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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 2018 ANNUAL REPORT

IMPAIRMENTS ON GOODWILL AND INTANGIBLE ASSETS

MANAGEMENT DISCUSSION AND ANALYSIS

Reference is made to the annual report of Comtec Solar Systems Group Limited (the "**Company**") for the year ended December 31, 2018 (the "**2018 Annual Report**"). The Company would like to provide further information in respect of the impairments on goodwill and intangible assets. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the 2018 Annual Report.

It was disclosed on page 13 of the 2018 Annual Report:

"Impairments on goodwill and intangible assets

For the purposes of impairment testing, the net carrying amount of the goodwill, which arose from the acquisitions of subsidiaries, has been allocated to the cash generating unit relating to downstream solar service business. The recoverable amounts of the above cash-generating units are determined from value in use calculations...

Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has made negative impact on installation quotas of distributed generation projects in the foreseeable future, the goodwill arising from the acquisition of Comtec (Asia) Limited of approximately RMB39.0 million was fully impaired during the Period as the actual performance in the Period did not meet the expectation and reach the business forecast. Our directors are of the view that it could not be recovered from the relevant cash generating unit related to the distributed generation projects and was thus fully impaired. For the same *reason, the intangible assets in the carrying amount of RMB32,187,000 arising from the signed cooperative agreements in the acquisition of Comtec Renewable Energy was fully impaired for the Period as well.*

At the same time, the intangible assets arising from the non-compete agreement in the acquisition of Comtec Renewable Energy and Comtec (Asia) Limited was fully impaired in the amount of RMB14,984,000 during the Period as the actual performance in the Period did not meet the expectation and reach the business forecast."

The Board wishes to supplement the following:

(1) Details on the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018 and the negative impact on installation quotas of distributed generation projects in the foreseeable future

The industry environment for photovoltaics in the PRC was highly dependent on governmental policies which are often subject to changes. On May 31, 2018, the National Development and Reform Commission of the PRC ("**NDRC**") promulgated the "2018 PV Power Generation Notice" (the "**Notice**"). The Board wishes to supplement the details of this Notice, its negative impacts considered by the Board, as well as when and how the Company first became aware of the Notice.

The relevant provisions of the Notice and their respective negative impact are set out below.

(i) Affecting distributed generation projects

- "*Regulate distributed photovoltaics development. A scale of about 10 million kilowatts has been arranged to support the construction of distributed photovoltaic projects this year. In consideration of the scale of distributed photovoltaics built this year, distributed photovoltaic power generation projects grid-connected before May 31 (inclusive) will be included in the scope of nationally recognized scale management, and projects not included in the scope of nationally recognized scale management will be supported by local governments (規範分佈式光伏發展。今年安排1,000萬千瓦左右規模用於支持分佈式光伏項目建設。考慮今年分佈式光伏已建情況，明確各地5月31日(含)前併網的分佈式光伏發電項目納入國家認可的規模管理範圍，未納入國家認可規模管理範圍的項目，由地方依法予以支持。)*"

  Since the extent of distributed generation projects development in the country may be reaching the level initially planned by the authorities, the central authorities decided to suspend granting state subsidies after May 31, 2018. In other words, distributed generation projects that were grid-connected on or before May 31, 2018 remained to be eligible for subsidies granted by the central authorities in the PRC, but distributed generation projects may only be financially supported by their local governments or entirely be self-funded after May 31, 2018. Thus, without state subsidies, the investment returns on such projects would be negatively affected. It may reduce the demand of ultimate project owners to invest in new projects which will then negatively affect their demand to engage professional service providers, such as the Company, for provision of related project development and project management services until the cost to develop and to construct such projects can decrease to net off the impacts of decrease in subsidies.

