



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

Interim Report
2021



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Dai Ji
Mr. Qiao Fenglin

Independent non-executive Directors

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

COMPANY SECRETARY

Ms. Lau Ling Yun Agnes

AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang
Mr. Qiao Fenglin

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi Zhang (*Chairman*)

REGISTERED OFFICE

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

HEADQUARTERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group is principally engaging in the downstream solar business which specifically focuses 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. For the six months ended 30 June 2020, in addition to these businesses, the Group also operated a limited scale of upstream manufacturing business which had not been profitable over the last few years.

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.

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

Removing our capital intensive, less efficient upstream business, the Group made continuous efforts to develop our downstream solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products. We provide EPC services for downstream rooftop distributed generation projects to customers mainly from Guangdong, Fujian, Tianjin, Zhejiang, Shandong, Anhui, Hebei, Henan, Hubei, and Hunan. We are optimistic that with the Chinese electric vehicle industry, green energy and the power storage industry being the focal points of the globe, our profit will grow diversely and constantly in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue increased by RMB21.8 million, or 76.7%, from RMB28.5 million for the six months ended 30 June 2020 to RMB50.3 million for the six months ended 30 June 2021, primarily due to the increase in the sales of power storage products.

Revenue from our downstream solar businesses mainly included sales of power storage products, installation and consulting services for photovoltaic power stations, power generation, and EPC management service income.

Cost of sales and services

Cost of sales and services increased by 44.4% from RMB29.4 million in the first half of 2020 to RMB42.4 million in the first half of 2021 in line with the increase in revenue in our downstream businesses.

Gross profit (loss)

During the Period, the Group recorded gross profit of approximately RMB7.9 million, representing an increase of approximately 965.5% from the gross loss of approximately RMB0.9 million for the corresponding period in 2020. The increase is in line with the change in products and service mix and our significant increase in revenue.

Other income

During the Period, other income was approximately RMB3.3 million, representing an increase of approximately 12.3%, from approximately RMB3.0 million for the corresponding period in 2020.

Other gains and losses

Other losses were approximately RMB3.2 million during the Period, representing an increase by 183.6% from other losses of RMB1.1 million during the corresponding period in 2020 primarily due to the increase in foreign exchange losses of approximately RMB1.0 million.

Distribution and selling expenses

Distribution and selling expenses decreased by 18.1%, from RMB0.5 million for the corresponding period in 2020 to RMB0.4 million for the Period, primarily due to the cut in sales and marketing expense on the upstream solar manufacturing business during the Period. The Group also made continuous efforts to reduce operating expenses.

Administrative expenses

Administrative expenses decreased by RMB3.5 million, or 16.8%, from RMB21.0 million for the corresponding period in 2020 to RMB17.5 million for the Period, which was mainly due to our continuous efforts to reduce operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

Research and development expenses increased by RMB1.1 million, or 196.7%, from RMB0.6 million for the corresponding period in 2020 to RMB1.7 million for the Period as we have been actively investing and expanding our new products and services in the downstream businesses.

Interest expenses

Interest expenses decreased by RMB4.2 million from RMB11.4 million for the corresponding period in 2020 to RMB7.2 million for the Period as we continue to repay our debts and improve our capital structure.

Loss before taxation

Loss before taxation was approximately RMB18.7 million for the Period, decreased by RMB13.8 million, or 42.4%, from losses of approximately RMB32.5 million for the corresponding period in 2020.

Taxation

The Group recorded tax expense of approximately RMB0.02 million during the Period, decreasing from tax credits of approximately RMB0.01 million for the corresponding period in 2020 due to our revenue and profit turnaround.

Loss for the Period

The Group recorded a loss and total comprehensive expenses of approximately RMB18.8 million during the Period, while the group recorded a loss and total comprehensive expenses of approximately RMB32.5 million during the same period last year.

Interim dividend

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2020: nil).

Liquidity and financial resources

As at 30 June 2021, the Group's current ratio (current assets divided by current liabilities) was 0.3 (31 December 2020: 0.3). The gearing ratio (total liabilities divided by total equity) was 5.6 (31 December 2020: 5.3). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB275.4 million as of 30 June 2021 (31 December 2020: approximately RMB290.5 million). Also, the Group recorded net liabilities of approximately RMB81.4 million as of 30 June 2021 (31 December 2020: RMB89.1 million).

Capital commitments

As at 30 June 2021, the Group's capital commitment was nil (31 December 2020: nil). The Group currently has no plan to further expand its production capacity of traditional solar manufacturing business. In addition, the Group would carefully plan for the expansion of its downstream solar business and power storage business which would depend on and subject to the market conditions and opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 30 June 2021, there was no material contingent liability (31 December 2020: nil).

Charges on group assets

As at 30 June 2021, the Group had no restricted cash (31 December 2020: RMB21.2 million), and pledged its buildings, investment properties, right-of-use assets, prepaid lease payment, power station of downstream projects, inventories of downstream projects and trade receivables of downstream projects to various parties to secure financing facilities granted to the Group. Save as disclosed above, as at 30 June 2021, no other assets of the Group were charged.

OUTLOOK

Potential Impact on Project Development

Given the uneven and uncertain recovery of the coronavirus disease COVID-19, a series of precautionary and control measures have been and continued to be, from time to time, implemented in China and Hong Kong during the first half of 2021 and we expect the same for the rest of the year. The Group will monitor its project developments and construction and minimize these impacts when they arise. We expect the business turnaround in the Period will continue for the rest of the year.

Asset allocation

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. During the Period, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”) save as and except for the deviation from code provision A.2.1 of the CG Code, which provides that the roles of chairman and the chief executive should be separated and should not be performed by the same individual.

Following the resignation of Mr. Zhang Zhen in January 2021, the Company currently has no Chief Executive Officer (the “CEO”). The daily operation and management of the Company is monitored by the Executive Director, Mr. John Yi Zhang, who is also the founder of the Group and has been in charge of the overall management of the Company since the listing of the Company in 2009. The Company was of the view that such temporary arrangement would promote the efficient implementation of the Company’s strategies and effective development of the Company’s businesses. 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. 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 and to ensure compliance with the statutory requirements and regulations and the CG Code and their corresponding latest development.

Following the resignation of Mr. Kang Sun on 20 March 2021, the Board had two independent non-executive Directors and had been actively identifying a suitable candidate to full up the one vacancy. In compliance with Rule 3.10(1) and Rule 3.21 of the Listing Rules, Dr. Yan Ka Shing was elected as an independent non-executive Director and member of the audit committee of the Company with effect from 1 July 2021. The details of the said change of Board members and their respective personal particulars are set out in the announcements of the Company dated 22 March 2021 and 30 June 2021 and the circular of the Company dated 26 May 2021.

