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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)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- Revenue for the Period was approximately RMB17.0 million, representing a decrease of 66.3% from approximately RMB50.3 million for the corresponding period in 2021;
- Gross profit for the Period was approximately RMB5.8 million for the Period, representing an increase by approximately 27.1%, from approximately RMB7.9 million gross loss for the corresponding period in 2021;
- Gross profit margin for the Period was approximately 33.9%, comparing to the gross profit margin of 15.7% for the corresponding period in 2021;
- Net losses attributable to the owners of the Company for the Period was approximately RMB12.2 million, representing a decrease by approximately 37.3%, from approximately RMB19.5 million for the corresponding period in 2021;
- Our loss per share for the Period was RMB1.55 cents, comparing to the loss per share of 2.56 cents for the corresponding period in 2021; and
- Maintained bank and cash balances of approximately RMB42.6 million as at 30 June 2022.

INTERIM RESULTS

The Board of the Company is pleased to announce the unaudited interim results and condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (the “Period”), together with the comparative figures for the corresponding period in 2021. These results have been reviewed by the Company’s audit committee, comprising all of the independent non-executive Directors, with one of them chairing the committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period for the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	NOTES	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue	4	16,971	50,347
Cost of sales and services		<u>(11,214)</u>	<u>(42,445)</u>
Gross profit		5,757	7,902
Other income	5	4,173	3,330
Other gains and losses	6	(9,296)	(3,162)
Reversal of impairment loss on financial assets		16,379	–
Selling and distribution expenses		(336)	(384)
Administrative expenses		(12,896)	(17,485)
Research and development expenses		(1,830)	(1,712)
Finance costs	7	<u>(7,851)</u>	<u>(7,236)</u>
Loss before taxation	8	(5,900)	(18,747)
Income tax credit (expenses)	9	<u>1,658</u>	<u>(16)</u>
Loss and total comprehensive expense for the period		<u>(4,242)</u>	<u>(18,763)</u>
(Loss) Profit and total comprehensive (expense) income for the period attributable to			
Owners of the Company		(12,233)	(19,501)
Non-controlling interests		<u>7,991</u>	<u>738</u>
		<u>(4,242)</u>	<u>(18,763)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Loss per share			
– Basic	11	(1.55)	(2.56)
– Diluted	11	<u>(1.55)</u>	<u>(2.56)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		At 30 June <i>RMB'000</i> (Unaudited)	At 31 December <i>RMB'000</i> (Audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		91,710	99,016
Investment properties		120,741	127,362
Intangible assets		305	915
Goodwill		6,573	6,573
Deposits paid for acquisition of property, plant and equipment		–	691
		219,329	234,557
Current assets			
Inventories		1,511	3,163
Trade receivables	12	1,097	7,486
Deposits, prepayment and other receivables		57,888	39,778
Pledged bank deposits		381	137
Bank balances and cash		42,614	6,768
		103,491	57,332
Current liabilities			
Trade payables	13	45,599	66,759
Other payables and accruals		270,449	97,430
Contract liabilities		1,509	6,380
Interest-bearing borrowings		25,494	130,369
Loan from shareholders		4,725	17,669
Tax liabilities		5,836	5,829
Deferred income		4,173	840
Considerable payable		5,130	5,130
Lease liabilities		2,202	2,125
Convertible bonds	14	40,268	38,254
		405,385	370,785
Net current liabilities		(301,894)	(313,453)
Total assets less current liabilities		(82,565)	(78,896)

		At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings		6,100	7,500
Deferred tax liabilities		11,171	12,826
Deferred income		11,069	6,489
Lease liabilities		6,801	7,753
		<u>35,141</u>	<u>34,568</u>
Net liabilities		<u>(117,706)</u>	<u>(113,464)</u>
Capital and reserves			
Share capital	<i>15</i>	2,752	2,752
Reserves		(122,616)	(110,383)
		<u>(119,864)</u>	<u>(107,631)</u>
Equity attributable to owners of the Company		2,158	(5,833)
Non-controlling interests		2,158	(5,833)
		<u>(117,706)</u>	<u>(113,464)</u>
Total deficits		<u>(117,706)</u>	<u>(113,464)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The condensed consolidated financial statements of Comtec Solar Systems Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to the “Group”) for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the board of directors of the Company on 31 August 2022.

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 provision of consulting services for 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 2022 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 2022 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 2021.

