卡姆丹克太陽能系統集團有限公司
Comtec Solar Systems Group Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 712)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- Revenue for the Year was approximately RMB37.1 million, representing a year-on-year decrease of 32.26% from approximately RMB54.8 million for the year ended 31 December 2021;
- Gross profit for the Year was approximately RMB7.8 million, representing a year-on-year increase of 15.46%, from approximately RMB6.8 million for year ended 31 December 2021;
- Gross profit margin for the Year was approximately 21.0%, comparing to gross profit margin of 12.3% for the year ended 31 December 2021;
- Net loss attributable to the owners of the Company for the Year was approximately RMB55.8 million, representing a year-on-year increase of approximately 4.9%, from approximately RMB53.2 million for the year ended 31 December 2021;
- Net loss margin attributable to the owners of the Company for the Year was approximately 150.3%, comparing to net loss margin of 97.0% for the year ended 31 December 2021; and
- Basic loss per share for the Year was RMB7.05 cents (2021: RMB6.85 cents).

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2022 ("**the year**"), together with the comparative figures for the corresponding year in 2021. These results have been reviewed by the Company's audit committee, comprising all the independent non-executive Directors, with one of them chairing the committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**37,140**	54,829
Cost of sales and services		**(29,329)**	(48,064)
Gross profit		**7,811**	6,765
Other income	*5*	**13,280**	12,575
Other net (losses) gains	*6*	**(26,297)**	14,933
Selling and distribution expenses		**(4,628)**	(1,224)
Administrative expenses		**(35,732)**	(36,934)
Research and development expenses		**(3,400)**	(3,439)
Impairment loss on:			
– financial assets, net of reversal		**24,243**	(22,641)
– goodwill		**(6,573)**	–
– property, plant and equipment		**(2,878)**	–
Finance costs	*7*	**(14,017)**	(29,950)
Loss before taxation		**(48,191)**	(59,915)
Income tax expense	*8*	**(2,498)**	(1,337)
Loss and total comprehensive expense for the year		**(50,689)**	(61,252)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(55,805)**	(53,196)
Non-controlling interests		**5,116**	(8,056)
		(50,689)	(61,252)
		RMB cents	*RMB cents*
Loss per share			
– Basic	*10*	**(7.05)**	(6.85)
– Diluted	*10*	**(7.05)**	(6.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**31,842**	99,016
Investment properties		**45,093**	127,362
Intangible assets		**–**	915
Goodwill		**–**	6,573
Deposits paid for acquisition of property, plant and equipment		**–**	691
		76,935	234,557
Current assets			
Inventories		**3,084**	3,163
Trade receivables	*11*	**5,973**	7,486
Deposits, prepayment and other receivables		**68,848**	39,778
Assets held for sales		**125,358**	–
Pledged bank deposits		**204**	137
Cash and cash equivalents		**22,544**	6,768
		226,011	57,332
Current liabilities			
Trade payables	*12*	**50,132**	66,759
Other payables and accruals		**90,959**	97,430
Contract liabilities		**3,577**	6,380
Deposit received		**179,500**	–
Interest-bearing borrowings		**27,845**	130,369
Loans from shareholders		**4,761**	17,669
Tax liabilities		**5,863**	5,829
Deferred income		**4,173**	840
Consideration payable		**5,130**	5,130
Lease liabilities		**4,542**	2,125
Convertible bonds		**41,787**	38,254
		418,269	370,785
Net current liabilities		**(192,258)**	(313,453)
Total assets less current liabilities		**(115,323)**	(78,896)

	2022	2021
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing borrowings	**4,700**	7,500
Deferred tax liabilities	**15,278**	12,826
Deferred income	**8,983**	6,489
Lease liabilities	**19,869**	7,753
	48,830	34,568
Net liabilities	**(164,153)**	(113,464)
Capital and reserves		
Share capital	**2,752**	2,752
Reserves	**(166,188)**	(110,383)
Equity attributable to owners of the Company	**(163,436)**	(107,631)
Non-controlling interests	**(717)**	(5,833)
Total deficits	**(164,153)**	(113,464)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Comtec Solar Systems Group Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2009. Its immediate holding and ultimate holding company is Fonty Holdings Limited ("**Fonty**"), a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Yi Zhang ("**Mr. Zhang**") who is the chairman and a director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company is Level 9 & 11, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong changed to RM2301-02, 23/F, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wai Chai, Hong Kong SAR.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to the "**Group**") are principally engaged in research, production and sales of efficient mono-crystalline products, power storage products and lithium battery products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations.