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 and its code of conduct regarding directors’ securities transactions throughout the Period.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls, risk management and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited condensed consolidated financial statements of the Group for the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved that since the Company plans to reserve cash for working capital requirement and any potential investment opportunities in the future, no interim dividend will be declared for the six months ended 30 June 2021. 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.

PURCHASE, SALE OF 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and to the best knowledge of the Directors as at the date of this 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 during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTEREST

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at the date of this report, 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 Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company were taken and deemed to have under such provisions of the SFO, or which are required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Company

Name of Directors	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Yi Zhang ¹	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and founder of a trust	143,970,887	18.50%
Mr. Dai Ji ³	Beneficial owner	67,500,000	8.67%

Notes:

- (1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 132,013,461 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at the date of this report, 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 the date of this report, 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 Divisions 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 Shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty Holdings Limited	Beneficial owner	132,013,461	16.96%
Ms. Carrie Wang ¹	Interest of spouse	143,970,887	18.50%
Harmony Gold Ventures Corp ²	Beneficial owner	38,662,827	4.97%
Shanghai Hengqu Internet Technology Co., Ltd.* ²	Interest in a controlled corporation	38,662,827	4.97%
Jiangyin Jinqu Capital Management Co., Ltd.* ²	Interest in a controlled corporation	38,662,827	4.97%
Mr. Wang Yixin (王藝新) ²	Interest in a controlled corporation	38,662,827	4.97%
Advanced Gain Limited ³	Beneficial owner	47,728,179	6.13%
Mr. Wu Zheqiang ³	Interest in a controlled corporation	47,728,179	6.13%
Mr. Sun Da	Beneficial owner	104,885,179	13.48%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Ms. Carrie Wang is the spouse of Mr. John Yi Zhang, therefore, pursuant to the SFO, she is deemed to be interested in all the Shares in which Mr. John Yi Zhang is interested.
- (2) Harmony Gold Ventures Corp is a wholly-owned subsidiary of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), which is wholly-owned by Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司), which is in turn owned as to 99% by Mr. Wang Yixin (王藝新). Therefore, each of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司) and Mr. Wang Yixin (王藝新) is deemed to be interested in the 38,662,827 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 30 June 2021, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Share Option Scheme

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

As at 30 June 2021, 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 June 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As at 30 June 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 June 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Grantee	Date of grant	Exercise price per Share	After share consolidation					Balance as at 30 June 2021
			Balance as at 1 January 2021	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (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

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

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

Grantee	Date of grant	Exercise price per Share	After share consolidation					Balance as at 31 December 2020
			Balance as at 1 January 2020	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

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

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

- (2) Mr. Kang and Mr. Leung resigned as a Director on 20 March 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 19 to the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the Environmental, Social and Governance Report (the “ESG Report”) of Comtec Solar Systems Group Limited (the “Company”) for the year ended 31 December 2020 (the “Reporting Period”). This report provides performance and information on the environmental, social and governance (“ESG”) issues of the Company and its subsidiaries (collectively, the “Group”).

Reporting Standards

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has complied with the “comply or explain” provisions contained in the ESG Reporting Guide throughout the Reporting Period.

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

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

Please read this report in conjunction with the section “Risk Management and Internal Controls” of Annual Report 2020.

ESG Strategy and Policy

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

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

- complying with all applicable legal and regulatory requirements on CSR matters
- pursuing good CSR practices in our operations
- minimising the Group’s adverse impact on the environment
- cultivating environmental awareness among employees and the public

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- minimising the Group's carbon footprints through efficient use of resources and engaging green office initiatives
- providing a safe and healthy working environment for employees
- engaging our stakeholders and taking into account their interests to achieve sustainable business growth

PART I ENVIRONMENTAL

Emissions

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

For the year ended 31 December 2020, the principal manufacturing facilities of the Group are based in the PRC. The Group strictly complies with the rules and regulations of the PRC in regards with emission. In addition, the Company has a greenhouse gas monitoring system in place to monitor greenhouse gas emissions. The Company does not generate any greenhouse gas or hazardous waste during manufacturing process. In 2020, the major source of greenhouse gas emissions of the Group was consumption of purchased electricity.

The main non-hazardous waste generated during the production is dust and sludge, most of which is duly processed by our waste water treatment process. Sludge was sent to brickyard and then rebuilt to brick. Dust was sprayed by water and handled by waste water treatment process. In 2020, due to the suspension of the sales of monocrystalline solar ingots, the Group recorded zero waste sludge and waste dust and the Group was not subject to any penalties or fines as a result of non-compliance with environment laws and regulations.

Waste sludge processed in 2019	Unit: tonne
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Non-hazardous waste sludge	0.29
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Waste sludge processed in 2020	Unit: tonne
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Non-hazardous waste sludge	0
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Waste dust processed in 2019	Unit: kg
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Non-hazardous waste dust	32.06
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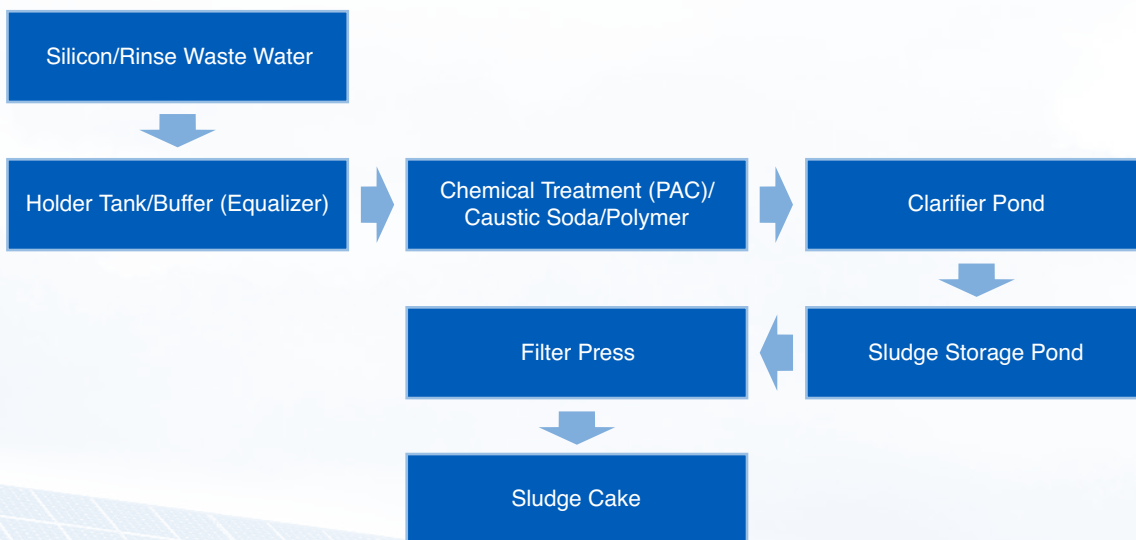
Waste dust processed in 2020	Unit: kg
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Non-hazardous waste dust	0
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