The Group incurred a net loss of approximately RMB4,242,000 for the six months ended 30 June 2022 and had net current liabilities and net liabilities of approximately RMB301,894,000 and RMB117,706,000 as at that date respectively. Notwithstanding the above results, the condensed consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

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

- Mr. Zhang has committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- The another shareholder Mr. Dai Ji have committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;

- Historically, the Group has been able to roll over or obtain replacement borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity. The Group has assumed it will continue to be able to do so for the foreseeable future;
- The Group has been actively negotiating with a few interested parties who would be interested to restructure the debts of the Company, such that the interested party will negotiate with the lenders to waive/refinance/extend the repayment of loans, and also look into possible equity/debt investment into the Company;
- The Group is adopting strict control of operating and investing activities;
- The leasehold land, buildings and investment properties owned by the wholly-owned subsidiary will dispose and provide additional working capital to the Group; and
- The directors of the Company have carried out a detail review of the working capital forecast of the Group for the twelve months ending 30 June 2022, which took into account the projected future working capital of the Group.

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its ultimate controlling parties and existing convertible bonds holder.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and convertible bonds 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 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

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 2022:

Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Amendments to IFRSs	Annual improvements to IFRS 2018-2020 Cycle

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products.

(i) Disaggregation of revenue from contracts with customers

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of power storage products	10,852	42,282
– Installation services for photovoltaic power stations	–	3,721
– Power generation	4,510	4,344
– Consulting services for construction	1,609	–
	<u>16,971</u>	<u>50,347</u>

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

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

(b) Segment reporting

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

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

(i) *Segment revenue and results*

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

For the six months ended 30 June 2022

	Mono- crystalline and solar products <i>RMB'000</i> (Unaudited)	Solar and power storage <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Disaggregated by timing of revenue recognition			
Point in time	–	10,852	10,852
Over time	–	6,119	6,119
	<hr/>	<hr/>	<hr/>
Total revenue	–	16,971	16,971
	<hr/>	<hr/>	<hr/>
Segment (loss) profit	(1,067)	17,499	16,432
Unallocated income			4,173
Unallocated corporate expenses			(20,441)
Unallocated finance costs			(6,064)
			<hr/>
Loss before taxation			<u>(5,900)</u>

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

For the six months ended 30 June 2021

	Mono- crystalline and solar products <i>RMB'000</i> (Unaudited)	Solar and power storage <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Disaggregated by timing of revenue recognition			
Point in time	–	42,282	42,282
Over time	–	8,065	8,065
	<hr/>	<hr/>	<hr/>
Total revenue	–	50,347	50,347
	<hr/>	<hr/>	<hr/>
Segment (loss) profit	(3,104)	1,190	(1,914)
Unallocated income			3,330
Unallocated corporate expenses			(16,542)
Unallocated finance costs			(3,621)
			<hr/>
Loss before taxation			<u>(18,747)</u>

(ii) *Segment assets and liabilities*

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

Segment assets

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Mono-crystalline and solar products	3,192	3,697
Solar and power storage	117,172	108,408
Total segment assets	120,364	112,105
Corporate and other assets	202,456	179,784
Total assets	322,820	291,889

Segment liabilities

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Mono-crystalline and solar products	1,236	6,278
Solar and power storage	48,843	55,586
Total segment liabilities	50,079	61,864
Corporate and other liabilities	390,447	343,489
Total liabilities	440,526	405,353

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

- All assets are allocated to operating segment, other than unallocated property, plant and equipment, unallocated right-of-use assets, investment properties, intangible assets, interest in an associate, goodwill, unallocated deposits, prepayments and other receivables, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated other payables and accruals, unallocated lease liabilities, unallocated interest-bearing borrowings, convertible bonds, consideration payable, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

(iii) *Other segment information*

For the six months ended 30 June 2022 (unaudited)

	Mono- crystalline and solar products <i>RMB'000</i>	Solar and power storage <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts include in the measure of segment profit or loss of segment assets:				
Depreciation and amortisation	502	3,415	3,999	7,916
Reversal of impairment loss on financial assets	–	16,379	–	16,379
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:				
Finance costs	565	1,222	6,064	7,851
Income tax expenses	–	1,655	3	1,658

For the six months ended 30 June 2021 (unaudited)

	Mono- crystalline and solar products <i>RMB'000</i>	Solar and power storage <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts include in the measure of segment profit or loss of segment assets:				
Depreciation and amortisation	3,104	3,097	209	6,410
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:				
Finance costs	–	3,615	3,621	7,236
Income tax credit	–	(16)	–	(16)

5. OTHER INCOME

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Government grants (<i>note</i>)	2,087	234
Rental income	2,010	2,213
Income from waived of trade payables	–	692
Interest income	24	97
Others	52	94
	4,173	3,330
	4,173	3,330

Note: The government grants mainly represent the amount received from the local government by operating subsidiaries 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.

