



# 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



## 2024 INTERIM REPORT

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Director

Mr. John Yi Zhang (*Chairman*)

### Non-executive Directors

Mr. Dai Ji

Mr. Qiao Fenglin

### Independent non-executive Directors

Mr. Jiang Qiang

Dr. Yan Ka Shing

Ms. Qiu Ping, Maggie (*appointed on 6 May 2024*)

## COMPANY SECRETARY

Mr. Yuen Sing Wai Lester

## AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang

Mr. Qiao Fenglin

## AUDIT COMMITTEE

Mr. Jiang Qiang (*Committee Chairman*)

Dr. Yan Ka Shing

Ms. Qiu Ping, Maggie (*appointed on 6 May 2024*)

## NOMINATION COMMITTEE

Mr. John Yi Zhang (*Committee Chairman*)

Mr. Jiang Qiang

Mr. Qiao Fenglin

Dr. Yan Ka Shing

Ms. Qiu Ping, Maggie (*appointed on 6 May 2024*)

## REMUNERATION COMMITTEE

Mr. Jiang Qiang (*Committee Chairman*)

Mr. John Yi Zhang

Mr. Qiao Fenglin

Dr. Yan Ka Shing

Ms. Qiu Ping, Maggie (*appointed on 6 May 2024*)

## CORPORATE GOVERNANCE COMMITTEE

Mr. John Yi Zhang (*Committee Chairman*)

Mr. Jiang Qiang

Ms. Qiu Ping, Maggie (*appointed on 6 May 2024*)

## REGISTERED OFFICE

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

## HEADQUARTERS

No. 2, Hongyang Road  
Tianning District  
Changzhou City  
Jiangsu Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

RM 2301-02, 23/F.  
Shanghai Industrial Investment Building  
48-62 Hennessy Road  
Wan Chai  
Hong Kong SAR.

## COMPANY'S WEBSITE

[www.comtecsolar.com](http://www.comtecsolar.com)

# CORPORATE INFORMATION

## **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 solar and power storage business and the provision of logistics services.

### Solar and Power Storage Business

In the solar and power storage business, the Group continues to operate its 11 existing power generation projects from its roof-top solar systems by the Group's wholly-owned subsidiaries in Shanghai, Wuxi, Fuzhou, Guangdong, Zhuhai, Tianjin, Haian, Changshu for a stable revenue source during the Period. In addition, the Group continues to provide solar engineering, procurement and construction ("EPC") services for rooftop distributed generation projects to customers around the PRC. During the Period, while the management was pursuing more projects and opportunities, the Group continued its ongoing EPC projects to its investment of the FLBH Energy System (as defined below) in Shanxi Province. In the power storage (sales and production) business, the subsidiary has actively revamped its technology and products and we noted a stable inflow of new purchase orders to our lithium battery power storage systems and products. We continued to invest, through our subsidiary, by both equity and debt, into a flywheel-lithium iron phosphate battery hybrid energy storage system (the "FLBH Energy System") in Yongji City, Shanxi, PRC. The FLBH Energy System was under construction during the Period and we expect the construction can be completed and connected to the Grid in the second half of 2024.

### Logistic Services

In the logistics services segment, our subsidiary continued to pursue and win new contracts and we expect our logistics business to continue to grow steadily during the year 2024. During the Period, the Group's due diligence on the acquisition of the controlling stake of Changzhou Zhilian Cloud has commenced and it was closed to completion by the end of the Period. Changzhou Zhilian Cloud is a company which operates a logistics cloud technology platform that provides transportation management system, IoT product, logistics financial products, and different one-stop solutions catering to the varying needs of customers. The Directors anticipate the Group can leverage on the intelligent logistics solutions of Changzhou Zhilian Cloud to further speed up the development of the Group's logistics business, improve the existing logistics services business structure, costing and operation flows. Thus, improving the profit from this segment and enhancing the Group's competitiveness in the logistics industry for the Group's long-term growth. The acquisition is expected to complete in the second half of 2024.

The Group will continue to utilise its resources and network as well as the extensive investment experience of our board of directors and senior management to maintain an ongoing business development in the energy supply and storage business, sustainable commerce and economy, and intelligent logistic business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

Revenue from our businesses mainly included (1) power generation income, (2) EPC consulting services income for design, installation and construction of photovoltaic power stations and renewable energy companies, (3) income from sales of lithium battery power storage products, and (4) income from provision of logistics services. Revenue from solar and power storage increased by approximately RMB3.3 million, or 36.6%, from approximately RMB9.1 million for the corresponding period in 2023 to approximately RMB12.4 million for the Period, primarily due to the positive results in the Group's subsidiary's sales of lithium battery power storage products. Revenue from logistics services business increased by 1,075% to approximately RMB74.3 million for the Period as compared to approximately RMB6.3 million in the corresponding period in 2023, primarily due to the organic growth of the business since its breakthrough in business with external customers in the second calendar quarter of 2023.

### Cost of sales and services

Cost of sales and services increased by 686% from approximately RMB10.6 million for the corresponding period in 2023 to approximately RMB83.1 million for the Period, generally in line with the increase in revenue.

### Gross profit

During the Period, the Group recorded gross profit of approximately RMB3.6 million, representing a decrease of approximately 25.4% from the gross profit of approximately RMB4.9 million for the corresponding period in 2023, as a result of the change in relative proportion of different sources of revenue.

### Other income

During the Period, other income was approximately RMB3.5 million, representing a decrease of 4.3%, from approximately RMB3.6 million for the corresponding period in 2023, which was largely similar to that in the last corresponding period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other gains and losses

Other losses were approximately RMB7.4 million during the Period, representing a decrease by approximately RMB76.0 million from other gains of approximately RMB68.6 million during the corresponding period in 2023. The decrease was primarily due to (i) the absence of a one-off net gain on the disposal of investment properties in Shanghai of approximately RMB68.1 million, which took place in the corresponding period in 2023, and (ii) a decrease in fair value of our investment property at Haian during the Period.

## Selling and distribution expenses

Selling and distribution expenses decreased by RMB0.2 million, or 13.1%, from approximately RMB1.3 million for the corresponding period in 2023 to approximately RMB1.1 million for the Period, primarily due to the stringent cost control measures implemented by the Company during the Period.

## Administrative expenses

Administrative expenses increased by approximately RMB1.9 million, or 13.4%, from approximately RMB13.9 million for the corresponding period in 2023 to approximately RMB15.8 million for the Period. The increase was mainly attributable to the increase in operating scale in line with revenue.

## Research and development expenses

Research and development expenses decreased by approximately RMB0.2 million, or 33.5%, from approximately RMB0.6 million for the corresponding period in 2023 to approximately RMB0.4 million for the Period, due to the stringent cost control measures implemented by the Company.

## Finance costs

Interest expenses increased by approximately RMB5.3 million from approximately RMB7.2 million for the corresponding period in 2023 to approximately RMB12.5 million for the Period due to an increase in interest rate in some new loan raised in refinancing certain borrowings and an increase in debt raised for general working capital during the Period.