General Waste Water Treatment Process



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

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

During the year of 2020, the Group was in compliance with the relevant laws and regulations that have a significant impact of the Company relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Uses of Resources

The Group has minimised energy consumption in production and operation and strived for clean production by continuously promoting effective energy-saving technologies and improving production skills, so as to achieve sustainable development. In 2020, the PRC subsidiaries of the Group continued to improve in production efficiency by hot zone design, improvement of production skills and utilisation of facilities and new materials. Meanwhile, the Group also cultivates employees' awareness on environmental protection and advocates green office work through employee training and education to minimise environmental impact in the course of management and daily operation of the Group.

Electricity consumption in 2019	Unit: kWh
--	------------------

Plants of the Group	6,323,371
---------------------	-----------

Electricity consumption in 2020	Unit: kWh
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Plants of the Group	1,273,858
---------------------	-----------

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

Water resources consumption in 2019	Unit: tonne
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Plants of the Group	48,772
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water resources consumption in 2020 Unit: tonne

Plants of the Group 24,134

Packaging materials (paperboxes) consumption in 2019 Unit: tonne

Plants of the Group 2.23

Packaging materials (paperboxes) consumption in 2020 Unit: tonne

Plants of the Group 0

The Environment and Natural Resources

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

Environmental Protection and Sustainable Development

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART II SOCIAL

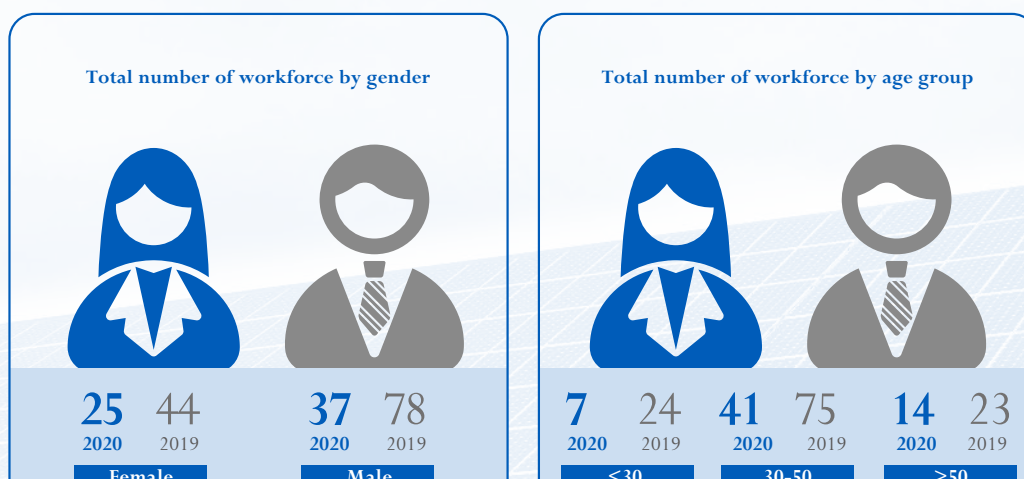
Employment and Labour Practices

Employment

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

As at 31 December 2020, the Group had 62 employees (2019: 122).

Statistic of workforce



The Board recognises that employees are important and valuable assets to the Group. Due to the outbreak of the COVID-19 affecting operation of businesses locally and globally, the operation and financial performance of the Group have unfortunately been adversely impacted, and the Group, although reluctantly, has to streamline the Group. The overall employee turnover rate, net of replacement and recruitment, in the year ended 31 December 2020 was approximately 49%.

Employee turnover rates by gender

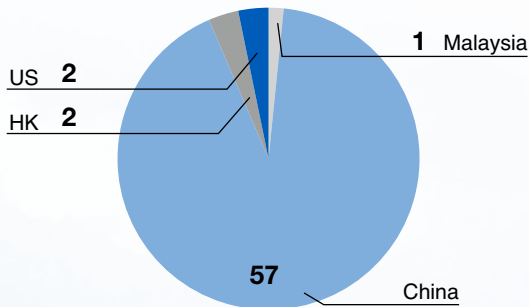
	Gender	
	Female	Male
Employee turnover rate	43%	53%

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

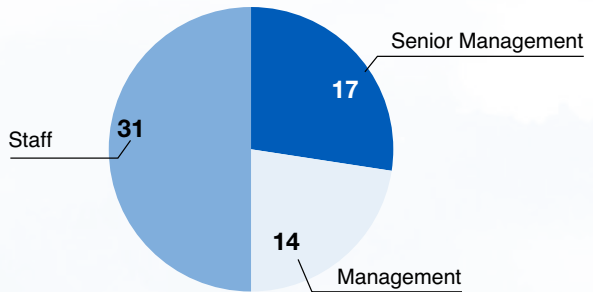
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2020, the composition of the Group are illustrated as follows:

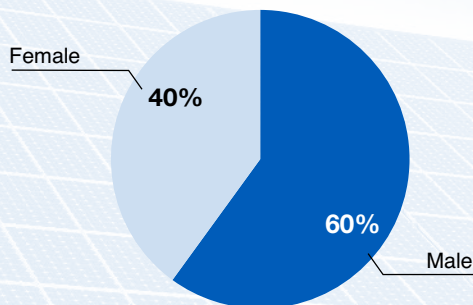
Geographical region



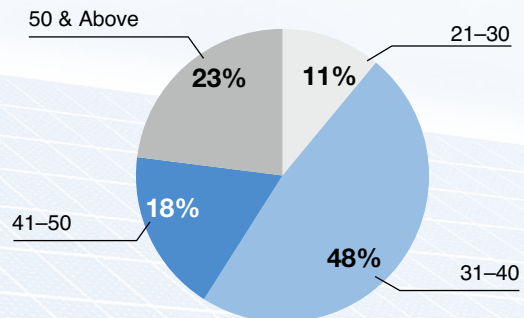
Type



Staff by Gender



Staff by Age



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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Health and Safety

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

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

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

Health and safety performance	2020 Performance	2019 Performance
Number of work-related fatalities	0	0
Lost days due to work injury	0	0
Number of accident	0	0

During the year of 2020, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

The Group emphasizes staff development, and allocates annual training budgets as necessary to support employees' all-round training program. Staff is encouraged to participate in internal and external training opportunities per their duties. These training courses and seminars cover a wide range of topics, such as management skills, communication skills, and specific technical skills, which help strengthen their professional knowledge. The Group also encourages staff's self-learning to support employees' personal development. A significant decrease of such training hours to 98 hours in 2020 (2019: 245 hours) was primarily due to postponement or cancellation of training courses caused by the implementation of social distancing measures among participants to prevent COVID-19 pandemic.