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

2. BASIS OF PREPARATION

All financial information presented in RMB are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated. The consolidated financial statements have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and International Financial Reporting Standards ("**IFRSs**"). The consolidated financial statements have been prepared under the historical cost convention except for certain investment properties and convertible bonds that are measured at fair values at the end of each reporting period. The preparation of consolidated financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the years ended 31 December 2022 and 2021. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Going concern assessment

The Group incurred a net loss of approximately RMB50,689,000 for the year ended 31 December 2022 and had net current liabilities and net liabilities of approximately RMB192,258,000 and RMB164,153,000 as at that date respectively. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

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

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

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

- Historically, the Group has been able to roll over or obtain replacement borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity. The Group has assumed it will continue to be able to do so for the foreseeable future;

- 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.

The Directors believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2023. However, should the Group fails to achieve the above-mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for its first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2022.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract
Amendments to IFRSs	Annual Improvements to IFRS 2018 – 2020 cycle
Amendments to IFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 amendment to IFRS17)	Insurance Contracts[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue from contracts with customers

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of power storage products	**23,908**	40,733
– Installation services for photovoltaic power stations	**210**	3,406
– Power generation	**12,269**	10,084
– Consulting services for construction	**753**	606
	37,140	54,829

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

(b) Segment reporting

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

- Mono-crystalline and solar products – Production and sales of efficient mono-crystalline products and trading of solar products

- Solar and power storage products – Provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products

(i) Segment revenue and results

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

For the year ended 31 December 2022

	Mono-crystalline and solar products *RMB'000*	**Solar and power storage products** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	**–**	**23,908**	**23,908**
Over time	**–**	**13,232**	**13,232**
Total revenue	**–**	**37,140**	**37,140**
Segment (loss) profit	**(100)**	**6,994**	**6,894**
Unallocated income			**21,549**
Unallocated corporate expenses			**(65,635)**
Unallocated finance costs			**(12,094)**
Impairment loss on financial assets, net of reversal			**1,095**
Loss before taxation			**(48,191)**

For the year ended 31 December 2021

	Mono-crystalline and solar products *RMB'000*	Solar and power storage products *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	–	40,733	40,733
Over time	–	14,096	14,096
Total revenue	–	54,829	54,829
Segment loss	(539)	(4,692)	(5,231)
Unallocated income			25,926
Unallocated corporate expenses			(42,123)
Unallocated finance costs			(28,155)
Impairment loss on financial assets, net of reversal			(10,332)
Loss before taxation			(59,915)

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

(ii) Segment assets and liabilities

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

Segment assets

	2022	2021
	RMB'000	*RMB'000*
Mono-crystalline and solar products	**1,952**	3,697
Solar and power storage products	**148,774**	108,408
Total segment assets	**150,726**	112,105
Corporate and other assets	**152,220**	179,784
Total assets	**302,946**	291,889

Segment liabilities

	2022	2021
	RMB'000	*RMB'000*
Mono-crystalline and solar products	**4,796**	6,278
Solar and power storage products	**45,087**	55,586
Total segment liabilities	**49,883**	61,864
Corporate and other liabilities	**417,215**	343,489
Total liabilities	**467,098**	405,353

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

– All assets are allocated to operating segment, other than unallocated property, plant and equipment, unallocated right-of-use assets, investment properties, intangible assets, investment in an associate, goodwill, unallocated deposits, prepayments and other receivables, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

– All liabilities are allocated to operating segments, other than unallocated other payables and accruals, unallocated lease liabilities, unallocated interest-bearing borrowings, convertible bonds, consideration payable, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

