)
At 31 December 2020	—	84,587	11,304	174,781	270,672

(c) Major non-cash transactions

(i) During the year ended 31 December 2020, 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 RMB95,000 (2019: RMB16,547,000).

(ii) During the year ended 31 December 2020, 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 RMB3,937,000 (2019: RMB13,593,000) and RMB5,160,000 (2019: RMB14,724,000) respectively, resulted in a gain of RMB1,223,000 (2019: RMB1,131,000).

(iii) 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.

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

(d) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**712**	1,192
Within investing cash flows	**—**	—
Within financing cash flows	**2,452**	4,304
	3,164	5,496

22 TRADE AND OTHER PAYABLES

	Note	2020 RMB'000	2019 RMB'000
Trade payable	22(a)	**65,557**	55,736
Payables for acquisition of property, plant and equipment		**16,973**	21,522
Other payables and accrued charges	22(a)	**54,914**	31,767
		137,444	109,025

(a) As of the end of the reporting period, the ageing analysis of trade payable, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	**7,812**	6,200
1 to 2 months	**2,111**	1,170
2 to 3 months	**1,312**	1,096
3 to 6 months	**2,618**	1,377
Over 6 months but within 1 year	**12,011**	9,384
Over 1 year	**39,693**	36,509
	65,557	55,736

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

22 TRADE AND OTHER PAYABLES *(continued)*

(b) Included in other payables and accrued charges as at 31 December 2020 were amounts payable to the subsidiaries of a joint venture of RMBNil (2019: RMB3,800,000). The amounts are unsecured, interest-free and have no fixed repayment term.

23 INTEREST-BEARING BORROWINGS

	Note	**2020 RMB'000**	2019 RMB'000
Bank loans			
— secured	23(a)	**132,710**	136,554
Other borrowings			
— unsecured	23(b)	**42,071**	21,425
		174,781	157,979

(a) Bank loans

At 31 December 2020, the bank loans were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year or on demand	**122,410**	131,754
After 1 year but within 2 years	**2,800**	2,700
After 2 years but within 5 years	**7,500**	2,100
	10,300	4,800
	132,710	136,554

At 31 December 2020, the banking facilities of the Group were secured by its buildings and plant and machinery, leasehold land, investment properties, inventories, trade receivables and bank balances which are disclosed in notes 11(a), 11(c), 11(d), 17, 20 and 21(a) respectively.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 31(b). As at 31 December 2020, none of the covenants relating to drawn down facilities had been breached (2019: Nil).

23 INTEREST-BEARING BORROWINGS *(continued)*

(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.

24 DEFERRED INCOME

	2020 **RMB'000**	2019 RMB'000
Government grants		
— current	**840**	537
— non-current	**7,329**	5,438
	8,169	5,975

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 2020, deferred income of RMB553,000 (2019: RMB536,500) was recognised as other income in profit or loss.

25 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$1,500. Contributions to the plan vest immediately.

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.

26 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.

26 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 2020 and 2019:

	Number of options				
Date of grant	**1 January 2019**	**Exercised**	**Cancelled**	**Lapsed**	**At 31 December 2019, 1 January 2020 and 31 December 2020**
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.

26 SHARE-BASED COMPENSATION *(continued)*

Share Option Scheme *(continued)*

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

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

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

(a) the nominal value of a share;

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

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

26 SHARE-BASED COMPENSATION *(continued)*

Share Option Scheme *(continued)*

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

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the years ended 31 December 2020 and 2019:

	2019						2020				
	(Before share consolidation)				(After share consolidation)						
Date of grant	At 1 January 2019	Cancelled	Lapsed	At 31 December 2019	At 31 December 2019	Exercise price (HKD)	**At 1 January 2020**	**Cancelled**	**Lapsed**	**At 31 December 2020**	**Exercise price (HKD)**
15 June 2018 (a)	21,986,175	–	(700,000)	21,286,175	5,321,544	0.604	5,321,544	–	–	5,321,544	**0.604**
2 May 2017	28,200,000	–	(6,300,000)	21,900,000	5,475,000	1.340	5,475,000	–	–	5,475,000	**1.340**
9 September 2016	89,000,000	(71,000,000)	–	18,000,000	4,500,000	2.240	4,500,000	–	–	4,500,000	**2.240**
25 November 2015	59,000,000	(16,400,000)	–	42,600,000	10,650,000	2.944	10,650,000	–	–	10,650,000	**2.944**
26 June 2015	20,000,000	–	–	20,000,000	5,000,000	6.000	5,000,000	–	–	5,000,000	**6.000**
11 May 2015	59,800,000	(54,100,000)	(5,700,000)	–	–	–	–	–	–	–	**–**
31 March 2014	35,650,000	(29,900,000)	(4,850,000)	900,000	225,000	5.544	225,000	–	–	225,000	**5.544**
30 September 2013	4,020,000	–	–	4,020,000	1,005,000	7.480	1,005,000	–	–	1,005,000	**7.480**
27 December 2012	7,538,000	(2,388,000)	(300,000)	4,850,000	1,212,500	5.048	1,212,500	–	–	1,212,500	**5.048**
28 June 2012	8,784,000	(6,154,000)	(2,580,000)	50,000	12,500	3.920	12,500	–	–	12,500	**3.920**
24 May 2010	2,240,000	(900,000)	(1,340,000)	–	–	–	–	–	–	–	**–**
	336,218,175	(180,842,000)	(21,770,000)	133,606,175	33,401,544		33,401,544	–	–	33,401,544	

Except as detailed in (a) below, all of the above options are fully vested and exercisable as at 31 December 2020 and 2019:

(a) 5,321,544 shares and 5,034,043 shares are vested and exercisable as at 31 December 2020 and 2019, respectively.

26 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.

26 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 years ended 31 December 2020 and 31 December 2019:

	Number of options							
				At 31 December 2019 and 1 January 2020				At 31 December 2020
Date of grant	Granted	Cancelled	Lapsed	(Before share consolidation)	(After share consolidation)	Cancelled	Lapsed	
29 May 2019	145,613,825	–	–	145,613,825	36,403,456	–	–	36,403,456
Exercise price (HKD)	0.070			0.070	0.280			0.280
Exercisable				109,210,368	27,302,592			27,302,592

26 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 RMB454,000 (2019: RMB6,338,000) for the year ended 31 December 2020 in relation to the share options granted by the Company.

27 DEFERRED TAX LIABILITIES

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

Deferred tax arising from:	Withholding tax on undistributed profits RMB'000	Fair value adjustment RMB'000	Total RMB'000
At 1 January 2019	6,840	11,663	18,503
Credited to profit or loss	(252)	(690)	(942)
At 31 December 2019 and 1 January 2020	6,588	10,973	17,561
Acquisition of subsidiaries	—	(1,890)	(1,890)
Credited to profit or loss	(105)	(4,025)	(4,130)
At 31 December 2020	6,483	5,058	11,541

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 2020, deferred tax liabilities were provided for the undistributed profits of certain PRC operating subsidiaries in the amount of RMB65,000,000 (2019: RMB66,000,000), 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 RMB1,189,212,000 (2019: RMB1,211,419,000). The deductible temporary differences do not expire while the tax losses expire in 5 years since the losses are incurred.

28 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 30(c)(iii)), 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.