Total training hours by employee category	Hours
Top management level	18
Senior management level	30
General staff	50

Labour Standards

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

The company has implemented internal policies to require all HR departments in different locations to comply with national and local labour laws, including these related to child and forced labour, and the management of the Company also makes regular communications with the head of the HR departments in different locations to ensure the compliance of the labor laws. In 2020, there were no instances of discrimination, child labor, forced labor or violations of employees' interests.

During the year of 2020, the Group followed the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operating Practices

Supply Chain Management

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

Geographical region	Number of suppliers
China	154

Product Responsibility

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

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

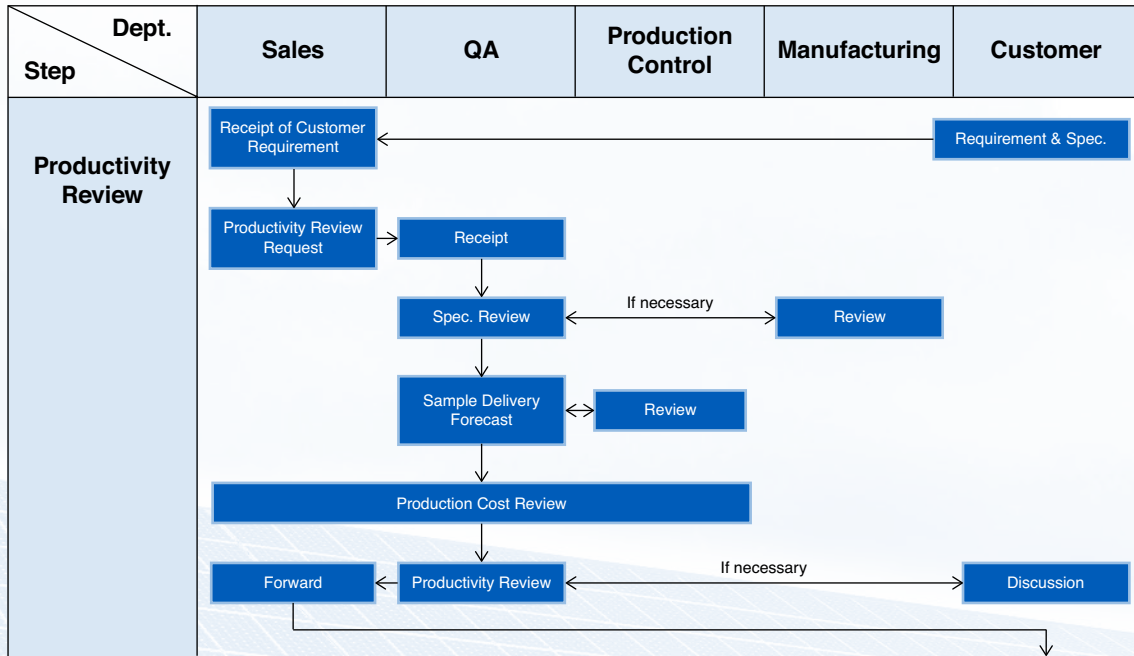
To regulate production and management, improve product quality and reduce production of unqualified products and waste of resources, the Group has established and strictly enforced a quality management system that covers the product life cycle ranging from procurement of raw materials to production process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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

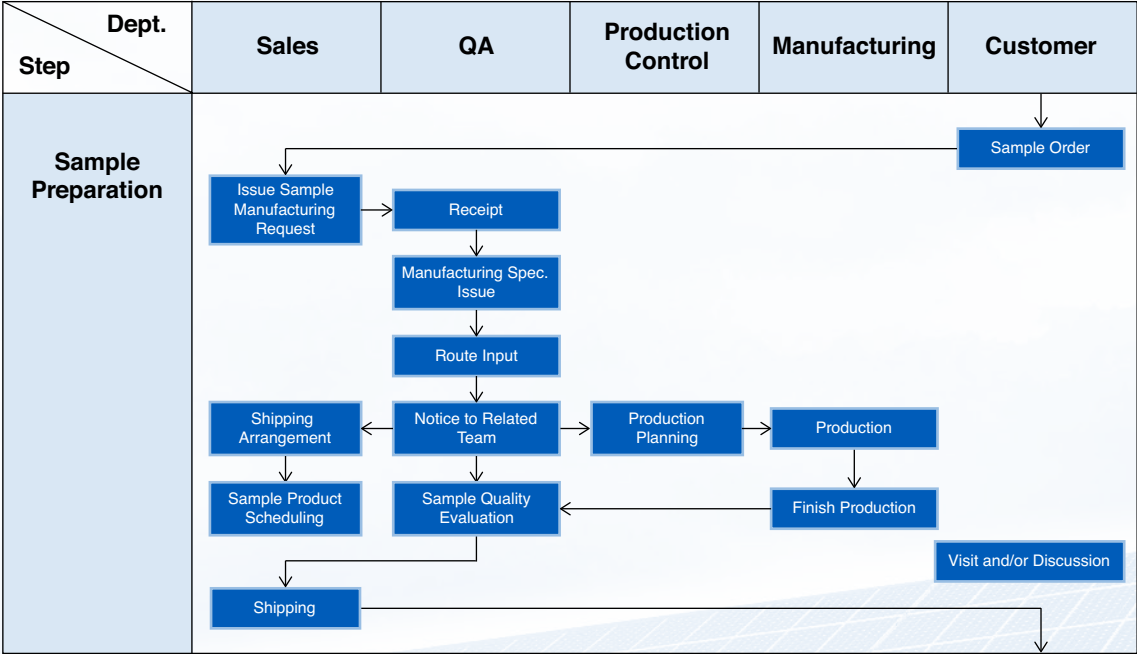
Here is flowchart of the Company's QA and after sale services.