6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Net foreign exchange loss	(2,513)	(2,467)
Fair value loss on investment properties	(6,621)	–
Written-off of property, plant and equipment	–	(2,960)
Gain on fair value change of derivative component of convertible bonds	–	2,659
Gain on derecognition upon redemption of convertible bonds	–	3,173
Loss on deregistration of an associate	–	(159)
Loss on deregistration of subsidiaries	–	(3,335)
Others	(162)	(73)
	(9,296)	(3,162)
	(9,296)	(3,162)

7. FINANCE COSTS

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Interest on borrowings	4,316	3,753
Interest on convertible bonds	3,122	2,858
Interest on leases liabilities	412	516
Others	–	109
	7,850	7,236

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

(a) Staff costs

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Directors' emoluments	398	475
Other staffs costs (exclude of director's emoluments)		
– Salaries, wages, bonus and other benefits	2,598	3,665
– Retirement benefits schemes contributions	304	481
	3,291	4,621

(b) Other items

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Depreciation charge		
– owned property, plant and equipment	6,173	4,881
– right-of-use assets	1,133	919
	7,306	5,800
Amortisation cost of intangible assets	610	610
Amount of inventories recognised as an expense	7,696	31,436

9. TAXATION

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	3	(16)
	<u>3</u>	<u>(16)</u>
Deferred tax		
Current period	1,655	–
	<u>1,655</u>	<u>–</u>
Income tax credit (expense)	<u>1,658</u>	<u>(16)</u>

No Hong Kong Profits Tax was provided for the six months ended 30 June 2022 and 2021 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 2022 and 2021.

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2022 and 2021.

11. 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company	(12,233)	(19,501)
	<u>(12,233)</u>	<u>(19,501)</u>
Number of shares		
Weighted average number of ordinary shares	791,709,002	760,965,803
	<u>791,709,002</u>	<u>760,965,803</u>

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 2022 and 2021.

12. TRADE RECEIVABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables, net of allowance	<u>1,097</u>	<u>7,486</u>
	<u>1,097</u>	<u>7,486</u>

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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
0 to 30 days	1,055	1,018
31 to 60 days	42	151
61 to 90 days	–	135
91 to 180 days	–	1,703
Over 180 days	–	4,479
	<u>1,097</u>	<u>7,486</u>
	<u>1,097</u>	<u>7,486</u>

13. TRADE PAYABLES

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
0 to 30 days	656	6,415
31 to 60 days	2,557	3,895
61 to 90 days	–	142
91 to 180 days	–	1,694
Over 181 days	–	10,126
Over 1 year	<u>42,386</u>	<u>44,487</u>
	<u>45,599</u>	<u>66,759</u>

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

14. 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.

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

As at 30 June 2022, the Bonds of the aggregate principal amount of USD6,000,000 is overdue.

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

	Debt component RMB'000	Derivative component RMB'000
At 1 January 2021 (Audited)	74,460	10,127
Imputed interest	3,293	–
Interest paid	(9,081)	–
Gain on fair value changes	–	(6,268)
Conversion during the year	(29,852)	(4,079)
Exchange difference	(566)	220
	<u>38,254</u>	<u>–</u>
At 31 December 2021 and 1 January 2022 (Audited)	38,254	–
Exchange difference	2,014	–
	<u>40,268</u>	<u>–</u>
At 30 June 2022 (unaudited)	40,268	–

15. SHARE CAPITAL

	At 30 June 2022		At 31 December 2021	
	<i>No. of shares</i> (Unaudited)	<i>HKD'000</i> (Unaudited)	<i>No. of shares</i> (Audited)	<i>HKD'000</i> (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	791,709,002	3,167	733,174,710	2,933
Shares issued upon conversion of convertible bonds (note)	–	–	45,113,792	180
Share issued upon exercise of share option	–	–	13,420,500	54
At the end of the period/year	791,709,002	3,167	791,709,002	3,167
		At 30 June 2022 RMB'000 (Unaudited)		At 31 December 2021 RMB'000 (Audited)
Ordinary shares		2,752		2,752

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

Note: 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 RMB152,000) was credited to share capital and approximately HK\$31,219,000 (equivalent to RMB26,386,000) was transferred from carrying amount of the convertible bonds to the share premium.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group is principally engaging in the solar businesses which focus on (1) consulting services for investment, engineering, procurement, development, and operation of solar photovoltaic power stations; (2) operations of rooftop distributed power generation projects in industrial, commercial and residential buildings; as well as (3) sales of lithium battery power storage systems businesses for electric vehicles and power storage customers.