## Loss/profit before taxation

Loss before taxation was approximately RMB28.2 million for the Period, decreased by approximately RMB76.9 million from profit of approximately RMB48.7 million for the corresponding period in 2023, due to the aforementioned factors.

## Taxation

The Group recorded tax credit of approximately RMB2.5 million during the Period, compared to tax expenses of approximately RMB14,000 for the corresponding period in 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit for the Period

### *Other comprehensive expenses*

During the year ended 31 December 2023, the Company, through its indirectly 51% owned subsidiary, Comtec Energy Storage Technology (Liaoning) Limited (卡姆丹克儲能科技(遼寧)有限公司\*) (“Comtec Liaoning”), invested into 15% equity interests in Shenyang Guoyun Weikong Energy Storage Technology Limited (瀋陽國雲微控儲能科技有限公 司\*) (“Shenyang Guoyun”). Shenyang Guoyun, through Yongji Guoyun, being its wholly-owned subsidiary, holds the development project of a FLBH Energy System in the Economic and Technological Development Zone, Yongji City, Shanxi Province, the PRC. The valuation of such investment is recorded as financial asset with fair value measured through other comprehensive income/(expenses). As at 30 June 2024, the valuation amounted to RMB2.4 million (31 December 2023: RMB2.9 million) on the consolidated balance sheet of the Group.

As a result, the Group recorded other comprehensive expenses attributable to the owners of the Company of approximately RMB0.6 million during the Period (for the 6-month ended 30 June 2023: nil).

### *Loss and total comprehensive expenses attributable to the owners of the Company*

Loss and total comprehensive expenses attributable to the owners of the Company in the first half of 2024 amounted to RMB25.5 million, representing a decrease of 152% year-on-year.

## Interim dividend

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2023: nil).

## Liquidity and financial resources

As at 30 June 2024, the Group's current ratio (current assets divided by current liabilities) was 0.39 (31 December 2023: 0.46). The gearing ratio (total liabilities divided by total equity) was 2.1 (31 December 2023: 2.5). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of approximately RMB157.7 million as of 30 June 2024 (31 December 2023: approximately RMB157.5 million). Also, the Group recorded net liabilities of approximately RMB146.0 million as of 30 June 2024 (31 December 2023: approximately RMB134.4 million).

\* for identification purposes only



## MANAGEMENT DISCUSSION AND ANALYSIS

The Company has completed three subscription agreements (the “Subscription Agreements”) on 28 February 2024. The Subscription Agreements were originally entered into, on 30 June 2023, with China Success Investment Group Limited (“China Success”), Mr. Wu Jun (“Mr. Wu”) and Ms. Zhao Xiaoqun (“Ms. Zhao”). Under the Share Subscription Agreements, 58,821,657, 31,543,827 and 67,976,316 shares of the Company were issued and allotted, under general mandate, to China Success, Mr. Wu and Ms. Zhao, respectively on 28 February 2024, at the issue price of HK\$0.105 per subscription share. The shares were issued to China Success to settle the loans owned to China Success partially in the amount of HK\$6.2 million (equivalent to approximately RMB5.6 million). The shares issued to Ms. Zhao was used to settle in full loan outstanding to her in the amount of HK\$1.2 million (approximately RMB1.1 million). Apart from the above loan capitalisation, the Company received, in aggregate after deducting the relevant expenses, HK\$8.7 million (equivalent to approximately RMB8.3 million) from Mr. Wu and Ms. Zhao accordingly.

The aggregate nominal value of all the subscription shares is HK\$0.004. The market price of the subscription shares was HK\$0.129 per Share as quoted at the close of market on the Stock Exchange on 30 June 2023, being the date of the Subscription Agreements. The net subscription price per subscription share is approximately HK\$0.102.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, on the date of the Subscription Agreements, each of China Success, Mr. Wu and Ms. Zhao are not connected person (as defined in the Listing Rules) of the Company and on the date of the Subscription Agreements, save for the holding of shareholding interests of approximately 5.12% and 7.07% of the issued share capital of the Company by China Success and Mr. Wu respectively.

Upon completion of all the Subscription Agreements, each of China Success, Mr. Wu and Ms. Zhao is interested in approximately 9.91%, 8.98% and 6.41% of the enlarged issued share capital of the Company and remained not a substantial shareholder of the Company.

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

### Use of Proceeds from Share subscriptions

As mentioned above, the Company has completed the three share subscriptions on 28 February 2024 and received cash proceeds of RMB8.7 million. The cash proceeds were used fully to repay the Company’s debt and payables during the Period.

### Capital commitments

As at 30 June 2024, the Group’s capital commitment was nil (31 December 2023: 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, power storage business and the logistics business which would depend on and subject to the market conditions and opportunities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Contingent liabilities

As at 30 June 2024, there was no material contingent liability (31 December 2023: nil).

## Charges on group assets

As at 30 June 2024, the Group had no restricted cash (31 December 2023: nil), and pledged certain, right-of-use assets, trade receivables and plant and machines to secure financing facilities granted to the Group. Save as disclosed above, as at 30 June 2024, no other assets of the Group were charged.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, save as disclosed in other section of this report, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

## SIGNIFICANT INVESTMENT HELD

During the Period, the Company, through its indirectly 51% owned subsidiary, Comtec Liaoning (卡姆丹克儲能科技(遼寧)有限公司\*), continued to invest in 15% equity interests in Shenyang Guoyun (瀋陽國雲微控儲能科技有限公司\*). Shenyang Guoyun, through Yongji Guoyun, being its wholly-owned subsidiary, holds the development project of a FLBH Energy System in the Economic and Technological Development Zone, Yongji City, Shanxi Province, the PRC. The valuation of such investment is recorded as financial asset with fair value measured through other comprehensive income. As at 30 June 2024, the valuation amounted to RMB2.4 million (31 December 2023: RMB2.9 million) on the consolidated balance sheet of the Group.

On 28 November 2023, Comtec Liaoning, as lender entered into the loan agreement with Shenyang Guoyun, as borrower, pursuant to which, Comtec Liaoning agreed to grant a loan of RMB8.5 million to Shenyang Guoyun, for a term of 36 months from the date of drawdown (i.e. on or before 15 December 2023). The loan is unsecured and it bears interest of 10% per annum.

## OUTLOOK

### Asset allocation and/or refinancing, 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 been undergoing corporate restructuring since 2020, we have diligently executed our strategies of disposing assets and properties with low utilisation to improve asset utilisation, reallocating resources to improve our capital structure, lowering our gearing ratio, and refinancing our assets and properties to enhance cashflow when opportunities arise.