- "*From the date of the publication of this text, the subsidy for newly commissioned distributed photovoltaic power generation projects which adopted the mode of "self-generation & self use and surplus electricity to grid" has reduced by RMB0.05, i.e. the total amount has been adjusted to RMB0.32 per kilowatt hour (including tax) (自發文之日起，新投運的、採用"自發自用、餘電上網"模式的分布式光伏發電項目，全電量度電補貼標準降低0.05元，即補貼標準調整為每千瓦時0.32元(含稅)。)*"

  Subsidies for certain types of distributed generation projects have been reduced by RMB0.05 per kilowatt hour. The reduction of financial incentives for the commissioning of these certain types of distributed generation projects after May 31, 2018 would result in a negative impact on investment returns of such projects. Thus, it may reduce the demand of ultimate project owners to invest in such projects which will then negatively affect their demand to engage professional service providers, such as the Company, for provision of related project development and project management services until the cost to develop and to construct such projects can decrease to net off the impacts of decrease in subsidies.

(ii) Affecting ground-mounted projects

- "*According to the actual development of the industry, the scale of construction of general ground-mounted photovoltaic power stations in 2018 will not be arranged. Before the country has issued any document to commission the construction of general ground-mounted power stations, all localities may not arrange the construction of general ground-mounted power stations that require state subsidies in any form. (根據行業發展實際，暫不安排2018年普通光伏電站建設規模。在國家未下發文件啓動普通電站建設工作前，各地不得以任何形式安排需國家補貼的普通電站建設。)*"

  Under this new policy, no more quota of subsidized ground-mounted project would be approved until further notice. Pursuant to the cooperative agreement entered into between Comtec Renewable Energy (formerly known as Joy Boy HK Limited), its subsidiaries and a PRC customer for the development of approximately 70 MW downstream solar project (the "**Cooperative Agreement**"), Comtec Renewable Energy was responsible for providing consultation, coordination and development services of approximately 70 MW downstream ground-mounted solar project (the "**70 MW Project**"). In particular, Comtec Renewable Energy would be responsible for liaising with governmental authorities to obtain the necessary approvals for commissioning of such project and granting of subsidy quotas. Up until the promulgation of the Notice, no governmental approval and subsidy quota has yet been successfully obtained and granted. In light of this particular provision in the Notice, the Group considered that it is very unlikely that any governmental approval and subsidies quota could be obtained and granted, implying that it is very likely Comtec Renewable Energy would not be able to complete the 70 MW Project. The reduction of financial incentives for the commissioning of ground-mounted projects after May 31, 2018 reduced demand of ultimate project owners to invest in such projects given that return from such investment would be reduced. This would then negatively impact their demand to engage professional service providers, such as the Company, for provision of professional project development and project management services. This has negatively affected the overall industry environment.

- "*From the date of the publication of the text, the on-grid feed-in tariffs of newly commissioned ground-mounted photovoltaic power stations will be reduced by RMB0.05 per kilowatt hour, and the on-grid feed-in tariffs for Class I, II and III resource zones will be adjusted to RMB0.5, RMB0.6 and RMB0.7 per kilowatt hour, respectively (including tax) (自發文之日起，新投運的光伏電站標桿上網電價每千瓦時統一降低0.05元，I類、II類、III類資源區標桿上網電價分別調整為每千瓦時0.5元、0.6元、0.7元(含稅)。)*"

  As feed-in tariffs are a form of governmental subsidy and a financial incentive, reduction of the same would naturally reduce demand for ground-mounted projects given that return from such investment would be reduced. This may reduce the demand of ultimate project owners to invest in such projects which will then negatively affect their demand to engage professional service providers, such as the Company, for provision of related project development and project management services until the cost to develop and to construct such projects can decrease to net off the impacts of decrease in subsidies. This has negatively affected the overall industry environment.

To conclude, the Board considered that (1) the cap imposed on distributed generation projects eligible for state subsidies; (2) the reduction of the amount of governmental subsidies granted for the commissioning of certain distributed generation projects; (3) the suspension of granting of subsidy quotas for ground-mounted projects, which already resulted in the very likelihood of non-completion of the 70 MW Project; and (4) the reduction of feed-in tariffs for electricity generated by certain ground-mounted projects, as provided under the Notice, have all affected the feasibility and viability of investing in downstream photovoltaic projects, as return from such investment has been reduced. This potentially would result in decrease in demand of ultimate owners to invest in downstream photovoltaic projects and to engage professional service providers, such as the Company, for provision of related project development and project management services going forward, until the cost to develop and to construct such projects can decrease to net off the impacts of decrease in subsidies.