28 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
At 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
As at 31 December 2019 and 1 January 2020	72,600	224
Imputed interest	9,042	—
Interest paid	(1,998)	—
Loss on fair value changes	—	9,926
Exchange realignment	(5,184)	(23)
As at 31 December 2020	74,460	10,127

29 CONSIDERATION PAYABLE

	2020 RMB'000	2019 RMB'000
Consideration payable	**5,130**	4,814

The outstanding consideration payable was arisen from the acquisition of Kexin in prior years.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	1,504,484	113,256	(1,551,024)	66,716
Changes in equity for 2019:				
Total comprehensive income for the year	—	—	(125,085)	(125,085)
Issuance of ordinary shares	19,800	—	—	19,800
Recognition of equity-settled share-based payments	—	6,338	—	6,338
Balance at 31 December 2019 and 1 January 2020	1,524,284	119,594	(1,676,109)	(32,231)
Changes in equity for 2020:				
Total comprehensive income for the year	—	—	(30,488)	(30,488)
Issuance of ordinary shares	8,755	—	—	8,755
Recognition of equity-settled share-based payments	—	454	—	454
Balance at 31 December 2020	1,533,039	120,048	(1,706,597)	(53,510)

(b) Dividends

No dividend was paid, declared or proposed during the years ended 31 December 2020 and 2019.

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

	2020		2019	
	No. of shares	HKD'000	No. of shares	HKD'000
Ordinary shares, authorised:				
At 1 January	**1,900,000,000**	**7,600**	7,600,000,000	7,600
Share consolidation (note 30(c)(iii))	**—**	**—**	(5,700,000,000)	—
At 31 December	**1,900,000,000**	**7,600**	1,900,000,000	7,600
Ordinary shares, issued and fully paid:				
At 1 January	**628,289,531**	**2,513**	2,097,703,580	2,098
Shares issued upon subscription in July 2019 (note 30(c)(i))	**—**	**—**	145,454,546	145
Shares issued upon subscription in August 2019 (note 30(c)(ii))	**—**	**—**	270,000,000	270
Share consolidation (note 30(c)(iii))	**—**	**—**	(1,884,868,595)	—
Shares issued upon subscription in February 2020 (note 30(c)(iv))	**104,885,179**	**420**	—	—
At 31 December	**733,174,710**	**2,933**	628,289,531	2,513

	2020	2019
Presented in RMB:	**RMB'000**	RMB'000
Ordinary shares	**2,556**	2,179

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

(i) 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).

(ii) 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).

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

(iii) 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.

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

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Share options reserve

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

(iii) Special reserve

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

(iv) Statutory surplus reserve

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

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

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(v) Property, revaluation reserve

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

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances based on credit risk grade or provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and deposits is limited because majority of counterparties are banks with high credit-ratings and state-owned banks with good reputation.

As at 31 December 2020, the credit risk on trade receivables of the Group is concentrated on one of the Group's customers, which accounted for RMB14,920,000 (2019: RMB8,629,000) 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 performs impairment assessment on trade balances based on credit risk grade or provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit risk assessment based on groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable and available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) 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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables which are not credit-impaired as at 31 December 2020:

	2020			
	Equivalent to external credit rating	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Low risk	B2 - Aa2	1.22%	2,048	25
Watch list	Ca-C - B3	29.28%	40,520	11,844
			42,568	11,869

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, management accounts and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables which are not credit-impaired as at 31 December 2019:

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
1–30 days past due	0.95%	2,584	25
31–60 days past due	2.25%	1,421	32
61–90 days past due	2.76%	416	11
91–180 days past due	5.13%	2,005	103
More than 180 days past due	25%	4,900	1,224
		11,326	1,395

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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired) RMB'000**	**Total RMB'000**
Balance at 1 January 2020	1,395	23,544	24,939
Impairment losses recognised during the year	10,474	—	10,474
Balance at 31 December 2020	11,869	23,544	35,413

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2019	1,710	23,848	25,558
Impairment losses reversed during the year	(315)	(304)	(619)
Balance at 31 December 2019	1,395	23,544	24,939

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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables	137,444	–	–	–	137,444	137,444
Short-term interest-bearing borrowings	170,685	–	–	–	170,685	164,481
Long-term interest-bearing borrowings	723	3,471	8,341	–	12,535	10,300
Consideration payable	5,130	–	–	–	5,130	5,130
Convertible bonds	79,121	–	–	–	79,121	74,460
Lease liabilities	2,339	2,689	6,442	1,763	13,233	11,304
	395,442	6,160	14,783	1,763	418,148	403,119