\* for identification purposes only

# MANAGEMENT DISCUSSION AND ANALYSIS

## Further implementation of the strategic cooperation framework agreement

On 16 March 2021, the Company has entered into a strategic cooperation framework agreement (the “Framework Agreement”) with Jiangsu Changzhou Tianning Economic Development Zone Management Committee\* (江蘇常州天寧經濟開發區管理委員會) (“Tianning EDZ Management Committee”) and Changzhou Tianning Investment Service Centre\* (常州市天寧區招商服務中心). For this regard, the Group has, by way of setting up a wholly-owned subsidiary for centralised management, relocated its headquarter to Tianning District, Changzhou City, Jiangsu Province (“Tianning, Changzhou”) in March 2021. Given the establishment of the new headquarter, Tianning EDZ Management Committee provided the agreed government subsidy of RMB10,000,000 to the Group in May 2021 as stipulated in the Framework Agreement, which demonstrated the government’s confidence in and support for the Group’s future development. Apart from the existing energy businesses of the Group, such establishment has also enabled the Group to make presence in new businesses, including, inter alia, intelligent logistics and renewable energy business, and to establish and operate a new energy-asset trading platform in Tianning, Changzhou as and when appropriate.

Pursuant to the Framework Agreement, Tianning EDZ Management Committee also agreed to make equity investments in and provide further support for the Group (as detailed in the announcement of the Company dated 18 March 2021) for engaging in intelligent logistic business. However, amid the prolonged COVID-19 pandemic, the progress of the Group’s development plan has been significantly hindered. As China has been gradually delivering economic recovery this year, the Group expects that the progress in its business layout for intelligent logistics and new energy operations would be back on track. Further update on the implementation of the Framework Agreement will be announced by the Company as and when appropriate.

## Further development of the logistics business segment

The Group plans to endeavour into the fields of carriage of dangerous goods, intelligent logistics and logistics finance by obtaining relevant licenses where necessary and partnering with certain local PRC government(s) as equity investor(s) as well as teams of specialists with industry knowhow and IT engineering expertise.

## Strengthening our EPC business

Benefiting from national policy and the government’s active promotion of achieving the goals of “carbon peak” and “carbon neutrality,” the popularity of distributed photovoltaic power generation continues to rise, creating significant market development opportunities.

The Group has undertaken more than 30 distributed photovoltaic power generation EPC projects since 2017, including a project located in Shanghai with a capacity of 4,000 kW this year. Hampered by the COVID-19 pandemic in the past few years, the EPC business has been slowed down, and the Group now focuses on strengthening its EPC business by forming partnership(s) with professional industry investor(s) to undertake more EPC projects in the coming years. The Company will make further update(s) and/or announcement(s) on this as and when appropriate.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Strategic investments

The Group keeps an open mind for solid investment opportunities which can benefit our Group by, among others, delivering satisfying returns, bringing synergy and opportunities to existing businesses of the Group and enabling the Group to promote industrial upgrading. For instance, the Group invested in a frequency modulation energy-storage power station project (which involves an innovative flywheel energy storage technology) with a state-owned enterprise and one of the flywheel energy storage leaders in 2023. The Directors will continue to explore different opportunities and the potential opportunities of such investments will be disclosed as and when appropriate.

## EVENTS AFTER THE HALF-YEAR PERIOD

On 11 July 2024, the Company received a winding-up petition (the “Petition”) filed by Putana Limited (“Putana”) against the Company, under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in the High Court of Hong Kong. The Petition was filed in connection with outstanding borrowings indebted to Putana by the Company in an aggregate amount of approximately US\$0.8 million under a facility agreement entered into between the Company and Putana on or around 11 December 2019 which was subsequently amended by an amendment agreement on 13 March 2020.

Pursuant to section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), any disposition of the property of the Company, including things in action, and any transfer of shares of the Company (“Shares”), or alteration in the status of the members of the Company, made after the commencement of the winding up, namely the date of the presentation of the Petition (“Commencement Date”), shall, unless the court otherwise orders, be void. Any disposition made on or after the Commencement Date will not be affected if the Petition is subsequently withdrawn or dismissed, or a winding-up order is permanently stayed.

Pursuant to the circular dated 28 December 2016 published by the Hong Kong Securities Clearing Company Limited (“HKSCC”) (ref no. CD/DNS/CCASS/332/2016): (a) the transfer of the Shares made after the Petition has been presented may be void without a validation order from the court under the laws and regulations applicable to the Company; and (b) HKSCC may at any time, and without notice, to temporarily suspend any of its services in respect of the Shares, which may include the suspension of acceptance of deposits of share certificates of the Company into the CCASS; and the share certificates of the Company received by HKSCC but not yet re-registered in HKSCC Nominee Limited’s name will also be returned to participants who conduct shares transfer through HKSCC (“Participant(s)”) and HKSCC shall reserve the right to reverse any credit granted to such Participant by debiting the relevant shares from its CCASS account accordingly.

On 11 September 2024, the Company has received the sealed copy of the order of the High Court of Hong Kong which ordered, among other things, the Petition be withdrawn. These measures have therefore, ceased to apply from the date when the Petition has been withdrawn on 11 September 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

As previously disclosed, the Company introduced strategic investors (the “Strategic Investor”) to acquire from Putana all the outstanding indebtedness owed by the Company to Putana and the Strategic Investor had made a substantial part of the payment in relation to the above debt acquisition. Further to the aforesaid, the Company would like to update the shareholders and the potential investors of the Company that to the best knowledge and information of the Directors, the Strategic Investor is at the final stage of acquiring all the outstanding indebtedness owed by the Company to Putana (the “Debt”) from Putana (the “Debt Acquisition”), pending completion of certain administrative procedures set out in the conditions precedent. Upon completion of the Debt Acquisition, Putana will no longer have any right, title, interest and benefit in or to the Debt and the Strategic Investor would become the major creditor of the Company.

In the meantime, the Company is in the course of active discussion with the Strategic Investor to reach a concrete settlement plan to settle the Debt to be owing by the Company to the Strategic Investor (the “Acquired Debt”) through exploring various means, including but not limited to partial repayment, debt capitalisation, and/or extension of the term, of the Acquired Debt. Therefore, the Board considers that the Debt Acquisition would likely put an end to the long defaulting Debt owed to Putana (given that Putana is unable to extend and/or renew any of the outstanding indebtedness owed by the Company to Putana due to its ended investment term as disclosed in the announcement of the Company dated 25 July 2024).

Based on the latest discussion and negotiation with the Strategic Investor, the Board is confident that the Company will reach an amicable settlement plan with the Strategic Investor, where the Company will be able to resolve its liabilities issue in a timely manner, thereby reducing, if not in its entirety, at least a substantial part of the net liabilities of the Group. The Board will use its best endeavours to restore the Company’s financial position to a healthy condition.