Quality Assurance Flow Chart – Productivity Review

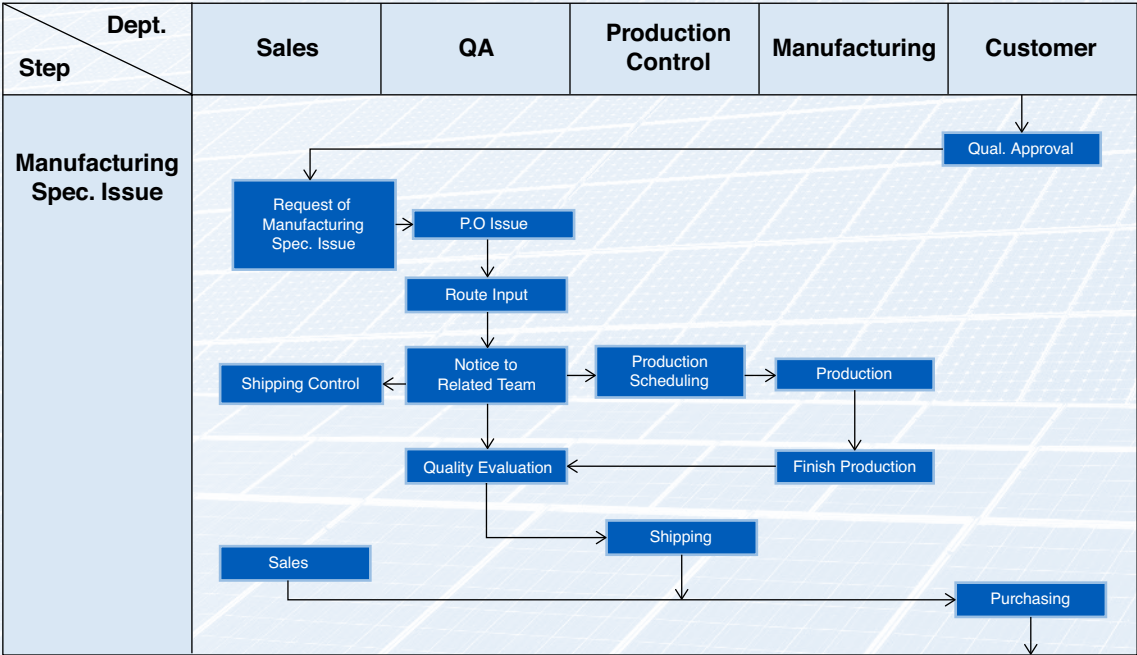


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality Assurance Flow Chart – Sample Preparation

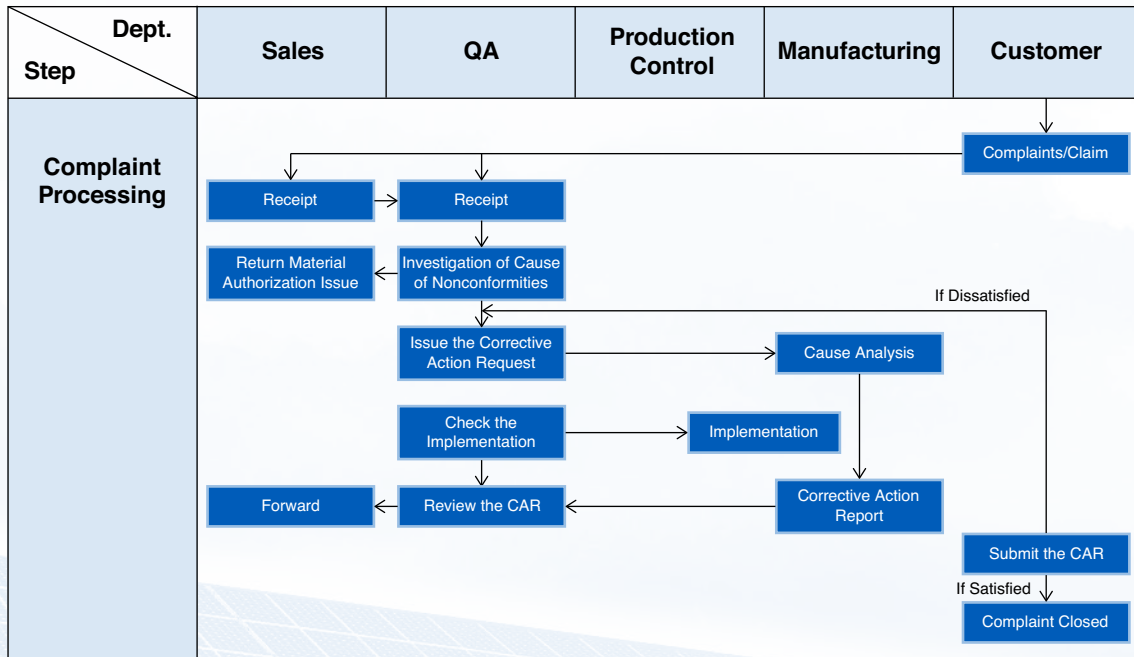


Quality Assurance Flow Chart – Spec. Issue



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality Assurance Flow Chart – Complaint Processing



Number or percentage

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

During the year of 2020, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

During the year of 2020, the Group did not identify any corruption or bribe-taking case and in compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to bribery, extortion, fraud and money laundering.

Community

Community Investment

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period for the six months ended 30 June 2021