(iii) Other segment information

For the year ended 31 December 2022

	Mono-crystalline and solar products *RMB'000*	**Solar and power storage products** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts include in the measure of segment loss or segment assets:				
Depreciation and amortisation	**48**	**9,336**	**4,419**	**13,803**
Impairment loss on financial assets, net of reversal	**–**	**(23,148)**	**(1,095)**	**(24,243)**
Loss on written off of property, plant and equipment	**34**	**–**	**1,538**	**1,572**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Finance costs	**–**	**1,923**	**12,094**	**14,017**
Income tax expenses	**–**	**46**	**2,452**	**2,498**

For the year ended 31 December 2021

	Mono-crystalline and solar products *RMB'000*	Solar and power storage products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts include in the measure of segment loss or segment assets:				
Depreciation and amortisation	94	10,694	8,809	19,597
Impairment loss on financial assets, net of reversal	279	12,030	10,332	22,641
Loss on written off of property, plant and equipment	–	1,795	5,020	6,815
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Finance costs	–	1,795	28,155	29,950
Income tax expenses	–	–	1,337	1,337

(iv) Geographic information

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

(v) Information about major customers

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

	2022 ***RMB'000***	2021 *RMB'000*
Customer A	**10,816**	34,883
Customer B	**11,327**	–
	22,143	34,883

Note: Revenue from customer A and B are generated from solar and power storage products segment.

5. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Release of deferred income	**4,173**	840
Government grant *(note)*	**6,086**	–
Interest income	**130**	20
Rental income	**2,777**	8,099
Others	**114**	3,616
	13,280	12,575

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

6. OTHER NET (LOSSES) GAINS

	2022	2021
	RMB'000	*RMB'000*
Compensation for termination of contract	**(6,507)**	–
Fair value gain on investment properties	**3,187**	5,140
Fair value loss on assets held for sale	**(17,262)**	–
Gain on deregistration of subsidiaries	**–**	904
Gain on disposal of property, plant and equipment	**19**	–
Gain on fair value change of derivative component of the convertible bonds	**–**	6,268
Loss on deregistration of an associate	**–**	(159)
Loss on written-off of property, plant and equipment and inventories	**(1,572)**	(6,815)
Net foreign exchange (losses) gains	**(9,094)**	1,879
Reversal of impairment loss of property, plant and equipment	**–**	7,904
Waiver of other payables	**5,064**	–
Others	**(132)**	(188)
	(26,297)	14,933

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on bank borrowings	**685**	11,566
Interest on other borrowings	**4,662**	8,953
Interest on loans from shareholders	**168**	2,671
Interest on lease liabilities	**1,237**	858
Interest on convertible bonds *(note)*	**7,265**	5,902
	14,017	29,950

Note: Imputed interest included.

8. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
Under provision in respect of prior years	**46**	52
Deferred tax		
Origination and reversal of temporary differences	**2,452**	1,285
	2,498	1,337

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable profits for the years ended 31 December 2022 and 2021.

PRC subsidiary is subject to PRC Enterprise Income Tax ("**EIT**") at 25%. No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the years ended 31 December 2022 and 2021.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 December 2022 and 2021.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

9. DIVIDENDS

No dividend was paid, declared or proposed during the years ended 31 December 2022 and 2021.

10. LOSS PER SHARE

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

	2022 *RMB'000*	2021 *RMB'000*
Loss for the year		
Loss for the year attributable to owners of the Company	**(55,805)**	(53,196)
Number of shares		
Weighted average number of ordinary shares	**791,709,002**	777,104,090

No potential dilutive shares in existence during the years ended 31 December 2022 and 2021.

The outstanding share options and conversion option of convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the years ended 31 December 2022 and 2021.