For details, please refer to the announcements of the Company dated 10 July 2024, 11 July 2024, 25 July 2024, 21 August 2024 and 11 September 2024. The Company will make further announcement(s) to keep its shareholders and potential investors informed of any update as and when appropriate in this regard and shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE

The Company is committed to preserve 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 C1 to the Listing Rules (the “CG Code”) following the appointment of Ms. Qiu Ping, Maggie as an Independent Non-executive Director (“INED”) of the Company, a member of the Audit Committee, Remuneration Committee and Nomination Committee, save as and except for the deviation below:

Pursuant to Corporate Governance Code Provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company currently has no Chief Executive Officer following the resignation of Mr. Zhang Zhen in January 2021. The daily operation and management of the Company is undertaken and monitored by Mr. John Yi Zhang, an executive Director, and Mr. Che Xiaoxi, the chief operating officer. Meanwhile, Mr. Che Xiaoxi 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.

Following the appointment of the new INED, the Board has achieved its gender diversity target of not less than 10% for female Directors representation on the Company’s Board during its meeting in March 2023.

## MODEL CODE

The Company has adopted the Model Code set out in Appendix C3 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 throughout the Period.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

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 does not recommend any interim dividend to be declared for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Period.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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.

## 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 <sup>1</sup>	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and founder of a trust	142,470,887	13.44%
Mr. Dai Ji	Beneficial owner	67,500,000	6.37%

Note:

- (1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 130,513,461 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	130,513,461	12.31%
Ms. Carrie Wang <sup>1</sup>	Interest of spouse	142,470,887	13.44%
Mr. Sun Da	Beneficial owner	104,885,179	9.90%
China Digital Development Group Limited <sup>2</sup>	Beneficial owner	95,238,094	8.98%
Mr. Wu Jun <sup>2</sup>	Interest in a controlled corporation	95,238,094	8.98%
CHINA SUCCESS INVESTMENT GROUP LIMITED <sup>3</sup>	Beneficial owner	15,605,100	1.47%
Mr. Chang Loong Cheong <sup>3</sup>	Interest in a controlled corporation	68,925,100	6.50%
Brotherhood Limited <sup>3</sup>	Beneficial owner	53,320,000	5.03%
FAIRY SKY GLOBAL LIMITED	Beneficial owner	67,976,316	6.41%
Ms. Zhao Xiaoqun	Interest in a controlled corporation	67,976,316	6.41%



# 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) China Digital Development Group Limited is wholly owned by Mr. Wu Jun. Therefore, Mr. Wu Jun is deemed to be interested in the 95,238,094 Shares held by China Digital Development Group Limited.
- (3) Brotherhood Limited is wholly owned by CHINA SUCCESS INVESTMENT GROUP LIMITED and CHINA SUCCESS INVESTMENT GROUP LIMITED is controlled by Mr. Chang Loong Cheong. Therefore, Mr. Chang Loong Cheong is deemed to be interested in the 68,925,100 Shares held by CHINA SUCCESS INVESTMENT GROUP LIMITED and Brotherhood Limited.
- (4) FAIRY SKY GLOBAL LIMITED is controlled by Ms. Zhao Xiaoqun. Therefore, Ms. Zhao Xiaoqun is deemed to be interested in the 67,976,316 Shares held by FAIRY SKY GLOBAL LIMITED.

Save as disclosed above, as at the date of this report, 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 2024, 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 30,946,544 (after the Share Consolidation), representing approximately 2.92% of the shares of the Company in issue on 30 June 2024. 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, 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 22,982,956 (after the Share Consolidation), representing approximately 2.17% of the shares of the Company in issue on 30 June 2024.

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 28th day 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.

From 1 January 2023, the Company will rely on the traditional arrangement provided for the existing share schemes and will comply with the new Chapter 17 of the Listing Rules, which became effective from 1 January 2023.

## 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 2024
			Balance as at 1 January 2024	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	
<b>Director</b>							
Mr. Chau Kwok Keung	2 May 2017	HK\$1.340	375,000	-	-	-	375,000
Mr. Kang Sun <sup>(11)</sup>	2 May 2017	HK\$1.340	50,000	-	-	-	50,000
Mr. Leung Ming Shu <sup>(11)</sup>	2 May 2017	HK\$1.340	50,000	-	-	-	50,000
Mr. Xu Erming <sup>(11)</sup>	2 May 2017	HK\$1.340	50,000	-	-	-	50,000
Mr. Zhang Zhen	2 May 2017	HK\$1.340	375,000	-	-	-	375,000
<b>Other participants</b>							
Employees	15 June 2018	HK\$0.604	1,150,000	-	-	-	1,150,000
Employees	2 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	2 May 2017	HK\$1.340	2,600,000	-	-	-	2,600,000
Consultants	9 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)	-
Total			31,171,544	-	-	(225,000)	30,946,544

# CORPORATE GOVERNANCE AND OTHER INFORMATION

*Notes:*

- (1) All Share options granted under the Old Share Option Scheme on 24 May 2010, 28 June 2012, 27 December 2012, 30 September 2013, 31 March 2014 and 11 May 2015 have either lapsed or been cancelled by the grantees.
- (2) 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"):

<b>Vesting Date</b>	<b>Percentage of Share Options to vest</b>
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

- (3) 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"):

<b>Vesting Date</b>	<b>Percentage of Share Options to vest</b>
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

- (4) 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"):

<b>Vesting Date</b>	<b>Percentage of Share Options to vest</b>
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

- (5) 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

- (6) 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.

- (7) 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

- (8) Mr. Kang Sun, Mr. Leung Ming Shu and Mr. Xu Erming resigned as a Director on 20 March 2021, 10 February 2021 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 30 June 2024
			Balance as at 1 January 2024	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
<b>Director</b>								
Mr. Kang Sun <sup>(2)</sup>	29 May 2019	HK\$0.280	150,000	-	-	-	-	150,000
Mr. Leung Ming Shu <sup>(2)</sup>	29 May 2019	HK\$0.280	100,000	-	-	-	-	100,000
<b>Other participants</b>								
Employees	29 May 2019	HK\$0.280	2,704,500	-	-	-	-	2,704,500
Consultants	29 May 2019	HK\$0.280	20,028,456	-	-	-	-	20,028,456
Total			22,982,956	-	-	-	-	22,982,956

# 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"):

<b>Vesting Date</b>	<b>Percentage of Share Options to vest</b>
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 Sun and Mr. Leung Shu Ming resigned as a Director on 20 March 2021 and 10 February 2021 respectively.