	NOTES	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	50,347	28,490
Cost of sales and services		(42,445)	(29,403)
Gross profit (loss)		7,902	(913)
Other income	6	3,330	2,966
Other gains and losses	7	(3,162)	(1,115)
Distribution and selling expenses		(384)	(469)
Administrative expenses		(17,485)	(21,020)
Research and development expenses		(1,712)	(577)
Share of loss of a joint venture		—	(24)
Finance costs	8	(7,236)	(11,390)
Loss before taxation	9	(18,747)	(32,542)
Income tax (expenses) credit	10	(16)	10
Loss and total comprehensive expense for the period		(18,763)	(32,532)
(Loss) Profit and total comprehensive (expense) income for the period attributable to			
Owners of the Company		(19,501)	(31,161)
Non-controlling interests		738	(1,371)
		(18,763)	(32,532)
		RMB cents	RMB cents
Loss per share			
— Basic	12	(2.56)	(4.45)
— Diluted	12	(2.56)	(4.45)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		120,395	128,236
Right-of-use assets		18,649	19,568
Investment properties		82,914	82,914
Goodwill	13	6,573	6,573
Intangible assets		1,525	2,135
Interests in an associate		—	159
Deposits paid for acquisition of property, plant and equipment		526	691
		230,582	240,276
Current assets			
Inventories		18,977	17,215
Trade and other receivables	14	88,781	70,771
Advance to suppliers		27,793	29,737
Pledged bank deposits		—	21,214
Bank balances and cash		5,526	5,126
		141,077	144,063
Current liabilities			
Trade and other payables	15	180,147	137,444
Contract liabilities		31,564	34,720
Interest-bearing borrowings	16	142,361	164,481
Tax liabilities		4,325	5,808
Deferred income		840	840
Considerable payable		5,130	5,130
Lease liabilities		1,529	1,591
Convertible bonds	17	50,543	84,587
		416,439	434,601
Net current liabilities		(275,362)	(290,538)
Total assets less current liabilities		(44,780)	(50,262)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>NOTES</i>	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings	16	9,000	10,300
Deferred tax liabilities		11,541	11,541
Deferred income		7,239	7,329
Lease liabilities		8,720	9,713
		36,590	38,883
Net liabilities		(81,370)	(89,145)
Capital and reserves			
Share capital	18	2,708	2,556
Reserves		(82,695)	(89,580)
Equity attributable to owners of the Company		(79,987)	(87,024)
Non-controlling interests		(1,383)	(2,121)
Total deficits		(81,370)	(89,145)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period for the six months ended 30 June 2021

	Attributable to owners of the Company									Total
	Share capital	Share premium	Share options reserve	Special reserve	Surplus reserve	Property revaluation reserve	Accumulated losses	Sub-total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (Audited)	2,179	1,524,284	119,594	21,726	84,583	31,040	(1,814,312)	(30,906)	(990)	(31,896)
Loss and total comprehensive expense for the period	—	—	—	—	—	—	(31,161)	(31,161)	(1,371)	(32,532)
Recognition of equity-settled share-based payments	—	—	454	—	—	—	—	454	—	454
Share issued upon subscription in February 2020	377	8,755	—	—	—	—	—	9,132	—	9,132
At 30 June 2020 (Unaudited)	2,556	1,533,039	120,048	21,726	84,583	31,040	(1,845,473)	(52,481)	(2,361)	(54,842)
At 1 January 2021 (Audited)	2,556	1,533,039	120,048	21,726	84,583	31,040	(1,880,016)	(87,024)	(2,121)	(89,145)
(Loss) Profit and total comprehensive (expense) income for the period	—	—	—	—	—	—	(19,501)	(19,501)	738	(18,763)
Shares issued upon subscription in March 2021	152	26,386	—	—	—	—	—	26,538	—	26,538
At 30 June 2021 (Unaudited)	2,708	1,559,425	120,048	21,726	84,583	31,040	(1,899,517)	(79,987)	(1,383)	(81,370)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period for the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating activities		
Loss before taxation	(18,747)	(32,542)
Adjustments for:		
Interest income	(97)	(124)
Interest expenses	7,236	11,390
Depreciation of property, plant and equipment	4,881	9,375
Depreciation of right-of-use assets	919	1,172
Gain on disposal of property, plant and equipment	—	(958)
Amortisation of intangible assets	610	903
Share-based payment expenses	—	454
Release of deferred income	—	(421)
Reversal of impairment losses on other receivables, net	—	(282)
Impairment losses on trade receivables, net	—	245
Written-off of property, plant and equipment	2,960	—
Loss on deregistration of an associate	159	—
Loss on deregistration of subsidiaries	3,335	—
Loss on disposal of financial assets at fair value through profit or loss	—	861
Gain on fair value change of derivative component of convertible bonds	(2,659)	(212)
Gain on derecognition upon redemption of convertible bonds	(3,173)	—
Share of loss of a joint venture	—	24
Income from waived of trade payables	(692)	—
Net foreign exchange loss	952	1,571
Operating cash flows before movements in working capital	(4,316)	(8,544)
(Increase) Decrease in inventories	(1,783)	6,272
Increase in trade and other receivables	(21,084)	(5,378)
Decrease in advance to suppliers	1,781	1,436
Increase in trade and other payables	37,999	756
Decrease in contract liabilities	(3,156)	(7,604)
Increase in deferred income	—	3,034
Cash generated from (used in) operations	9,441	(10,028)
Taxes paid	(1,499)	—
Net cash from (used in) operating activities	7,942	(10,028)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period for the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Investing activities		
Withdrawal of pledged bank deposits	21,214	22,436
Placement of pledged bank deposits	—	(22,749)
Proceeds from disposal of property, plant and equipment	—	1,101
Proceeds from disposal of financial assets at fair value through profit or loss	—	6,445
Interest received	97	124
Deposits paid for acquisition of property, plant and equipment	—	(189)
Purchase of property, plant and equipment	—	(2,900)
Net cash from investing activities	21,311	4,268
Financing activities		
Proceeds from issue of new shares	—	9,426
Expenses on issue of new shares	—	(294)
Interest-bearing borrowings raised	—	9,596
Interest paid	(3,862)	(6,106)
Repayment of interest-bearing borrowings	(23,420)	(1,520)
Coupon payment	—	(1,224)
Repayment of lease liabilities	(1,571)	(1,194)
Net cash (used in) from financing activities	(28,853)	8,684
Increase in cash and cash equivalents	400	2,924
Cash and cash equivalents at beginning of the period	5,126	3,286
Cash and cash equivalents at end of the period, represented by bank balances and cash	5,526	6,210

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

1. GENERAL

The condensed consolidated financial statements of Comtec Solar Systems Group Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 30 June 2021 were authorised for issue in accordance with a resolution of the board of directors of the Company on 31 August 2021.

The Company is a public limited company incorporated in the Cayman Islands and its shares were 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, 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 Company is an investment holding company. The Group is principally engaged in research, production and sales of efficient mono-crystalline products, power storage products and lithium battery products and the investment, development, construction and operation of solar photovoltaic power stations.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 are unaudited, but have been reviewed by the Audit Committee of the Company. The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

2. BASIS OF PREPARATION *(continued)*

The Group incurred a net loss attributable to the owners of the Company of RMB20 million for the six months ended 30 June 2021 and had net current liabilities and net liabilities of approximately RMB275 million and RMB81 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.