11. TRADE RECEIVABLES

The following is an ageing analysis of trade receivables, net of loss allowance for trade receivables, presented based on the invoice date, which approximates revenue recognition date at the end of each reporting period:

	2022 *RMB'000*	2021 *RMB'000*
Within 1 month	**5,870**	1,018
1 to 2 months	**35**	151
2 to 3 months	**22**	135
3 to 6 months	**46**	1,703
Over 6 months but within 1 year	**–**	4,479
	5,973	7,486

12. TRADE PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**4,845**	6,415
1 to 2 months	**46**	3,895
2 to 3 months	**21**	142
3 to 6 months	**128**	1,694
Over 6 months but within 1 year	**1,203**	10,126
Over 1 year	**43,889**	44,487
	50,132	66,759

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

13. EVENTS AFTER THE REPORTING PERIOD

On 30 December 2022, the Company issued circular in connection with the disposal of certain properties pursuant to a sale and purchase agreement dated on 1 June 2022, and notice the extraordinary general meeting (the "**EGM**") will be held for the shareholders to approve the Sale and Purchase Agreement and the transactions. So, as at 31 December 2022, the carrying amount of investment properties of RMB85,456,000 was classified as held for sale. The directors of the Company are expected assets classified as held for sale to be sold within twelve months upon the shareholder approval.

On 29 March 2023, the Group announced that the EGM will be rescheduled to period from 25 April 2023 to 28 April 2023 for approval the Sale and Purchase Agreement and the transactions.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2022 which has included a disclaimer of opinion.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Comtec Solar Systems Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple fundamental uncertainties relating to going concern

As described in Note 1 to the consolidated financial statements, the Group reported loss attributable to owners of the Company of RMB55,805,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB192,258,000 and RMB164,153,000 respectively, which included current interest-bearing borrowings, convertible bonds and interest payables with carrying amounts of approximately RMB27,845,000, RMB41,787,000 and RMB36,987,000 respectively.

These conditions, together with other matters described in Note 1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company (the "**Directors**") have been undertaking a number of measures to improve the Group's liquidity and financial position as described in Note 1 to the consolidated financial statements. The consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, writedown the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2022 (the "**Period**"), the Group principally engaged in the solar businesses focusing on (1) consulting services for investment, engineering, procurement, development, and operation of solar photovoltaic power stations; (2) operations of rooftop distributed power generation projects in industrial, commercial and residential buildings; as well as (3) sales of lithium battery power storage systems businesses for electric vehicles and power storage customers.

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

As part of the Group's strategy to improving the liquidity position of the Group on 1 June 2022, a wholly-owned subsidiary of the Group, Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), as the Vendor, entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with, Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), as the Purchaser, to dispose of the properties (together with the ancillary facilities) located in Shanghai, the PRC, at the consideration of RMB180 million (the "**Disposal**"). The properties comprise of two land use rights and seven factory buildings and is currently vacant. A deposit of RMB179.5 million was received by the Group during the year ended 31 December 2022 and recognised as deposit received as at 31 December 2022. The subject properties were recognised as assets held for sale as at 31 December 2022.

As announced by the Company on 29 March 2023, an EGM will be held at 5:00 p.m. on Friday, 28 April 2023 by the Company for the approval of the Disposal by the shareholders of the Company. As at 31 December 2022, the Disposal has yet to complete.

The Disposal constituted a very substantial disposal under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**Stock Exchange**"). For details of the Disposal, please refer to the Company's announcement and circular dated 1 June 2021 and 30 December 2021 respectively.

The Group continues to persevere in developing our solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products. We provide Solar EPC services for rooftop distributed generation projects to customers mainly from Guangdong, Fujian, Tianjin, Zhejiang, Shandong, Anhui, Hebei, Henan, Hubei, and Hunan. We are optimistic that with the Chinese electric vehicle industry, green energy and the power storage industry being the focal points of the globe, our profit will grow diversely and constantly in the future.

FINANCIAL REVIEW

Revenue

Revenue from our solar businesses mainly included (1) consulting services income for design, installation and construction of photovoltaic power stations, (2) power generation income and (3) sales of power storage products.