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

Further details of the Old Share Option Scheme and the New Share Option Scheme are set out in note 17 to the financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period for the six months ended 30 June 2024

	NOTES	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>86,716</b>	15,430
Cost of sales and services		<b>(83,095)</b>	(10,576)
<b>Gross profit</b>		<b>3,621</b>	4,854
Other income	5	<b>3,468</b>	3,624
Other gains and losses	6	<b>(7,399)</b>	68,576
Impairment loss on financial assets, net of reversal		<b>1,986</b>	(5,262)
Selling and distribution expenses		<b>(1,118)</b>	(1,287)
Administrative expenses		<b>(15,811)</b>	(13,938)
Research and development expenses		<b>(411)</b>	(618)
Finance costs	7	<b>(12,486)</b>	(7,235)
<b>(Loss)/profit before taxation</b>	8	<b>(28,150)</b>	48,714
Income tax credit/(expenses)	9	<b>2,549</b>	(14)
<b>(Loss)/profit for the Period</b>		<b>(25,601)</b>	48,700
<b>Other comprehensive expense</b>			
<b>Item that will not be reclassified subsequently to profit or loss:</b>			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		<b>(559)</b>	–
<b>Other comprehensive expense for the Period</b>		<b>(559)</b>	–
<b>Total comprehensive (expense)/income for the Period</b>		<b>(26,160)</b>	48,700
<b>(Loss)/profit for the Period attributable to:</b>			
Owners of the Company		<b>(25,254)</b>	49,305
Non-controlling interests		<b>(347)</b>	(605)
		<b>(25,601)</b>	48,700
<b>Total comprehensive (expense)/income attributable to:</b>			
Owners of the Company		<b>(25,538)</b>	49,305
Non-controlling interests		<b>(621)</b>	(605)
		<b>(26,159)</b>	48,700
		<b>RMB cents</b>	RMB cents
(Loss)/earning per share			
– Basic	11	<b>(2.50)</b>	6.22
– Diluted	11	<b>(2.50)</b>	5.82



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>NOTES</i>	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		24,125	26,177
Investment properties		32,497	42,660
Intangible assets		–	–
Financial assets at fair value through other comprehensive income		2,414	2,873
Goodwill		–	–
Deferred tax assets		6,212	3,672
		<b>65,248</b>	75,382
<b>Current assets</b>			
Inventories		1,731	1,588
Trade receivables	12	20,216	47,485
Deposits, prepayment and other receivables, net		69,378	64,296
Bank balances and cash		9,017	18,286
		<b>100,342</b>	131,655
<b>Current liabilities</b>			
Trade payables	13	67,009	91,977
Loan advance from a related party	16	28,389	–
Other payables and accruals	14	107,472	138,425
Contract liabilities		2,260	3,305
Interest-bearing borrowings	15	20,945	20,135
Loan from shareholders		1,186	2,084
Tax liabilities		5,859	5,915
Deferred income		2,507	4,173
Consideration payable		5,130	5,130
Lease liabilities		3,097	3,901
Convertible bonds	16	14,195	14,107
		<b>258,049</b>	289,152
<b>Net current liabilities</b>		<b>(157,707)</b>	(157,497)
<b>Total assets less current liabilities</b>		<b>(92,459)</b>	(82,115)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>NOTES</i>	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Interest-bearing borrowings		37,317	34,462
Deferred tax liabilities		1,746	1,746
Deferred income		4,389	4,810
Lease liabilities		10,105	11,310
		<b>53,557</b>	52,328
<b>Net liabilities</b>		<b>(146,016)</b>	(134,443)
<b>Capital and reserves</b>			
Share capital	17	3,727	3,153
Reserves		(148,315)	(136,789)
Equity attributable to owners of the Company		(144,588)	(133,636)
Non-controlling interests		(1,428)	(807)
<b>Total deficits</b>		<b>(146,016)</b>	(134,443)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period for the six months ended 30 June 2024

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Special reserve	Statutory surplus reserve	Fair value reserve (non-recycle)	Property revaluation reserve	Accumulated losses	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (Audited)	2,752	1,571,637	118,187	17,382	84,609	-	31,040	(1,989,043)	(163,436)	(717)	(164,153)	
Profit (Loss) and total comprehensive income (expense) for the period	-	-	-	-	-	-	-	49,305	49,305	(605)	48,700	
Shares issued upon subscription of new shares	401	15,281	-	-	-	-	-	-	15,682	-	15,682	
Disposal of property	-	-	-	-	-	-	(31,040)	-	(31,040)	-	(31,040)	
At 30 June 2023 (Unaudited)	3,153	1,586,918	118,187	17,382	84,609	-	-	(1,939,738)	(129,489)	(1,322)	(130,811)	
At 1 January 2024 (Audited)	3,153	1,586,920	118,187	17,382	84,609	700	-	(1,944,587)	(133,636)	(807)	(134,443)	
Loss for the period	-	-	-	-	-	-	-	(27,794)	(27,794)	(347)	(28,141)	
Other comprehensive expense for the period	-	-	-	-	-	(285)	-	-	(285)	(274)	(559)	
Total comprehensive expense for the period	-	-	-	-	-	(285)	-	(27,794)	(28,079)	(621)	(28,700)	
Shares issued upon subscription of new shares	574	14,013	-	-	-	-	-	-	14,587	-	14,587	
At 30 June 2024 (Unaudited)	3,727	1,600,933	118,187	17,382	84,609	415	-	(1,972,381)	(147,128)	(1,428)	(148,556)	

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period for the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Operating activities</b>		
(Loss) profit before taxation	(25,254)	48,714
Adjustments for:		
Interest income	(529)	(240)
Interest expenses	12,486	7,235
Depreciation of property, plant and equipment	3,998	3,748
Depreciation of right-of-use assets	1,128	2,517
Fair value loss on investment properties	10,163	–
Release of deferred income	(2,087)	(2,087)
Gain on disposal of property, plant and equipment	–	(68,129)
Impairment loss of financial assets	1,976	5,262
Net foreign exchange (gain) loss	(2,606)	1,568
Operating cash flows before movements in working capital	(725)	(1,412)
Increase in inventories	(143)	(943)
Decrease (Increase) in trade and other receivables	23,663	(12,170)
Increase in advance to suppliers	(3,027)	(2,778)
(Decrease) Increase in trade and other payables	(27,643)	26,053
Decrease in contract liabilities	(1,045)	(302)
Cash (used in) generated from operations	(8,920)	8,448
Interest paid	–	(527)
Taxes paid	(72)	(8)
<b>Net cash (used in) from operating activities</b>	<b>(8,992)</b>	<b>7,913</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period for the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Investing activities</b>		
Withdrawal (placement) of pledged bank deposits	–	87
Interest received	104	240
Purchases of financial assets at FVTOCI	(100)	–
<b>Net cash from investing activities</b>	<b>4</b>	<b>327</b>
<b>Financing activities</b>		
Interest-bearing borrowings raised	5,940	–
Interest paid	(1,421)	–
Repayment of bank and other borrowings	(2,275)	(11,900)
Repayment of lease liabilities	(2,525)	(6,740)
<b>Net cash used in financing activities</b>	<b>(281)</b>	<b>(18,640)</b>
Net decrease in cash and cash equivalents	(9,269)	(10,400)
Cash and cash equivalents at beginning of the period	18,286	22,544
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>9,017</b>	<b>12,144</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 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 2024 were authorised for issue in accordance with a resolution of the board of directors of the Company on 30 August 2024.

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 power storage products and lithium battery products, the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations, operation of rooftop distributed power generation projects in industrial, commercial and residential buildings and provision of logistics services to factories, manufacturers, raw material providers.