Riding on the global concern on climate change, the global energy crisis since 2021, and the trend on environmental justice since 2020, we expect we can benefit from such trends and will have a continuous improvement in the revenue and profit in our business.

As part of the Group's strategy of removing the capital-intensive, less efficient upstream business, on 1 June 2022, Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), as the Vendor, entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with, Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), as the Purchaser, to dispose the properties (together with the ancillary facilities) located in Shanghai, the PRC, at the Consideration of RMB180 million. The properties comprise of two land use rights and seven factory buildings. The Group continues to persevere in developing our solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products. We provide Solar EPC services for rooftop distributed generation projects to customers mainly from Guangdong, Fujian, Tianjin, Zhejiang, Shandong, Anhui, Hebei, Henan, Hubei, and Hunan. We are optimistic that with the Chinese electric vehicle industry, green energy and the power storage industry being the focal points of the globe, our profit will grow diversely and constantly in the future.

FINANCIAL REVIEW

Revenue

Revenue from our solar businesses which mainly included (1) consulting services income for design, installation and construction of photovoltaic power stations, (2) power generation income and (3) sales of power storage products, decreased by RMB33.4 million, or 66.3%, from RMB50.4 million for the six months ended 30 June 2021 to RMB17.0 million for the six months ended 30 June 2022, primarily due to the disturbance of sales of power storage products caused by the downturn of macro-economic environment.

Cost of sales and services

Cost of sales and services decreased by 73.6% from RMB42.4 million in the first half of 2021 to RMB11.2 million in the first half of 2022 in line with the decrease in revenue in our solar businesses.

Gross profit

During the Period, the Group recorded gross profit of approximately RMB5.8 million, representing a decrease of approximately 27.1% from the gross profit of approximately RMB7.9 million for the corresponding period in 2021, as a result of the decrease in revenue.

Other income

During the Period, other income was approximately RMB4.2 million, representing an increase of approximately 25.3%, from approximately RMB3.3 million for the corresponding period in 2021, which was mainly due to the government grants which mainly represent the amount received from the local government by operating subsidiaries of the Group to encourage activities aimed out by the Group in clean energy industry and high-technology advancement.

Other losses

Other losses were approximately RMB9.3 million during the Period, representing an increase by 194.0% from other losses of RMB3.2 million during the corresponding period in 2021 primarily due to the decrease in fair value of the investment properties in Shanghai, which has been adversely impacted by COVID-19 during the Period.

Selling and distribution expenses

Selling and distribution expenses decreased by 12.5%, from RMB0.4 million for the corresponding period in 2021 to RMB0.3 million for the Period, primarily due to the cut in sales and marketing expense on our solar business during the Period. The Group also made continuous efforts to reduce operating expenses.

Administrative expenses

Administrative expenses decreased by RMB4.5 million, or 26.2%, from RMB17.5 million for the corresponding period in 2021 to RMB12.9 million for the Period, which was mainly due to the decrease in legal and professional fees, depreciation, and salary which was in line with the decrease in revenue in our solar businesses.

Research and development expenses

Research and development expenses increased by RMB0.1 million, or 6.9%, from RMB1.7 million for the corresponding period in 2021 to RMB1.8 million for the Period, which had no material fluctuation in research and development expenses.

Finance costs

Interest expenses increased by RMB0.6 million from RMB7.2 million for the corresponding period in 2021 to RMB7.8 million for the Period due to an increase in interest expenses arising from borrowings and convertible bonds in 2022.

Loss before taxation

Loss before taxation was approximately RMB5.9 million for the Period, decreased by RMB12.8 million, or 68.5%, from losses of approximately RMB18.7 million for the corresponding period in 2021, due to the aforementioned factors.

Taxation

The Group recorded tax credit of approximately RMB1.7 million during the Period, increasing from tax expenses of approximately RMB0.02 million for the corresponding period in 2021 due to fair value adjustment.

Loss for the Period

The Group recorded a loss and total comprehensive expenses of approximately RMB4.2 million during the Period, while the group recorded a loss and total comprehensive expenses of approximately RMB18.8 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 2021: nil).

Liquidity and financial resources

As at 30 June 2022, the Group's current ratio (current assets divided by current liabilities) was 0.3 (31 December 2021: 0.2). The gearing ratio (total liabilities divided by total equity) was (3.7) (31 December 2021: (3.6)). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB301.9 million as of 30 June 2022 (31 December 2021: approximately RMB313.5 million). Also, the Group recorded net liabilities of approximately RMB117.7 million as of 30 June 2022 (31 December 2021: RMB113.5 million).