Thus, these new policies under the Notice has accounted for the negative impact on the industry environment generally and caused uncertainties for stakeholders.

The Board first became aware of the Notice when it was released on the public website of the NDRC at https://www.ndrc.gov.cn/xxgk/zcfb/tz/201806/t20180601_962736.html (hyperlink accessible as of the date of this announcement) on May 31, 2018.

The Company has an internal team to monitor changes in government policies and legal and regulatory changes concerning the Company's business from time to time from various public avenues such as the internet and the media.

The Board further confirms that it was not privy to any relevant inside information before the promulgation of the Notice; it has not been involved in any policy decision making relating to the Notice; and it had nor was not capable of exerting any influence on the relevant policy makers involved with the Notice.

(2) The change in industry environment and the promulgation of the Notice were not anticipated/foreseeable at the time of the acquisitions of Joy Boy Limited (subsequently renamed as Comtec Renewable Energy Group Limited) and Forum (Asia) Limited (subsequently renamed as Comtec (Asia) Limited) on September 15, 2016 and March 1, 2017, respectively (the "Acquisitions")

The change in the industry environment and the promulgation of the Notice have not been anticipated by the Board and were not foreseeable at the time of the Acquisitions as modifications on amount of photovoltaic subsidies were made by the NDRC from time to time without any observable trends. It is impossible for the Company to anticipate or foresee that the Notice would be released on May 31, 2018 or any other future results by analysing past historical data.

(3) Details of the Company's internal assessment and evaluation for the value in use calculation and the Board's assessment on the fairness and reasonableness of the impairment losses recognized

No independent valuation was conducted to support the impairment assessment of the goodwill and the intangible assets. Details of the Company's internal assessment and evaluation for the value in use calculation and the board's assessment on the fairness and reasonableness of the impairment losses recognized are set out below:

(a) Comtec (Asia) Limited

The Company recognized impairment losses on goodwill of approximately RMB39.0 million and on intangible assets (mainly the Cooperative Agreement and non-compete agreement) of approximately RMB9.6 million from the acquisition of Comtec (Asia) Limited for the year ended December 31, 2018. It was based on the impairment test to assess and evaluate the value in use of such assets and to compare the same to their carrying amount in the financial statements.

The value in use calculation was based on the Group's estimation of its future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. It is in line with the method used when the

Company prepared the purchase price allocation valuation in relation to the acquisition of Comtec (Asia) Limited which generated the values of such goodwill and intangible assets.

Major assumptions of the value in use calculation are as follows:

1. The Company estimated that its revenue for the year ending December 31, 2019 would be 20% lower than the full year revenue recorded in 2018.

   Regard should be paid to the Notice promulgated by the NDRC on May 31, 2018, which, among others, (1) imposed a cap on distributed generation projects eligible for state subsidies; (2) reduced amount of governmental subsidies granted for the commissioning of certain distributed generation projects; (3) suspended the granting of subsidy quotas for ground-mounted projects; and (4) reduced feed-in tariffs for electricity generated by certain ground-mounted projects. These policies under the Notice affected the feasibility and viability of investing in downstream photovoltaic projects, as return from such investment has been reduced. This potentially would result in decrease in demand of ultimate owners to invest in downstream photovoltaic projects and to engage professional service providers, such as the Company, for provision of related project development and project management services going forward, until the cost to develop and to construct such projects can decrease to net off the impacts of decrease in subsidies.