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

	2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables	102,212	—	—	—	102,212	102,212
Short-term interest-bearing borrowings	158,273	—	—	—	158,273	153,179
Long-term interest-bearing borrowings	376	1,062	3,763	1,057	6,258	4,800
Consideration payable	5,314	—	—	—	5,314	4,814
Convertible bonds	2,092	85,458	—	—	87,550	72,600
Lease liabilities	2,188	2,188	8,909	2,674	15,959	12,569
	270,455	88,708	12,672	3,731	375,566	350,174

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate risk profile as monitored by management is set out below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	Notional amount	
	2020	2019
	RMB'000	RMB'000
Fixed rate borrowings:		
Lease liabilities	**11,304**	12,569
Bank loans	**111,830**	114,230
Other borrowings	**42,071**	21,425
	165,205	148,224
Variable rate borrowings:		
Bank loans	**20,880**	22,324

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by approximately RMB157,000 (2019: RMB167,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) in respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2019.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) 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 and MYR as at 31 December 2020 are set out in respective notes.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in RMB) 2020				
	United States Dollars $'000	Euros $'000	Japanese Yen $'000	MYR $'000	Hong Kong Dollars $'000
Trade and other receivables	211	—	—	119	—
Cash and cash equivalents	109	2	11	82	401
Trade and other payables	(24,100)	—	—	(206)	—
Interest-bearing borrowings	(20,800)	—	—	—	—
Net exposure arising from recognised assets and liabilities	(44,580)	2	11	(5)	401

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk (continued)

	Exposure to foreign currencies (expressed in RMB) 2019				
	United States Dollars $'000	Euros $'000	Japanese Yen $'000	MYR $'000	Hong Kong Dollars $'000
Trade and other receivables	294	—	—	198	—
Cash and cash equivalents	111	2	13	173	465
Trade and other payables	(25,131)	—	—	(105)	—
Interest-bearing borrowings	(22,324)	—	—	—	—
Net exposure arising from recognised assets and liabilities	(47,050)	2	13	266	465

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000
United States Dollars	**5%**	**1,672**	5%	1,764
	(5)%	**(1,672)**	(5)%	(1,764)
Hong Kong Dollars	**5%**	**(15)**	5%	(17)
	(5)%	**15**	(5)%	17
MYR	**5%**	**8**	5%	(10)
	(5)%	**(8)**	(5)%	10
Japanese Yen	**5%**	**(1)**	5%	(1)
	(5)%	**1**	(5)%	1

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2019.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 28.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group engaged an independent valuer to perform valuations for the derivative component embedded in convertible bonds which is categorised into Level 3 of the fair value hierarchy. A valuation report is prepared by the valuer at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into			Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
Equity instruments at FVPL	–	–	–	–	7,306	7,306	–	–
Liabilities:								
Convertible bonds — derivative component	10,127	–	–	10,127	224	–	–	224

During the years ended 31 December 2019 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Convertible bonds — derivative component	Binomial option pricing mode	Expected volatility

The fair value of derivative component embedded in the convertible bonds is determined using the Binomial option pricing model with parameters including effective interest rate, risk-free rate and volatility.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

Information about Level 3 fair value measurements (continued)

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

	2020 **RMB'000**	2019 RMB'000
Convertible bonds — derivative component		
At 1 January	**224**	7,549
Exchange realignment	**(23)**	82
Changes in fair value recognised in profit or loss during the year	**9,926**	(7,407)
At 31 December	**10,127**	224

The gains arising from the remeasurement of the derivative component embedded in the convertible bonds is presented in the "Other net losses" line item in the consolidated statement of profit or loss.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

As at 31 December 2020, included in trade and other payables of RMBNil (2019: RMB3,800,000) payable to the subsidiaries of the joint venture of the Company and contract liabilities of RMBNil (2019: RMB10,940,000) received from the joint venture of the Company. Details of these balances are disclosed in notes 22(b) and 19 respectively to the financial statements.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2020 **RMB'000**	2019 RMB'000
Short-term employee benefits	**4,885**	6,545
Post-employment benefits	**126**	444
Equity compensation benefits	**271**	1,126
	5,282	8,115

Total remuneration is included in "staff costs" (see note 6(b)).