The Group will continue to strengthen our financial position and enhance the cash flow by any ways including making the biggest efforts to improve operating performance, exploring collaborations with institutional investors, introduction of new strategic investors and pursuing growth through considering possible and adequate fund raising, financial restructuring, M&A and partnerships.

Capital commitments

As at 30 June 2022, the Group's capital commitment was nil (31 December 2021: nil). The Group currently has no plan to further expand its production capacity of traditional solar manufacturing business. In addition, the Group would carefully plan for the expansion of its rooftop distributed generation projects and power storage business which would depend on and subject to the market conditions and opportunities.

Contingent liabilities

As at 30 June 2022, there was no material contingent liability (31 December 2021: nil).

Charges on group assets

As at 30 June 2022, the Group had restricted cash of approximately RMB0.4 million (31 December 2021: RMB0.1 million), and pledged its buildings, investment properties, right-of-use assets and plant and machines to secure financing facilities granted to the Group. Save as disclosed above, as at 30 June 2022, no other assets of the Group were charged.

OUTLOOK

Asset allocation and deleveraging

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

On 3 August 2022, the Company received notices from a creditor purporting to enforce certain securities for convertible bonds issued by the Company on 27 July 2018 and maturing on 27 July 2021. The Company is actively negotiating with such creditor and is confident that settlement proposals to the parties' satisfaction will be put forward in due course. As at 30 June 2022, the Group's gearing ratio (total liabilities divided by total equity) was 3.7 and the Group recorded net liabilities of approximately RMB117.7 million. The Company has been in discussions with various creditors, suppliers and service providers whom the Group is indebted to and exploring deleveraging and restructuring proposals including but not limited to debt capitalisation proposals with an aim to lower the Group's liabilities. The Company is hopeful that such proposals would materialise in the second half of 2022 and the coming financial year.

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 has no Chief Executive Officer (the “CEO”) since then. The daily operation and management of the Company is monitored by the Executive Director and the Chief Operating Officer, Mr. John Yi Zhang (“Mr. Zhang”) and Mr. Che Xiaoxi (“Mr. Che”), Mr. Zhang is 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. Meanwhile, Mr. Che is also responsible for the day-to-day management, administration and operation of the Company. The delegated functions and work tasks are periodically reviewed. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary. The 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.

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. Save as the exception reported below.

On 24 June 2022, 1,000,000 Shares held by Fonty Holdings Limited (“Fonty Holdings”) were disposed of via the open market by Mr. Zhang (the “Disposal of Shares”). The 1,000,000 Shares were disposed of at an average price of HK\$0.33 per share and constituted only approximately 0.1% of the issued shares in the Company. The Disposal of Shares was driven by a proposed transfer of shares within Mr. Zhang’s family, which was an inadvertent mistake and Mr. Zhang was not aware of any inside information relating to the Company and its subsidiaries (the “Group”) during the material time; neither was the Disposal of Shares driven by any information (whether constituting inside information or not) relating to the Group.

While the Disposal of Shares was an inadvertent mistake, the board of directors of the Company acknowledges that the prohibitions in directors’ dealing in the Shares are absolute and are of fundamental importance to promote investor confidence in the securities market.

It is with deep regret that Mr. Zhang had breached the relevant requirement under paragraph A.3(a) of Appendix 10 of the Listing Rules. Nonetheless, the Board, after necessary enquiries and investigations, genuinely consider that this is a one-off incident involving shares of an insignificant amount with no inside information implications.

Going forward, the Company will strengthen the implementation of its internal control system and corporate governance in particular in the area of directors' dealing and strive to maintain effective communication within the Board on matters relating to the Company through, including but not limited to, enhancing trainings provided to the directors of the Group and maintaining a close communication with legal and professional advisers in relation to regulatory compliance and corporate governance.

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.

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 2022. 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 announcement, 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.comtecsolar.com>). The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and available on the above websites in due course.

DEFINITIONS

“Board” or “Board of Directors”	the board of Directors
“Company”	Comtec Solar Systems Group Limited
“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
“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
“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 2022
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“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
“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

By order of the Board of
Comtec Solar Systems Group Limited
John Yi Zhang
Chairman

Shanghai, the People’s Republic of China, 31 August 2022

As at the date of this announcement, the executive Director is Mr. John Yi Zhang, the non-executive Directors are Mr. Dai Ji and Mr. Qiao Fenglin, and the independent non-executive Directors are Mr. Ma Teng, Mr. Jiang Qiang and Dr. Yan Ka Shing