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卡姆丹克

卡姆丹克太陽能系統集團有限公司
Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 712)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

- Revenue for the Period was approximately RMB15.4 million, representing a decrease of 9.1% from approximately RMB17.0 million for the corresponding period in 2022;
- Gross profit for the Period was approximately RMB4.9 million for the Period, representing a decrease of 15.7%, from approximately RMB5.8 million gross profit for the corresponding period in 2022;
- Gross profit margin for the Period was 31.5%, comparing to the gross profit margin of 33.9% for the corresponding period in 2022;
- As part of the Group's strategy of removing the capital-intensive, less efficient upstream business, on 1 June 2022, the Company has announced the disposal of certain properties in Shanghai at a consideration of RMB180 million. The Disposal was completed and the Group recorded a net gain on the disposal of properties of approximately RMB68.1 million during the Period. The properties comprise of two land use rights and seven factory buildings. The Group continues to persevere in developing our solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, and the production and sale of the power storage products.
- Net profit attributable to the owners of the Company for the Period was approximately RMB49.3 million, representing an increase by approximately 503%, from the net loss attributable to the owners of the Company of approximately RMB12.2 million for the corresponding period in 2022;
- Our earning per share *(basic)* for the Period was RMB6.22 cents, comparing to the loss per share of 1.55 cents for the corresponding period in 2022; and
- The Group has significantly improved its financial position. As at 30 June 2023, the Group's total liabilities was approximately RMB283.1 million, having reduced from the total liabilities of approximately RMB467.1 million as at 31 December 2022. The gearing ratio (total liabilities divided by total equity) as at 30 June 2023 was 2.2, improving from the gearing ratio of 2.8 as at 31 December 2022.

INTERIM RESULTS

The Board of the Company is pleased to announce the unaudited interim results and condensed consolidated financial statements of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors, with one of them chairing the committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period for the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**15,430**	16,971
Cost of sales and services		**(10,576)**	(11,214)
Gross profit		**4,854**	5,757
Other income	*5*	**3,624**	4,173
Other gains and losses	*6*	**68,576**	(9,296)
Impairment loss on financial assets, net of reversal		**(5,262)**	16,379
Selling and distribution expenses		**(1,287)**	(336)
Administrative expenses		**(13,938)**	(12,896)
Research and development expenses		**(618)**	(1,830)
Finance costs	*7*	**(7,235)**	(7,851)
Profit/(loss) before taxation	*8*	**48,714**	(5,900)
Income tax (expenses)/credit	*9*	**(14)**	1,658
Profit/(loss) and total comprehensive expense for the Period		**48,700**	(4,242)
Profit/(loss) and total comprehensive income/(expense) for the Period attributable to			
Owners of the Company		**49,305**	(12,233)
Non-controlling interests		**(605)**	7,991
		48,700	(4,242)
		RMB cents	*RMB cents*
Earning/(loss) per share			
– Basic	*11*	**6.22**	(1.55)
– Diluted	*11*	**5.82**	(1.55)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**29,413**	31,842
Investment properties		**45,093**	45,093
		74,506	76,935
Current assets			
Inventories		**4,027**	3,084
Trade receivables	*12*	**7,347**	5,973
Deposits, prepayment and other receivables		**54,139**	68,848
Assets held for sales		**–**	125,358
Pledged bank deposits		**117**	204
Bank balances and cash		**12,144**	22,544
		77,774	226,011
Current liabilities			
Trade payables	*13*	**57,216**	50,132
Other payables and accruals		**118,843**	90,959
Contract liabilities		**3,275**	3,577
Deposit received		**–**	179,500
Interest-bearing borrowings		**15,152**	27,845
Loan from shareholders		**1,161**	4,761
Tax liabilities		**5,871**	5,863
Deferred income		**4,173**	4,173
Considerable payable		**5,130**	5,130
Lease liabilities		**4,019**	4,542
Convertible bonds	*14*	**43,355**	41,787
		258,195	418,269
Net current liabilities		**(180,421)**	(192,258)
Total assets less current liabilities		**(105,915)**	(115,323)