The total revenue from all income streams decreased, year on year, by RMB17.7 million, or 32.3%, from RMB54.8 million for the year ended 31 December 2021 to RMB37.1 million for the Period. The decrease was attributable to the decrease of the sales of power storage products affect by resurgence of Covid-19 in China during 2022.

Cost of sales and services

Cost of sales and services decreased by 39.0% from RMB48.1 million for the year ended 31 December 2021 to RMB29.3 million for the Period mainly in line with the decrease in revenue.

Gross profit

During the Period, the Group recorded gross profit of approximately RMB7.8 million, representing an increase of approximately 15.5% from the gross profit of approximately RMB6.8 million for the year ended 31 December 2021. The increase is mainly due to the change in relative significance in our revenue stream. Specifically, a higher proportion of revenue was generated from our high gross margin power generation income and a lower proportion of revenue was generated from our relatively lower gross margin installation services income.

Other income

Other income for the Period was approximately RMB13.3 million, representing an increase of approximately RMB0.7 million, or 5.6%, from RMB12.6 million for the year ended 31 December 2021, which was mainly due to mainly due to the increase in government grants in encouraging the Group’s business activities of clean energy and adoption of high-technology advancement.

Other gains or losses

Other losses were approximately RMB26.3 million during the Period, as compare to other gains of approximately RMB14.9 million for the year ended 31 December 2021, mainly due to the reported fair value loss on assets held for sale of approximately HK$17.3 million for the Period and the depreciation of renminbi against US dollars during the Period.

The Group reported a reversal of an impairment loss on financial assets of approximately RMB24.2 million (2021: impairment loss of RMB22.6 million) during the Period, which was mainly due to the improvement in receivable collection and reversal of allowance for expected credit losses during the Period.

Selling and distribution expenses

Selling and distribution expenses increased by RMB3.4 million, or 278.0%, from RMB1.2 million for the year ended 31 December 2021 to RMB4.6 million for the Period, primarily due to the increase in marketing effort to increase sales during the Year.

Administrative and general expenses

Administrative and general expenses decreased by RMB1.2 million, or 3.3%, from RMB36.9 million for the year ended 31 December 2021 to RMB35.7 million for the Period due to decrease in depreciation, and salary as a result of the Covid-19 shut down in first half of 2022 and consistent with our decrease in revenue.

Research and development expenses

Research and development expenses decreased slightly by RMB39,000, or 1.13%, from RMB3.4 million for the year ended 31 December 2021 to RMB3.4 million for the Period and had no material fluctuation year on year. The Group continue to invest and improve the efficiency of our power storage system as well as designing solar photovoltaic power stations solutions for our potential rooftop distributed power generation projects.

Interest expenses

Interest expenses amounted to RMB14.0 million and RMB29.9 million for the Period and 31 December 2021 respectively, recording a decrease by RMB15.9 million, or 53.2%. The decrease in interest expenses was mainly due to partial repayment of loans and borrowings in 2022.

Loss before taxation

Loss before taxation was approximately RMB48.2 million for the Period, decreased by RMB11.7 million, or 19.6%, from approximately RMB60.0 million for the year ended 31 December 2021, due to the aforementioned factors.

Taxation

The Group recorded tax expenses of approximately RMB2.5 million during the Period, increasing from tax expense of approximately RMB1.3 million for the year ended 31 December 2021 by RMB1.2 million or 86.8%. The increase was primarily in line with the increase in profitability in our core business as noted from our increased gross profit.

Loss for the Period

The Group recorded a loss and total comprehensive expenses of approximately RMB50.7 million during the Period, while the Group recorded a loss and total comprehensive expenses of approximately RMB61.3 million for the year ended 31 December 2021.

Final dividend

The Board resolved not to declare final dividend for the Period (2021: nil).