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 2024 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 2024 have been prepared in accordance with the applicable disclosure requirements of Appendix D2 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 2023.

The Group incurred a net loss of approximately RMB25.6 million for the six months ended 30 June 2024 and had net current liabilities and net liabilities of approximately RMB157.7 and RMB146.0 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 2. BASIS OF PREPARATION *(continued)*

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;
- 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;
- Considering 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 historically, the Group will continue to do so for the foreseeable future;
- The Group has made an investment in a flywheel-lithium iron phosphate battery hybrid energy storage system and advanced a shareholders' loan in the amount of RMB8,500,000 in second half of 2023 to improve profitability;
- The Group intends to acquire a company which operates a logistics cloud technology platform that provides transportation management system, IoT product, logistics financial products, and different one-stop solutions catering to the varying needs of customers in the PRC to enhance the Group's existing business and improve profitability;
- 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; and
- The Group is adopting strict control of operating and investing activities.

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.

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, investments in equity securities 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 2024 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023.

### **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 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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 2024

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The Group is principally engaged in provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of efficient mono-crystalline and power storage products. Also, the Group is providing logistic services to factories, manufacturers, raw material providers.

#### (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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Solar and power storage</b>		
Power generation	5,188	5,713
Power storage (sales and production)	6,595	1,720
EPC consulting		
– photovoltaic power stations	634	1,671
– power storage companies	–	–
	634	1,671
<b>Logistics</b>	12,417	9,104
	74,299	6,326
<b>Total</b>	<b>86,716</b>	15,430

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b)(i).

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

The Group has applied the practical expedient in 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting

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

- 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 and mono-crystalline products.
- Logistics services – Provision of logistics services to factories, manufacturers, raw material providers in the PRC, primarily in the Jiangsu Province.

After carefully reviewing the Group's strategic position in its production and sales of efficient mono-crystalline business, the management consider that the scale of this segment is insignificant after the disposal of subsidiary and no longer to carrying out of the production and sales of mono-crystalline business. Accordingly, the Group decided to combine two reportable operating segment to "solar and power storage" which including mono-crystalline business and described above for better presentation.

### (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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### (i) *Segment revenue and results (continued)*

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 2024 and 2023 is set out below.

#### For the six months ended 30 June 2024

	Solar and power storage RMB'000 (Unaudited)	Logistics services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Disaggregated by timing of revenue recognition</b>			
Point in time	6,595	–	6,595
Over time	5,822	74,299	80,121
Total revenue	12,417	74,299	86,716
Segment profit	4,114	1,244	5,358
Unallocated income			6,233
Unallocated corporate expenses			(27,773)
Unallocated finance costs			(11,968)
Loss before taxation			(28,150)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### (i) Segment revenue and results *(continued)*

For the six months ended 30 June 2023

	Solar and power storage RMB'000 (Unaudited)	Logistics services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Disaggregated by timing of revenue recognition</b>			
Point in time	1,720	–	1,720
Over time	7,384	6,326	13,710
Total revenue	9,104	6,326	15,430
Segment profit	5,318	12	5,330
Unallocated income			71,477
Unallocated corporate expenses			(20,858)
Unallocated finance costs			(7,235)
Profit before taxation			48,714

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### (ii) Segment assets and liabilities

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

#### *Segment assets*

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Solar and power storage	<b>65,282</b>	78,007
Logistics services	<b>13,381</b>	26,156
Total segment assets	<b>78,663</b>	104,163
Corporate and other assets	<b>86,927</b>	102,874
Total assets	<b>165,590</b>	207,037

#### *Segment liabilities*

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Solar and power storage	<b>37,216</b>	45,642
Logistics services	<b>11,667</b>	26,990
Total segment liabilities	<b>48,883</b>	72,632
Corporate and other liabilities	<b>262,723</b>	268,848
Total liabilities	<b>311,606</b>	341,480

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### (ii) Segment assets and liabilities *(continued)*

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, investment properties, unallocated deposits, prepayments and other receivables, unallocated 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 2024 (unaudited)

	Mono-crystalline and solar products RMB'000	Solar and power storage RMB'000	Logistics services RMB'000	Unallocated RMB'000	Total RMB'000
Amounts include in the measure of segment profit or loss of segment assets:					
Depreciation and amortisation	-	3,137	-	1,989	5,126
Impairment loss on financial assets, net of reversal	-	(735)	(1,235)	(16)	(1,986)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:					
Finance costs	-	1,938	-	10,548	12,486
Income tax credit	-	(9)	1	(2,541)	(2,549)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT REPORTING *(continued)*

### (b) Segment reporting *(continued)*

#### (iii) Other segment information *(continued)*

For the six months ended 30 June 2023 (unaudited)

	Mono-crystalline and solar products RMB'000	Solar and power storage RMB'000	Logistics services RMB'000	Unallocated RMB'000	Total RMB'000
Amounts include in the measure of segment profit or loss of segment assets:					
Depreciation and amortisation	–	4,273	–	1,991	6,264
Impairment loss on financial assets, net of reversal	(180)	3,417	1,602	423	5,262
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:					
Finance costs	–	1,406	–	5,829	7,235
Income tax expenses	–	13	1	–	14

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 5. OTHER INCOME

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Government grants (note)	2,087	2,087
Rental income	852	1,297
Interest income	529	240
	<b>3,468</b>	3,624

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net foreign exchange gain	2,606	444
Fair value loss on investment properties	(10,163)	–
Gain on disposal of properties (note)	–	68,129
Gain on deregistration of subsidiaries	–	7
Others	158	(4)
	<b>(7,399)</b>	68,576

Note: As part of the Group's strategy of removing the capital-intensive, less efficient upstream business, on 1 June 2022, the Company's subsidiary has announced the disposal of investment properties in Shanghai at the consideration of RMB180 million. The Disposal was completed and the Group recorded a net gain on the disposal of investment properties of approximately RMB68.1 million during the corresponding period in 2023. The properties comprise of two land use rights and seven factory buildings.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank borrowings	–	477
Interest on other borrowings	3,824	2,233
Interest on Loan advance from a related party (note 16)	7,189	–
Interest on loans from shareholders	104	87
Interest on convertible bonds	853	3,509
Interest on leases liabilities	516	929
	<b>12,486</b>	<b>7,235</b>

## 8. PROFIT/LOSS BEFORE TAXATION

Profit/loss before taxation has been arrived at after charging:

### (a) Staff costs

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
– Salaries, wages, bonus and other benefits (including of director's emoluments)	2,506	3,162
– Retirement benefits schemes contributions	168	16
Total staff costs	<b>2,674</b>	<b>3,178</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 8. PROFIT/LOSS BEFORE TAXATION *(continued)*

### (b) Other items

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Depreciation charge		
– owned property, plant and equipment	3,998	3,748
– right-of-use assets	1,128	2,516
	<b>5,126</b>	6,264

## 9. TAXATION

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Current tax</b>		
PRC Enterprise Income Tax	(8)	14
<b>Deferred tax</b>		
Current period	(2,541)	–
<b>Income tax expense/(credit)</b>	<b>(2,549)</b>	14

No Hong Kong Profits Tax was provided for the six months ended 30 June 2024 and 2023 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 2024 and 2023.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2024 and 2023.