   In January 2019, an external market research has showed that the newly installed solar power capacity of the PRC amounted to 44 gigawatts ("**GW**") in 2018, compared to that of 53 GW in 2017, decreasing by 17%. With reference to the high teen percentage decrease of annual installation capacity in 2018, the Company conservatively assumed a 20% decrease in revenue for the year ending December 31, 2019.

   External market research also estimated that newly installed solar power capacity of the PRC would amount to approximately 42 GW in 2019, compared to that of 44 GW in 2018, only to decrease by 4.5%. As such, a slower rate of decrease of newly installed power capacity of the PRC as compared with that for the preceding year was expected. Thus, the Company considered that the rate of decrease of its revenue may gradually alleviate and conservatively assumed that there would be a decrease of 10% in revenue for the year ending December 31, 2020.

   Assuming the improving trend in the rate of decrease of newly installed solar power capacity of the PRC in the preceding years would persist, the Company estimated that the decreasing trend of its estimated revenue would subdue and level off in 2021, and the revenue would increase by 3% per year, with reference to the long term inflation rate in the PRC, in the succeeding years after 2021.

2. The gross margin for the year ending December 31, 2019 is estimated to be approximately 20.0%. It is referenced to average selling price and costs of construction data of the project in process when the Company performed the impairment test.

3. Operating expenses are expected to be reduced according to the scale of operation and the estimated amount of revenue. The estimation is based on the operating expenses incurred for the year ended December 31, 2017 and the differences between the estimated revenue in 2019 comparing to 2017.

4. It is subject to 25% corporate income tax rate in China.

5. No material amount of capital expenditures is expected.

6. Working capital requirements is based on the expected turnover days in accounts receivable (approximately 30 days), accounts payable (approximately 30 days), inventory turnover days (approximately 30 days) and daily cash requirement for operating purpose (approximately 30 days).

7. The forecast is extrapolated four more years before reaching the terminal year of 2024. Perpetual growth rate from 2024 onwards was assumed to be 3% per annum which is an indication of China's long-term inflation rate.

8. The discount rate is estimated to be 18%, which is the same as that at the time of its acquisition as set out in the circular of the Company dated December 12, 2016 (the "**CAL Circular**"). With the promulgation of the Notice on May 31, 2018, the business of Comtec (Asia) Limited has not progressed nor expanded in accordance with the original forecast made in 2016. As such, the Board reduced its revenue forecast for the financial years after 2018. The Company conservatively assumed a 20% decrease in revenue for the year ending December 31, 2019 and a decrease of 10% in revenue for the year ending December 31, 2020. Assuming the improving trend in the rate of decrease of newly installed solar power capacity of the PRC in the preceding years would persist, the Company estimated that the decreasing trend of its estimated revenue would subdue and level off in 2021, and the revenue would increase by 3% per year, with reference to the long term inflation rate in the PRC, in the succeeding years after 2021. A lower profit margin than the original forecast in 2016 is estimated by utilizing the latest construction data and human capital requirement as mentioned in point 2 and 3 above. Considering the fact that a much conservative growth assumption has been adopted and that the economic conditions of China during 2016–2018 was generally stable as there was no material change of inflation rate, exchange rate, unemployment rate and growth rate of GDP in China during the period, the Board is of the view that maintaining the discount rate at 18% is reasonably prudent.

The Board has obtained an understanding over the impairment assessment of goodwill and intangible assets. The Board also reviewed the determination of value in use of goodwill and intangible assets arising from acquisition of Comtec (Asia) Limited, obtained an understanding of financial position and future prospect of Comtec (Asia) Limited, evaluated the reasonableness of key inputs and assumptions used by the management in estimations of value in use, including projections of cash flows, growth rate and weighted average return on assets. In addition, the Board reviewed the new government policies under the Notice promulgated by the NDRC on May 31, 2018 as well as considered its potential impacts on market demand and the business of Comtec (Asia) Limited. Hence, the Board considered the estimation on value in use is fair and reasonable. As the value in use is less than the carrying amount of the goodwill and intangible assets, the Board considered it is reasonable and fair to recognize impairment loss upon the carrying amount which is expected to not be recovered from the relevant cash generating unit.