The Group has developed and implemented the following liquidity plan:

- 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;
- Another shareholder Mr. Dai Ji 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;
- 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 are satisfied, after taking into account the factors as mentioned above, that the Group will have sufficient working capital for at least the next 12 months from 30 June 2021. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that are measured at fair value at the end of the reporting period.

Other than changes in accounting policies resulting from the application of new and amendments to International Financial Reporting Standards (“IFRSs”) as explained below, the accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

New and amendments to IFRSs that are effective for the current period

The Group has adopted the following new and amendments to IFRS which are effective for the financial year beginning on or after 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform-Phase 2</i>
Amendments to IFRS 16	<i>Covid-19-related Rent Concessions</i>

The adoption of above amendments to IFRSs does not have a material impact on these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

4. REVENUE

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Dissaggregated by major products or services lines		
Sales of monocrystalline solar wafers	—	592
Sales of monocrystalline solar ingots	—	7
Sales of polysilicon	—	39
Sales of power storage products	42,282	16,534
Installation service for photovoltaic power stations	3,721	8,183
Power generation	4,344	2,919
Sales of others	—	216
Total revenue	50,347	28,490
Geographical markets		
The People's Republic of China (the "PRC") including Hong Kong	50,347	28,490
Total revenue	50,347	28,490
Timing of revenue recognition		
At a point in time	42,282	17,388
Overtime	8,065	11,102
Total revenue	50,347	28,490

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

5. SEGMENT INFORMATION

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, investment, development, construction and operation of solar photovoltaic power stations and the research, production and sales of power storage products. The Group has one (six months ended 30 June 2020: two) operating and reportable segments for financial reporting purpose for the six months ended 30 June 2021. The Group's segment profit (loss) is the profit (loss) before tax of the Group except that share of loss of a joint venture, finance costs as well as corporate income and expense are excluded from the measurement of segment profit (loss).

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

- (i) Upstream — Production and sales of efficient mono-crystalline products, trading of solar products.
- (ii) Downstream solar and power storage — Investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products.

Segment revenues and results

	Downstream solar and power storage RMB'000 (Unaudited)
<i>For the six months ended 30 June 2021:</i>	
Revenue	50,347
Cost of sales and services*	(42,445)
Segment profit	7,902
Other income	3,330
Other gains and losses	(3,162)
Distribution and selling expenses	(384)
Administrative expenses	(17,485)
Research and development expenses	(1,712)
Finance costs	(7,236)
Loss before taxation	(18,747)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

5. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

	Upstream RMB'000 (Unaudited)	Downstream solar and power storage RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<i>For the six months ended 30 June 2020:</i>			
Revenue	854	27,636	28,490
Cost of sales and services*	(7,645)	(21,758)	(29,403)
Segment (loss) profit	(6,791)	5,878	(913)
Other income			2,966
Other gains and losses			(1,115)
Distribution and selling expenses			(469)
Administrative expenses			(21,020)
Research and development expenses			(577)
Share of loss of a joint venture			(24)
Finance costs			(11,390)
Loss before taxation			(32,542)

* For the period ended 30 June 2021, depreciation of property, plant and equipment included in the cost of sales and services of the upstream segment and the downstream solar and power storage segment were nil (six months ended 30 June 2020: RMB6,538,000) and RMB4,881,000 (six months ended 30 June 2020: RMB2,837,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

6. OTHER INCOME

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grants (note)	234	421
Rental income	2,213	2,392
Income from waived of trade payables	692	—
Interest income	97	124
Others	94	29
	3,330	2,966

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

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net foreign exchange loss	(2,467)	(1,461)
Gain on disposal of property, plant and equipment	—	958
Written-off of property, plant and equipment	(2,960)	—
Reversal of impairment losses on other receivables, net	—	282
Impairment losses on trade receivables, net	—	(245)
Gain on fair value change of derivative component of convertible bonds	2,659	212
Gain on derecognition upon redemption of convertible bonds	3,173	—
Loss on disposal of financial assets at fair value through profit or loss	—	(861)
Loss on deregistration of an associate	(159)	—
Loss on deregistration of subsidiaries	(3,335)	—
Others	(73)	—
	(3,162)	(1,115)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

8. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on borrowings	3,753	6,106
Imputed interest on convertible bonds	2,858	4,481
Imputed interest on leases liabilities	516	487
Others	109	316
	7,236	11,390

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories recognised as expense	31,436	23,615
Depreciation of property, plant and equipment	4,881	9,375
Depreciation of right-of-use assets	919	1,172
Amortisation of intangible assets	610	903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

10. TAXATION

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	16	—
Deferred tax		
Current period	—	(10)
Income tax credit	16	(10)

No Hong Kong Profits Tax was provided for the six months ended 30 June 2021 and 2020 as the group entities had no assessable profits or incurred tax losses in Hong Kong.

PRC Enterprise Income Tax was calculated at the applicable tax rate of 25% in accordance with the relevant laws and regulations in the PRC for the six months ended 30 June 2021 and 2020.

11. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

12. LOSS PER SHARE

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company	(19,501)	(31,161)
Number of shares		
Weighted average number of ordinary shares	760,965,803	699,749,764

The outstanding share options and conversion option of the convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the six months ended 30 June 2021 and 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

13. GOODWILL

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Cost	108,683	108,683
Accumulated impairment	(102,110)	(102,110)
	6,573	6,573

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

The directors of the Company assessed and determined that there were no impairment indicators for the goodwill as at 30 June 2021.

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Trade receivables, net of allowance	23,339	30,699
Other receivables	65,442	40,072
	88,781	70,771

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

14. TRADE AND OTHER RECEIVABLES *(continued)*

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 case-by-case basis. The following is an ageing analysis of trade receivables net of impairment based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
0 to 30 days	2,575	8,325
31 to 60 days	359	2,584
61 to 90 days	5,293	1,061
91 to 180 days	6,482	6,766
Over 180 days	8,630	11,963
	23,339	30,699

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

15. TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Trade payables	87,027	65,557
Payables for acquisition of property, plant and equipment	15,544	16,973
Other payables and accrued charges	77,576	54,914
	180,147	137,444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

15. TRADE AND OTHER PAYABLES *(continued)*

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
0 to 30 days	2,029	7,812
31 to 60 days	11,550	2,111
61 to 90 days	4,755	1,312
91 to 180 days	3,977	2,618
Over 181 days	64,716	51,704
	87,027	65,557

The average credit period on purchases of goods is 30 to 90 days and certain suppliers grant a longer credit period on a case-by-case basis.