Liquidity and financial resources

The Group funds its business and working capital requirements by using a balanced mix of internal resources, borrowings and funds from the Company's equity fund raising exercises and from the proceeds of the sales of property. As at 31 December 2022, the Group's current ratio (current assets divided by current liabilities) improved to 0.54 (31 December 2021: 0.15) and it was in a net debt position (being sum of borrowings, loan from shareholders, consideration payable, less liabilities and convertible bonds, less bank balances and cash) of approximately RMB86.1 million on 31 December 2022 (31 December 2021: RMB202.0 million. The gearing ratio (total liabilities divided by total equity) was 2.8 (31 December 2021: 3.6). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB192.3 million as of 31 December 2022 (31 December 2021: approximately RMB313.5 million). Also, the Group recorded net liabilities of approximately RMB164.2 million as of 31 December 2022 (31 December 2021: net liabilities of approximately RMB113.5 million).

Over the past few years, in order to release our liquidity stress, the Group has resolved different approaches including but not limited to reduction our cost of operation in all aspects, endeavor to obtain both long-term and short-term credit facilities; with the recent proposed disposal of low utilizing properties, it is expected that the proceeds can reduce our debts and improve the working capital of the Group for a period of time. The Group, inevitably, remains to make the biggest efforts to strengthen our financial position and enhance the cash flow by any ways including exploring collaborations with institutional investors, introduction of new strategic investors and pursuing growth through considering possible and adequate fund raising, financial restructuring, M&A and partnerships.

On 29 September 2022 (after trading hours), the Company entered into the three subscription agreements, with each of China Success Investment Group Limited (the "**First Subscriber**"), Wu Jun (the "**Second Subscriber**") and Zhao Xiaoqun (the "**Third Subscriber**") (collectively known as the "**Subscribers**"), all being third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), whereby the Subscribers conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue an aggregate of 155,414,011 Shares ("**Subscription Shares**") at the subscription price of HK$0.157 each (the "**Subscription**").

The Subscription Shares represent approximately 19.63% of the total number of Shares in issue as at the date of the subscription agreements and approximately 16.41% of the total number of Shares in issue and as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of the subscription agreements and the date of allotment and issue of the Subscription Shares. The Subscription Price of HK$0.157 per Subscription Shares represents: (i) a discount of approximately 11.30% to the closing price of HK$0.177 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 19.49% over the average closing price of HK$0.195 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of this announcement.

The aggregate nominal value of the Subscription Shares is approximately HK$621,656.

Upon completion of the subscription agreements, the loan in an amount of HK$7,250,000 owing to the First Subscriber, the loan in an amount of HK$10,000,000 owing to the Second Subscriber and the loan in an amount of HK$1,130,000 owing to the Third Subscriber shall be deemed to have been fully repaid. The cash proceeds raised from the Third Subscriber will be HK$6,020,000 and the net cash proceeds, after deduction of the relevant expenses, will be approximately HK$5,620,000. The net issue price, after deduction of relevant expenses, is estimated to be approximately HK$0.154 per Subscription Share. The Company intends to apply all such net proceeds for the repayment of the Group's borrowings and amounts payable.

The long stop date of the subscription agreements has been extended to 28 April 2023 and the Subscription has yet to complete as at 31 December 2022.

For details of the Subscription, please refer to the Company's announcement and circular dated 30 September 2022, 30 December 2022, 28 February 2022 and 31 March 2022 respectively.

Capital commitments

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

Contingent liabilities

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

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, save for the Disposal as disclosed in the above paragraph headed "Business Review", which has yet to complete at the end of the Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

SIGNIFICANT INVESTMENT HELD

There were no material investments held by the Group (31 December 2021: nil) as at 31 December 2022.

Charges on group assets

As at 31 December 2022 and 2021, the Group had restricted cash of approximately RMB0.2 million and RMB0.1 million respectively, and pledged its buildings, investment properties, right-of-use assets and plant and machines to secure financing facilities granted to the Group. Save as disclosed above, as at 31 December 2022, no other assets of the Group were charged.

OUTLOOK

Asset reallocation and capital restructuring

Have completed our corporate restructuring in 2020 and 2021, we commenced our plans of disposing assets and properties with low utilization and made plans to redistribute these resources to improve our capital structure by lowering our gearing ratio when opportunities arise.

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 previous years and completed the corporate restructuring in 2020 and 2021, we have partly executed our strategies of disposing assets and properties with low utilization and we plan to redistribute these resources to improve the capital structure and lower the gearing ratio of the Group.