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2020** RMB'000	**2020** RMB'000	2019 RMB'000	2019 RMB'000
Non-current assets					
Investments in subsidiaries and amounts due from subsidiaries, net of impairment			**45,541**		51,684
			45,541		51,684
Current asset					
Cash and cash equivalents		**73**		135	
		73		135	
Current liabilities					
Trade and other payables		**8,394**		5,210	
Interest-bearing borrowings		**3,587**		3,837	
		11,981		9,047	
Net current liabilities			**(11,908)**		(8,912)
Total assets less current liabilities			**33,633**		42,772
Non-current liability					
Convertible bonds			**(84,587)**		(72,824)
NET LIABILITIES			**(50,954)**		(30,052)
CAPITAL AND RESERVES	30(a)				
Share capital			**2,556**		2,179
Reserves			**(53,510)**		(32,231)
TOTAL DEFICITS			**(50,954)**		(30,052)

Approved and authorised for issue by the board of directors on 30 April 2021.

John Yi Zhang
Director

Dai Ji
Director

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

PARTICULARS OF INVESTMENT PROPERTIES

for the year ended 31 December 2020

Particulars of investment properties held by the Group as at 31 December 2020 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	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Turnover	810,045	489,208	172,617	93,037	**55,015**
Loss before interest expenses and taxation	(998,677)	(115,275)	(175,645)	(104,691)	**(47,152)**
Interest expense	(9,112)	(15,925)	(23,849)	(24,856)	**(23,770)**
Loss before taxation	(1,007,789)	(131,200)	(199,494)	(129,547)	**(70,922)**
Taxation	719	(14,247)	12,912	889	**4,087**
Loss and total comprehensive expense for the year	(1,007,070)	(145,447)	(186,582)	(128,658)	**(66,835)**
Loss and total comprehensive expense for the year attributable to					
Owners of the Company	(1,007,070)	(140,296)	(179,882)	(122,060)	**(65,704)**
Non-controlling interests	—	(5,151)	(6,700)	(6,598)	**(1,131)**
	(1,007,070)	(145,447)	(186,582)	(128,658)	**(66,835)**

Assets and liabilities	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Total assets	1,362,006	731,732	544,841	405,961	**384,339**
Total liabilities	(1,151,935)	(489,627)	(487,129)	(437,857)	**(473,484)**
Shareholders' funds	210,071	242,105	57,712	(31,896)	**(89,145)**
Attributable to					
Owners of the Company	210,071	233,144	54,881	(30,906)	**(87,024)**
Non-controlling interests	—	8,961	2,831	(990)	**(2,121)**
	210,071	242,105	57,712	(31,896)	**(89,145)**

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
"Convertible Bonds"	the convertible bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Fonty"	Fonty Holdings Limited, a company incorporated under the laws of the British Virgin Islands
"Future Energy Capital"	Future Energy Capital Group Limited, a company incorporated under the laws of the British Virgin Islands
"Global Offering" or "IPO"	the listing of the Shares on the Stock Exchange on 30 October 2009
"Group"	the Company and its subsidiaries
"HK$ " and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China

DEFINITIONS

"Kexin"	Zhejiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
"Latest Practicable Date"	30 April 2021, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Mr. Zhang" or "Mr. John Yi Zhang"	Mr. John Yi Zhang, an executive Director and the chairman of the Board
"MW"	megawatt, which equals 106 Watt
"NDRC"	the National Development and Reform Commission of the PRC
"Period"	the year ended 31 December 2020
"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

DEFINITIONS

"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
"*"	For identification only
"%"	per cent