(b) *Comtec Renewable Energy Group Limited*

The Company recognized impairment losses on intangible assets (mainly the Cooperative Agreement and non-compete agreement) of approximately RMB32.2 million and RMB6.9 million, respectively, from the acquisition of Comtec Renewable Energy for the year ended December 31, 2018.

The Notice promulgated by the NDRC on May 31, 2018, among others, (1) imposed a cap on distributed generation projects eligible for state subsidies; (2) reduced amount of governmental subsidies granted for the commissioning of certain distributed generation projects; (3) suspended the granting of subsidy quotas for ground-mounted projects; and (4) reduced feed-in tariffs for electricity generated by certain ground-mounted projects (see above for further analysis on the Notice). These policies under the Notice affected the feasibility and viability of investing in downstream photovoltaic projects, as return from such investment has been reduced. This potentially would result in decrease in demand of ultimate owners to invest in downstream photovoltaic projects and to engage professional service providers, such as the Company, for provision of related project development and project management services going forward, until the cost to develop and to construct such projects can decrease to net off the impacts of decrease in subsidies. This may cause impact to certain projects and completion of the same may not be possible. The Company may also fail to achieve certain business targets. The Company had considered that the intangible assets may have suffered impairment losses and the major assumptions as set out in the Report of Purchase Price Allocation (as defined below) at the time in preparation for the acquisition of Comtec Renewable Energy may not be valid. Thus, the Company performed specific reviews on the Cooperative Agreement and non-compete agreement as well as the major assumptions as set out in the Report of Purchase Price Allocation (as defined below).

According to the Report of Purchase Price Allocation prepared for the acquisition of Comtec Renewable Energy issued by D&P China (HK) Limited (formerly known as American Appraisal China Limited) dated September 15, 2016 (the "**Report of Purchase Price Allocation**"), the valuation of the intangible assets in relation to the cooperative agreements was mainly based on the Cooperative Agreement as backlog at acquisition and the expectation at the time of the preparation of purchase price allocation analysis that Comtec Renewable Energy would be able to complete approximately 300 MW (accumulatively) downstream solar projects for

36 months ending June 30, 2019. Comtec Renewable Energy was responsible for providing consultation, coordination and development services for the 70 MW Project. In particular, Comtec Renewable Energy would be responsible for liaising with governmental authorities to obtain the necessary approvals for commissioning of the project and granting of subsidy quota. Up until the promulgation of the Notice, no governmental approval and subsidy quota has yet been obtained and granted. In light of the Notice that was promulgated on May 31, 2018, the Group was of the view that it is very unlikely that any subsidies quota could be obtained and granted. This implies that it is very likely Comtec Renewable Energy could not be able to complete the 70 MW Project and the 300 MW target scale for 36 months ending June 30, 2019. It turned out that the actual performance did not meet the expectation at the time when the Company prepared the purchase price allocation analysis and did not reach business forecast with only some other approximately 114 MW downstream solar projects having been completed by Comtec Renewable Energy at the end of 2018. Thus, it is expected that no further value in use can be recovered from the carrying amount of Cooperative Agreement and the intangible assets of approximately RMB32.2 million was impaired after internal assessments and evaluations.

According to the Report of Purchase Price Allocation, the valuation of intangible assets in relation to the non-compete agreement was estimated mainly upon the ability of the management to compete and its impact on the future cashflows to secure the completion of the Cooperative Agreement, completion of 300 MW solar projects and achieving a profit target of RMB80 million in 36 months ending June 30, 2019. As of December 31, 2018, in light of the Notice that was promulgated by the NDRC during that calendar year and the fact that it was only six months before June 30, 2019, it was expected that the above target would not be achieved after internal assessments and evaluation. Actual performance did not meet the expectation at the time when the Company prepared the purchase price allocation analysis and did not reach business forecast. Thus, the primary effect to have the non-compete agreement has been lapsed. As such, it is expected no further value in use can be recovered from the carrying amount of the non-compete agreement and the related intangible assets of approximately RMB6.9 million was impaired.