## 11. (LOSS)/EARNING PER SHARE

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>(Loss)/earning</b>		
(Loss)/earning for the Period attributable to owners of the Company	<b>(25,254)</b>	49,305
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<b>1,008,592,828</b>	792,316,033
Weighted average number of outstanding and vested share options	<b>53,929,500</b>	55,159,500
Weighted average number of shares for the purpose of diluted earnings per share	<b>1,008,592,828<sup>(Note)</sup></b>	847,475,533

Note:

The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for 30 June 2024.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 12. TRADE RECEIVABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Trade receivables	33,455	62,717
Less: expected credit loss for trade receivables	(13,239)	(15,232)
	<b>20,216</b>	47,485

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 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
0 to 30 days	13,483	46,446
31 to 60 days	3,259	528
61 to 90 days	2,837	113
91 to 180 days	464	233
Over 180 days	173	165
	<b>20,216</b>	47,485

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 13. TRADE PAYABLES

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

	<b>At 30 June 2024 RMB'000 (Unaudited)</b>	<b>At 31 December 2023 RMB'000 (Audited)</b>
0 to 30 days	9,313	19,593
31 to 60 days	5,703	4,399
61 to 90 days	2,736	13,836
91 to 180 days	2,191	4,646
181 to 360 days	3,172	5,439
Over 360 days	43,894	44,064
	<b>67,009</b>	<b>91,977</b>

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. OTHER PAYABLES AND ACCRUALS

	<b>At 30 June 2024 RMB'000 (Unaudited)</b>	<b>At 31 December 2023 RMB'000 (Audited)</b>
Interest payables	67,147	56,603
Other payables and accrued charges	36,394	77,891
Payables for acquisition of property, plant and equipment	3,931	3,931
	<b>107,472</b>	<b>138,425</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 15. INTEREST-BEARING BORROWINGS

	NOTES	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Other borrowings			
– secured	15(a)	34,510	36,486
– unsecured	15(a)	23,752	18,111
		<b>58,262</b>	54,597

### (a) Other borrowings

At the end of the reporting period, the Group's other borrowings are unsecured, interest-bearing at rates ranging from 5.2% to 24% per annum and repayable within twelve months.

## 16. CONVERTIBLE BONDS AND LOAN ADVANCE FROM A RELATED PARTY

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) Security – The obligations of Company in respect of the Bonds are secured by the share charge of Comtec Solar (Hong Kong) Limited and Future Energy Capital Group Limited.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 16. CONVERTIBLE BONDS AND LOAN ADVANCE FROM A RELATED PARTY

*(continued)*

### The principal terms of the Bonds *(continued)*

(v) 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.

During the year ended 31 December 2023, certain principal amount of the Bonds of approximately USD4,008,000 (equivalent to RMB28,389,000) was repaid by a related party on the Company's behalf following a debt restructuring exercise as instructed by one of our new strategic investors. The amount is subsequently agreed and recognised as a loan advance from a related party.

As at 30 June 2024, the Bonds of the aggregate principal amount of USD1,992,000 is overdue.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 16. CONVERTIBLE BONDS AND LOAN ADVANCE FROM A RELATED PARTY

(continued)

### The principal terms of the Bonds (continued)

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

	<b>Debt component</b>	<b>Derivative component</b>
	RMB'000	RMB'000
At 1 January 2023 (Audited)	41,787	–
Off-setting	(28,389)	–
Exchange difference	709	–
At 31 December 2023 and 1 January 2024 (Audited)	<b>14,107</b>	–
Exchange difference	<b>88</b>	–
At 30 June 2024 (Unaudited)	<b>14,195</b>	–

### Loan advance from a related party

The loan is unsecured, repayable on demand and interest bearing at the maximum interest rate permitted under the applicable law following the original subscription agreement pursuant to which the Company issued USD denominated convertible bonds on 27 July 2018.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 17. SHARE CAPITAL

	At 30 June 2024		At 31 December 2023	
	No. of shares (Unaudited)	HKD'000 (Unaudited)	No. of shares (Audited)	HKD'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.004 each	1,900,000,000	7,600	1,900,000,000	7,600
<b>Issued and fully paid:</b>				
At the beginning of period/year	901,581,612	3,606	791,709,002	3,167
Share subscriptions (note)	158,341,800	633	109,872,610	439
At the end of the period/year	1,059,923,412	4,239	901,581,612	3,606

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
<b>Presented in RMB:</b>		
Ordinary shares	3,727	3,153

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: The Company has completed three share subscriptions on 28 February 2024 to settle certain liabilities of approximately HK\$7,416,000 (equivalent to approximately RMB6.7 million) of the Group and receive cash proceeds, net of relevant transaction expenses, of approximately HK\$8,710,000 (equivalent to approximately RMB8.3 million).

On 30 June 2023, the Company issued an aggregate of 109,872,610 new shares pursuant to two subscription agreements, with an aggregate net proceed of approximately HKD17,250,000 (equivalent to RMB15,684,000) for capitalising certain other payables and interest-bearing borrowings.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 18. SHARE-BASED COMPENSATION

### (a) Share Option Scheme

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

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the six months ended 30 June 2024 and the year ended 31 December 2023:

Date of grant	2023				Exercise price (HKD)	2024				
	At 1 January 2023	Cancelled	Lapsed	At 31 December 2023		At 1 January 2024	Cancelled	Lapsed	At 30 June 2024	Exercise price (HKD)
15 June 2018	5,321,544	-	-	5,321,544	0.604	5,321,544	-	-	5,321,544	0.604
2 May 2017	5,475,000	-	-	5,475,000	1.340	5,475,000	-	-	5,475,000	1.340
9 September 2016	4,500,000	-	-	4,500,000	2.240	4,500,000	-	-	4,500,000	2.240
25 November 2015	10,650,000	-	-	10,650,000	2.944	10,650,000	-	-	10,650,000	2.944
26 June 2015	5,000,000	-	-	5,000,000	6.000	5,000,000	-	-	5,000,000	6.000
31 March 2014	225,000	-	-	225,000	5.544	225,000	-	(225,000)	-	5.544
30 September 2013	1,005,000	-	(1,005,000)	-	7.480	-	-	-	-	7.480
	32,176,544	-	(1,005,000)	31,171,544		31,171,544	-	(225,000)	30,946,544	

All of the above options are fully vested and exercisable as at 30 June 2024 and 31 December 2023.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 18. SHARE-BASED COMPENSATION *(continued)*

### (b) 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 2024:

Date of grant	1 January 2023	Exercise	Cancelled	Lapsed	At 31 December 2023, 1 January 2024 and 30 June 2024
29 May 2019	22,982,956	-	-	-	22,982,956
Exercise price (HKD)	0.280				0.280
Exercisable	22,982,956				22,982,956

The Group did not recognise any expenses for the six months ended 30 June 2024 and 2023 in relation to the share options granted by the Company under the New Share Option Scheme.