16. INTEREST-BEARING BORROWINGS

	<i>NOTES</i>	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Bank loans			
— secured	16(a)	122,461	132,710
Other borrowings			
— unsecured	16(b)	28,900	42,071
		151,361	174,781

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

16. INTEREST-BEARING BORROWINGS *(continued)*

(a) Bank loans

The bank loans are repayable:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 1 year or on demand	113,461	122,410
After 1 year but within 2 years	2,800	2,800
After 2 years but within 5 years	6,200	7,500
	9,000	10,300
	122,461	132,710

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

16. 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.

17. CONVERTIBLE BONDS

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

In March 2021, the Company received the conversion notices from the subscriber to the exercise of the conversion rights attached to the Bonds in respect of the aggregate principal amount of USD4,000,000 (equivalent to RMB25,886,000).

The 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, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

17. CONVERTIBLE BONDS *(continued)*

The principal terms of the Bonds *(continued)*

- (a) Conversion price — The conversion price is HKD0.174 per share, subject to adjustments.
- Upon the completion of the share consolidation on 28 August 2019, the conversion price has been increased to HKD0.696 per share.
- (b) Conversion period — The bondholder shall have the right, on any business day after the date of issuance until and including the seventh business day immediately preceding the maturity date, to convert the whole or part of the outstanding principal amounts of the Bonds.
- (c) Number of conversion shares issuable — The number of conversion shares to be issued shall be calculated based on the principal amount of the Bonds being converted and the conversion price applicable on the relevant conversion date. No fraction of a share shall be issued on conversion of the Bonds.

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

The movements of the debt and derivative components of the Bonds for the six months ended 30 June 2021 are set out as below:

	Debt Component RMB'000 (Unaudited)	Derivative Component RMB'000 (Unaudited)
At 1 January 2021	74,460	10,127
Interest charge	2,858	—
Interest payment	(5,484)	—
Gain arising on changes of fair value	—	(2,659)
Net exchange difference	259	41
Redemption of convertible bonds	(25,580)	(3,479)
At 30 June 2021	46,513	4,030

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

17. CONVERTIBLE BONDS (continued)

The principal terms of the Bonds (continued)

	Debt Component RMB'000 (Audited)	Derivative Component RMB'000 (Audited)
At 1 January 2020	72,600	224
Interest charge	9,042	—
Interest payment	(1,998)	—
Loss arising on changes of fair value	—	9,926
Net exchange difference	(5,184)	(23)
At 30 December 2020	74,460	10,127

18. SHARE CAPITAL

	At 30 June 2021		At 31 December 2020	
	No. of shares (Unaudited)	HKD'000 (Unaudited)	No. of shares (Audited)	HKD'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.004 each	1,900,000,000	7,600	1,900,000,000	7,600
Issued and fully paid:				
At the beginning of period/year	733,174,710	2,933	628,289,531	2,513
Shares issued upon conversion of convertible bonds (note i)	45,113,792	180	—	—
Shares issued upon subscription in February 2020 (note ii)	—	—	104,885,179	420
At the end of the period/year	778,288,502	3,113	733,174,710	2,933
Presented in RMB:		At 30 June 2021 RMB'000 (Unaudited)		At 31 December 2020 RMB'000 (Audited)
Ordinary shares		2,708		2,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

18. SHARE CAPITAL *(continued)*

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 5 March 2021 and 18 March 2021, conversion options of convertible bonds were exercised to subscribe 45,113,792 ordinary shares of the Company in aggregate, with exercise price of HK\$0.696 per share among which approximately HK\$180,000 (equivalent to RMB 152,000) was credited to share capital and approximately HK\$31,219,000 (equivalent to RMB 26,386,000) was transferred from carrying amount of the convertible bonds to the share premium.
- (ii) 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

19. SHARE-BASED COMPENSATION

(a) Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme for the six months ended 30 June 2021:

Date of grant	Exercise price (HKD)	At	Cancelled	Lapsed	At
		1 January 2020			30 June 2021
					(Unaudited)
15 June 2018	0.604	5,321,544	—	—	5,321,544
2 May 2017	1.340	5,475,000	—	—	5,475,000
9 September 2016	2.240	4,500,000	—	—	4,500,000
25 November 2015	2.944	10,650,000	—	—	10,650,000
26 June 2015	6.000	5,000,000	—	—	5,000,000
31 March 2014	5.544	225,000	—	—	225,000
30 September 2013	7.480	1,005,000	—	—	1,005,000
27 December 2012	5.048	1,212,500	—	—	1,212,500
28 June 2012	3.920	12,500	—	—	12,500
		33,401,544	—	—	33,401,544

All of the above options are fully vested and exercisable as at 30 June 2021 and 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

19. SHARE-BASED COMPENSATION *(continued)*

(a) New Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the New Share Option Scheme during the six months ended 30 June 2021:

	At 1 January 2020 (Audited) 31 December 2020 (Audited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)
Date of grant	
29 May 2019	36,403,456
Exercise price (HKD)	0.280
Exercisable	36,403,456

The Group did not recognise any expenses (six months ended 30 June 2020: RMB454,000) for the six months ended 30 June 2021 in relation to the share options granted by the Company under the New Share Option Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2021

20. PLEDGED OF ASSETS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Right-of-use assets		
– Land use right	12,617	12,792
Property, plant and equipment		
– Building and plant and machinery	67,441	77,070
Investment properties	82,914	82,914
Pledged bank deposits	–	21,214
Trade receivable	–	501
Inventories	–	7,087
	162,972	201,578

21. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the six months ended 30 June 2021 was as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Basic salaries and allowances	1,197	2,690
Retirement benefit scheme contributions	81	89
Share-based payments expense	–	314
	1,278	3,093

The remuneration of directors and key management personnel is determined by the remuneration committee of the Company having regard to the performance of the individuals and market trends.

DEFINITIONS

“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 Windpark Renewable”	Comtec Windpark Renewable (Holdings) Co Ltd, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of US\$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Directors(s)”	the director(s) of the Company
“Fonty”	Fonty Holdings Limited, a company incorporated under the laws of the British Virgin Islands
“Global Offering” or “IPO”	the listing of the Shares on the Stock Exchange on 30 October 2009
“Group”	the Company and its subsidiaries
“HK\$ ” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Kexin”	Zhejiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司), a company incorporated under the laws of the PRC and a partially-owned subsidiary of the Company

DEFINITIONS

“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 six months ended 30 June 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
“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