The Board has obtained an understanding over the impairment assessment of intangible assets. The Board also reviewed the determination of the value in use of intangible assets arising from the acquisition of Comtec Renewable Energy, evaluated the reasonableness of key inputs and assumptions used by the management in estimation of the value in use, including the very likelihood that Comtec Renewable Energy would not be able to complete the 70 MW Project and to achieve the business and profit target. In addition, the Board reviewed the new government policies under the Notice promulgated by the NDRC on May 31, 2018 as well as considered its potential impacts on market demand and the business of Comtec Renewable Energy. Hence, the Board considered the estimation that no further value in use can be recovered from the carrying amount of non-compete agreement is fair and reasonable. As the value in use is less than the carrying amount of the intangible assets, the Board considered that it is reasonable and fair to recognize the impairment loss upon the carrying amount which is expected could not be recovered from the relevant cash generating unit.

(4) Justifications for not recognizing the non-completion of the 70 MW Project as an impairment loss on the intangible assets in the Company's financial statements for the financial year ended December 31, 2016 and 2017

The Board would like to further supplement on its justifications for not recognizing the non-completion of the 70 MW Project as an impairment loss on the intangible assets in its financial statements for the financial year ended December 31, 2016 and 2017 given that the Cooperative Agreement was entered into in 2016.

Since the entering into of the Cooperative Agreement in 2016 and up until the promulgation of the Notice in 2018, the Company has been making progress with a view to ultimately completing the 70 MW Project. In particular, a certificate of registration, which was valid for two years until August 2018 with an option to extend for another calendar year, issued by the local municipal Development and Reform Commission ("**DRC**") has successfully been obtained in August 2016 after Comtec Renewable Energy has obtained certain administrative procedural documents in relation to, among others, grid-connections and land use plans. Upon the issuance of the said certificate of registration, details of the 70 MW Project would be passed from the local municipal DRC to the provincial DRC for their consideration and evaluation in relation to the grant of state subsidies quotas. The provincial DRC had the sole absolute discretion to determine whether the Company would be granted the state subsidies quotas. The Company had always not expected to experience any major issues on its part in obtaining subsequent necessary government approvals and completing outstanding procedures to commence construction of the 70 MW Project in the event of being granted the state subsidies quotas.

Reference is made to the following disclosure on page 11 of the circular of the Company dated August 9, 2016 (the "**CRE Circular**"): "*...It is currently expected that the Target Group will complete approximately 70MW downstream solar projects for the 12 months ending 30 June 2017...*" Up until the promulgation of the Notice, the provincial DRC had not granted the Company the state subsidies quotas for the 70 MW Project despite the Company had been liaising and communicating continuously with the officers of DRC with respect to the grant since the issuance of the said certificate of registration. Throughout their frequent communications, no indication had been made to the Company by the officers of the DRC that it would be rejected for state subsidies quotas. In view of the above, the Company had not ruled out the likelihood that the relevant state subsidy quotas would be granted before the preliminary expiry date of the said certificate of registration in August 2018, which can be extended for another calendar year. Thus, the Company did not make impairment losses with respect to the 70 MW Project on the intangible assets in its financial statements for the financial year ended December 31, 2016 and 2017. It was only until the promulgation of the Notice on May 31, 2018, that the Company had considered the grant of the relevant state subsidies quotas by the provincial DRC would be virtually impossible. The Company would like to emphasize that Comtec Renewable Energy has done to the extent possible within its ability in obtaining all prerequisites for and facilitating the grant of state subsidy quotas by the provincial DRC, at their sole absolute discretion, of which the Company has no jurisdiction over nor control of. As a matter of practice, the provincial DRC was not obliged to provide details or justifications for their decisions to any applicants.

Furthermore, it is not possible for the Company at the time of the publication of the CRE Circular to foresee the promulgation of the Notice on May 31, 2018 which has caused such negative impact on the photovoltaic industry.