## 19. PLEDGED OF ASSETS

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Plant and machinery	13,304	13,746
Trade receivables	1,490	1,422
	14,794	15,168

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 20. 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 2024 was as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	1,331	1,586
Post-employment benefits	165	–
	<b>1,496</b>	1,586

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.

### (b) Transactions with related parties

Other than as disclosed in note 7, 16 and elsewhere in these consolidated financial statements, the Group has following material transactions with related parties, which were entered into at terms mutually agreed with respective parties.

Related party relationship	Nature of transaction	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Mr. Sun Da, shareholder of the Company	Interest expense on unsecured borrowing	104	176
China Success Investment Group Limited and its subsidiaries ("CSI Group") <sup>(1)</sup>	Shared services fee and facility costs	741	536

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 20. RELATED PARTY TRANSACTIONS *(continued)*

### (c) Balances with related parties

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following material balances with related parties:

Related party relationship	Nature of balances	At	At
		30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Mr. Sun Da, shareholder of the Company	Interest expense payable on unsecured borrowing included in "Other payables and accruals" (note 14)	625	532
	Interest-bearing borrowings included in "Loans from shareholders"	1,186	2,084
		<b>1,811</b>	2,616
CSI Group <sup>(1)</sup>	Shared services fee and facility costs payable included in "Other payables and accruals" (note 14)	2,578	536
	Amount due to the CSI Group included in "Other payables and accruals" (note 14)	6,240	40,355
	Interest expense payable on unsecured borrowing included in "Other payables and accruals" (note 14)	7,189	–
	Interest-bearing borrowings by a wholly-owned subsidiary of CSI Group, included in "Loan advance from RP" (note 16)	28,389	–
		<b>44,396</b>	40,891
Shenyang Guoyin Weikong Energy Storage Technology Limited	Loan receivable, net	8,251	8,251
		<b>8,251</b>	8,251

(1) Mr. Chang Loong Cheong and China Success Investment Group Limited has become a related party to the Group following the completion of the share subscription agreement on 30 June 2023.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 21. SUBSEQUENT EVENTS

On 11 July 2024, the Company received a winding-up petition (the “Petition”) filed by Putana Limited (“Putana”) against the Company, under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in the High Court of Hong Kong. The Petition was filed in connection with outstanding borrowings indebted to Putana by the Company in an aggregate amount of approximately US\$0.8 million under a facility agreement entered into between the Company and Putana on or around 11 December 2019 which was subsequently amended by an amendment agreement on 13 March 2020.

Pursuant to section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), any disposition of the property of the Company, including things in action, and any transfer of shares of the Company (“Shares”), or alteration in the status of the members of the Company, made after the commencement of the winding up, namely the date of the presentation of the Petition (“Commencement Date”), shall, unless the court otherwise orders, be void. Any disposition made on or after the Commencement Date will not be affected if the Petition is subsequently withdrawn or dismissed, or a winding-up order is permanently stayed.

Pursuant to the circular dated 28 December 2016 published by the Hong Kong Securities Clearing Company Limited (“HKSCC”) (ref no. CD/DNS/CCASS/332/2016): (a) the transfer of the Shares made after the Petition has been presented may be void without a validation order from the court under the laws and regulations applicable to the Company; and (b) HKSCC may at any time, and without notice, to temporarily suspend any of its services in respect of the Shares, which may include the suspension of acceptance of deposits of share certificates of the Company into the CCASS; and the share certificates of the Company received by HKSCC but not yet re-registered in HKSCC Nominee Limited’s name will also be returned to participants who conduct shares transfer through HKSCC (“Participant(s)”) and HKSCC shall reserve the right to reverse any credit granted to such Participant by debiting the relevant shares from its CCASS account accordingly.

On 11 September 2024, the Company has received the sealed copy of the order of the High Court of Hong Kong which ordered, among other things, the Petition be withdrawn. These measures have therefore, ceased to apply from the date when the Petition has been withdrawn on 11 September 2024.

As previously disclosed, the Company introduced strategic investors (the “Strategic Investor”) to acquire from Putana all the outstanding indebtedness owed by the Company to Putana and the Strategic Investor had made a substantial part of the payment in relation to the above debt acquisition. Further to the aforesaid, the Company would like to update the shareholders and the potential investors of the Company that to the best knowledge and information of the Directors, the Strategic Investor is at the final stage of acquiring all the outstanding indebtedness owed by the Company to Putana (the “Debt”) from Putana (the “Debt Acquisition”), pending completion of certain administrative procedures set out in the conditions precedent. Upon completion of the Debt Acquisition, Putana will no longer have any right, title, interest and benefit in or to the Debt and the Strategic Investor would become the major creditor of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period for the six months ended 30 June 2024

## 21. SUBSEQUENT EVENTS *(continued)*

In the meantime, the Company is in the course of active discussion with the Strategic Investor to reach a concrete settlement plan to settle the Debt to be owing by the Company to the Strategic Investor (the “Acquired Debt”) through exploring various means, including but not limited to partial repayment, debt capitalisation, and/or extension of the term, of the Acquired Debt. Therefore, the Board considers that the Debt Acquisition would likely put an end to the long defaulting Debt owed to Putana (given that Putana is unable to extend and/or renew any of the outstanding indebtedness owed by the Company to Putana due to its ended investment term as disclosed in the announcement of the Company dated 25 July 2024).

Based on the latest discussion and negotiation with the Strategic Investor, the Board is confident that the Company will reach an amicable settlement plan with the Strategic Investor, where the Company will be able to resolve its liabilities issue in a timely manner, thereby reducing, if not in its entirety, at least a substantial part of the net liabilities of the Group. The Board will use its best endeavours to restore the Company’s financial position to a healthy condition.

For details, please refer to the announcements of the Company dated 10 July 2024, 11 July 2024, 25 July 2024, 21 August 2024 and 11 September 2024. The Company will make further announcement(s) to keep its shareholders and potential investors informed of any update as and when appropriate in this regard and shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

## DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Company”	Comtec Solar Systems Group Limited
“Convertible Bonds”	the convertible bonds due 2021 with interests 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” or “CG Code”	Code on corporate governance practices contained in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of certain properties in Shanghai comprise of two land use rights and seven factory buildings
“Fonty”	Fonty Holdings Limited, a company incorporated under the laws of the British Virgin Islands
“Framework Agreement”	A strategic cooperation framework agreement which the Company entered with Jiangsu Changzhou Tianning Economic Development Zone Management Committee and Changzhou Tianning Investment Service Centre on 16 March 2021
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“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 C3 to the Listing Rules



## DEFINITIONS

“Period”	The six months ended 30 June 2024
“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
“RMB”	Renminbi, the lawful currency of the PRC
“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