On 3 August 2022, the Company received notices from a creditor purporting to enforce certain securities for convertible bonds issued by the Company on 27 July 2018 and maturing on 27 July 2021. The negotiations with such creditor are still in progress and the Company is confident that settlement proposals to the parties' satisfaction will be put forward in due course. As at 31 December 2022, the Group's gearing ratio (total liabilities divided by total equity) was 2.8 and the Group recorded net liabilities of approximately RMB164.2 million. The completion of both the Disposal of the Company's properties in Shanghai and the Subscription are expected to be completed in the first half of 2023, which will reduce the liabilities of the Group.

The Company will continue to discuss with its creditors, suppliers and service providers whom the Group is indebted to and exploring deleveraging and restructuring proposals including but not limited to debt capitalisation proposals with an aim to lower the Group's liabilities. The Company is hopeful that such proposals would materialise in the coming financial year ending 31 December 2023

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Friday, 30 June 2023 and the notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26 June 2023.

CORPORATE GOVERNANCE CODE

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

Following the resignation of Mr. Zhang Zhen in January 2021, the Company has no Chief Executive Officer (the "**CEO**") since then. The daily operation and management of the Company is monitored by the Executive Director and the Chief Operating Officer, Mr. John Yi Zhang ("**Mr. Zhang**") and Mr. Che Xiaoxi ("**Mr. Che**"), Mr. Zhang is the founder of the Group and has been in charge of the overall management of the Company since the listing of the Company in 2009. Meanwhile, Mr. Che is also responsible for the day-to-day management, administration and operation of the Company. The delegated functions and work tasks are periodically reviewed. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary. The Board considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of power by the Board. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and CEO is necessary and to ensure compliance with the statutory requirements and regulations and the CG Code and their corresponding latest development.

Mr. Ma Teng ("**Mr. Ma**") had retired as an independent non-executive director, and ceased to be a member of each of the audit committee, the remuneration committee and the nomination of the Company on 29 September 2022. Following the retirement of Mr. Ma, the Company has two independent non-executive directors and audit committee members, which therefore fell below the minimum requirements of three under Rules 3.10(1) and 3.21 of the Listing Rules respectively.

Pursuant to Rule 3.11 and 3.23 of the Listing Rules, the Company should appoint additional independent non-executive Directors and appropriate members to the Audit Committee within three months after failing to meet the requirements. Despite from the best effort by the Company, the Company failed to identify suitable candidate within the time requirement and additional time is required for the Company to identify potential suitable candidates to fill the vacancy to comply with the relevant requirements under the Listing Rules.

Further announcement(s) will be made by the Company when and as appropriate.

MODEL CODE

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

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

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 October 2009. The primary duties of the audit committee are to make recommendations to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company. As at the end of the Year, the audit committee consists of two members, namely, Mr. Jiang Qiang (Chairman) and Dr. Yan Ka Shing all of whom are independent non-executive directors. The Group's consolidated financial statements for the Period have been reviewed and approved by the Audit Committee.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the period from the Listing Date to 31 December 2022.

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the Period (2021: nil).

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.comtecsolar.com). The annual report of the Company for the Period will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of this announcement of the Group's results for the Reporting Period have been agreed by the Company's external auditor, Prism Hong Kong and Shanghai Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by Prism Hong Kong and Shanghai Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Prism Hong Kong and Shanghai Limited on this announcement.

APPRECIATION

The Company would like to take this opportunity to express its gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

DEFINITION

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited

"Convertible Bonds"	the convertible bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018
"Corporate Governance Code"	Code on corporate governance practices contained in the Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Kexin"	Zhejiang Kexin Power System Design and Research Company Limited (鎮江科信動力系統設計研究有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals 106 Watt
"PRC" or "China"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"PV"	Photovoltaic
"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
"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
"Year"	the year ended 31 December 2022
"*"	For identification only
"%"	per cent

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

Shanghai, the People's Republic of China, 31 March 2023

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