(5) Consequences of non-completion of the 70 MW Project under the Cooperative Agreement

Reference is made to the following disclosure on page 11 of the CRE Circular: "*...Joy Boy shall also be responsible for obtaining relevant approvals for the downstream solar projects within 2016...*"

The Company would like to supplement that while the Cooperative Agreement did provide that Comtec Renewable Energy should strive to obtain for the PRC Customer (as defined in the CRE Circular) (the "**PRC Customer**") the relevant approvals for the downstream solar projects within 2016 on a best-effort basis, such timeline was only indicative and suggestive in nature and it had never been envisaged by the parties to the Cooperative Agreement that Comtec Renewable Energy was strictly obliged to obtain the relevant approvals by 2016. In practice, as illustrated under "(4) Justifications for not recognizing the non-completion of the 70 MW Project as an impairment loss on the intangible assets in the Company's financial statements for the financial year ended December 31, 2016 and 2017" above, even though all relevant approvals had not obtained within 2016, Comtec Renewable Energy had been continuously working towards the ultimate aim of the Cooperative Agreement. In addition, the PRC Customer has never raised any concern on the above and there had never been a dispute between the Company or Comtec Renewable Energy and the PRC Customer on the Cooperative Agreement.

Reference is also made to the following disclosure on page 11 of the CRE Circular: "*In the event that the project cannot be developed and completed due to reasons attributable to Joy Boy, Joy Boy shall compensate the PRC Customer... In the event that the project cannot be developed and completed due to reasons attributable to the PRC Customer, the PRC Customer shall be responsible for all losses and shall pay Joy Boy a development consultation and coordination service fee...*"

The Company would like to supplement that it is of the view that there is no liability on either part of Comtec Renewable Energy nor the PRC Customer for the non-completion of the 70 MW Project. As illustrated under "(4) Justifications for not recognizing the non-completion of the 70 MW Project as an impairment loss on the intangible assets in the Company's financial statements for the financial year ended December 31, 2016 and 2017" above, Comtec Renewable Energy had already used its best efforts within its ability to the extent possible in obtaining all prerequisites for and facilitating (including liaising and communicating continuously with the officers of DRC since the issuance of the said certificate of registration and up until the promulgation of the Notice) the grant of state subsidy quotas by the provincial DRC, at their sole absolute discretion, of which the Company has no jurisdiction over nor control of. In addition, the PRC Customer has never raised any concern on the above and there had never been a dispute between the Company or Comtec Renewable Energy and the PRC Customer on the Cooperative Agreement.

Rather, the non-completion of the 70 MW Project was crucially attributable to the fact that the state subsidy quotas has not been granted by the relevant provincial DRC. The Company had always not expected to experience any major issues on its part in obtaining subsequent necessary government approvals and completing outstanding procedures to commence construction of the 70 MW Project in the event of being granted the state subsidies quotas.

Furthermore, under the Cooperative Agreement, any national policy adjustment would be regarded as a force majeure event which the parties to the Cooperative Agreement could then further decide whether to terminate the Cooperative Agreement or otherwise. In view of the promulgation of the Notice which is a force majeure event under the Cooperative Agreement, the Company had since agreed with the PRC Customer that the 70 MW Project would be suspended.

In view of the above, the Company is of the view that neither party to the Cooperation Agreement shall be responsible for the losses of the other party nor has to pay the other party any compensation for the non-completion of the 70 MW Project.

(6) Settlement of instalment of consideration for the Acquisitions

The Company would like to supplement certain details and provide an update on the payment of consideration for the acquisition of Comtec (Asia) Limited and Comtec Renewable Energy.

(a) Comtec (Asia) Limited

Reference is made to the table of consideration payable by instalments as disclosed on page 6 of the CAL Circular, and the following disclosure on page 7 in the CAL Circular: "*... the Company will issue subsequent announcements in relation to the settlement of each Instalment (including the Profit Before Tax of Forum (Asia) for the relevant period in accordance with the Listing Rules*". The Company would like to supplement the following:

- As of the date of this announcement, in accordance with the relevant payment mechanism for the maximum consideration for the acquisition of Comtec (Asia) Limited (formerly known as Forum (Asia) Limited) as set out in the CAL Circular (the "**CAL Payment Mechanism**"), only the first instalment was required to be settled.

- So far as the first instalment is concerned, the amount of Profits Before Tax (as defined in the CAL Circular) for the six month period ended June 30, 2017 of Comtec (Asia) Limited was approximately RMB111,600. Pursuant to the CAL Payment Mechanism, and by applying the exchange rate of RMB1 to approximately HK$1.136, the total amount payable for the first instalment is approximately HK$113,700.

- In view of the issue price of HK$0.355 per consideration share, as disclosed in the announcement of the Company dated August 29, 2017, it has been determined that a total of 320,223 shares of the Company will be allotted and issued to the Vendors (as defined in the CAL Circular) as payment of the first instalment. Such consideration shares have been allotted and issued on August 31, 2017.

- No settlement has been made for the second, third, fourth and fifth instalment. This is because the relevant Profit Before Tax (as defined in the CAL Circular) for such instalments has not reached the threshold that would result in a positive instalment amount pursuant to CAL Payment Mechanism. In other words, such instalments are not required to be settled and thus no consideration shares had been allotted to the Vendors (as defined in the CAL Circular) for such instalments.

- The Company will issue subsequent announcement in relation to the settlement of the sixth instalment and the final amount of total consideration for the acquisition as soon as practicable after relevant Profit Before Tax (as defined in the CAL Circular) for the thirty-six month period ending December 31, 2019 has been ascertained.

(b) *Comtec Renewable Energy Group Limited*

Reference is made to the table of consideration payable by instalments as disclosed on page 6 in the CRE Circular. The Company would like to supplement the following:

- In accordance with the relevant payment mechanism for the maximum consideration for the acquisition of Comtec Renewable Energy (formerly known as Joy Boy HK Limited) as set out in the CRE Circular (the "**CRE Payment Mechanism**"), only the first instalment was required to be settled.

- So far as the first instalment is concerned, the amount of Profits Before Tax (as defined in the CRE Circular) for the twelve month period ended June 30, 2017 of Comtec Renewable Energy was approximately RMB58,898,000. Pursuant to the CRE Payment Mechanism, and by applying the exchange rate of RMB1 to approximately HK$1.161, the total amount payable for the first instalment is approximately HK$111,121,200.

- In view of the issue price of HK$0.46 per consideration share, as disclosed in the announcement of the Company dated August 29, 2017, it has been determined that a total of 241,567,690 shares of the Company will be allotted and issued to the Vendors (as defined in the CRE Circular) as payment of the first instalment. Such consideration shares have been allotted and issued on August 31, 2017.

- No settlement has been made for the second and third instalment. This is because the relevant Profit Before Tax (as defined in the CRE Circular) for such instalments has not reached the threshold that would result in a positive instalment amount pursuant to the CRE Payment Mechanism. In other words, such instalments are not required to be settled and thus no consideration shares had been allotted to the Vendors (as defined in the CRE Circular) for such instalments.

- Thus, the final amount of the total consideration for the acquisition of Comtec Renewable Energy is approximately HK$111,121,200, which has been fully settled by the Company by allotment and issuance of 241,567,690 of its shares on August 31, 2017.

The above additional information does not affect other information contained in the 2018 Annual Report and save for those disclosed above, all other information contained in the 2018 Annual Report remains unchanged.

By order of the board of
Comtec Solar Systems Group Limited
John Yi ZHANG
Chairman

Shanghai, the PRC, 4 December 2019

As at the date of this announcement, the executive Directors are Mr. John Yi Zhang, Mr. Zhang Zhen and Mr. Chau Kwok Keung, the non-executive Director is Mr. Dai Ji, and the independent non-executive Directors are Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Xu Erming.