	NOTES	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings		**–**	4,700
Deferred tax liabilities		**3,419**	15,278
Deferred income		**6,896**	8,983
Lease liabilities		**14,581**	19,869
		24,896	48,830
Net liabilities		**(130,811)**	(164,153)
Capital and reserves			
Share capital	*15*	**3,153**	2,752
Reserves		**(132,642)**	(166,188)
Equity attributable to owners of the Company		**(129,489)**	(163,436)
Non-controlling interests		**(1,322)**	(717)
Total deficits		**(130,811)**	(164,153)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 2023 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 2023 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The Group incurred a net profit of approximately RMB48.7 million for the six months ended 30 June 2023 and had net current liabilities and net liabilities of approximately RMB180,421,000 and RMB130,811,000 as at that date respectively. Notwithstanding the above results, the condensed consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

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

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

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

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

- The Group has been actively negotiating with a few interested parties who would be interested to restructure the debts of the Company, such that the interested party will negotiate with the lenders to waive/refinance/extend the repayment of loans, and also look into possible equity/debt investment into the Company;

- The Group is adopting strict control of operating and investing activities; and

- On 30 June 2023, the Company entered into three subscription agreements with independent third parties to capitalise outstanding loans of approximately RMB6.9 million and raised approximately RMB8.5 million for the Group's general working capital purpose and repayment of the Group's debt.

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.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of new and amendments to International Financial Reporting Standards ("IFRSs") as explained below, the accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 2023:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in operation of rooftop distributed power generation projects in industrial, commercial and residential buildings, provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products, and provision of logistics 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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of power storage products	**1,720**	10,852
– Installation services for photovoltaic power stations	**15**	–
– Power generation	**5,713**	4,510
– Consulting services for construction	**1,656**	1,609
– Logistics services	**6,326**	–
	15,430	16,971

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

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

(b) Segment reporting

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

- Mono-crystalline and solar products – Production and sales of efficient mono-crystalline products and trading of solar products.
- Solar and power storage – Provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and production and sales of power storage products.
- Logistics transportation – Provision of logistics services to factories, manufacturers, raw material providers in the PRC, primarily in the Jiangsu Province.

(i) Segment revenue and results

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

For the six months ended 30 June 2023

	Mono-crystalline and solar products *RMB'000* (Unaudited)	Solar and power storage *RMB'000* (Unaudited)	Logistics services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Disaggregated by timing of revenue recognition				
Point in time	**–**	**1,720**	**6,326**	**8,046**
Over time	**–**	**7,384**	**–**	**7,384**
Total revenue	**–**	**9,104**	**6,326**	**15,430**
Segment (loss) 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 loss represents the loss of each segment without allocation of central and other operating expenses, certain unallocated other income and finance cost. This is the measure reported to the directors of the Company with respect to the resource allocation and performance assessment.

For the six months ended 30 June 2022

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

(ii) *Segment assets and liabilities*

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

Segment assets

	As at 30 June 2023 ***RMB'000*** **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Mono-crystalline and solar products	**140**	1,952
Solar and power storage	**90,971**	148,774
Logistics services	**5,269**	–
Total segment assets	**96,380**	150,726
Corporate and other assets	**55,900**	152,220
Total assets	**152,280**	302,946

Segment liabilities

	As at 30 June 2023 ***RMB'000*** **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Mono-crystalline and solar products	**8,047**	4,796
Solar and power storage	**53,556**	45,087
Logistics services	**6,835**	–
Total segment liabilities	**68,438**	49,883
Corporate and other liabilities	**214,653**	417,216
Total liabilities	**283,091**	467,099

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

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

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

(iii) Other segment information

For the six months ended 30 June 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)**

For the six months ended 30 June 2022 (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	502	3,415	–	3,999	7,916
Reversal of impairment loss on financial assets	–	16,379	–	–	16,379
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:					
Finance costs	565	1,222	–	6,064	7,851
Income tax credit	–	1,655	–	3	1,658

5. OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(note)*	**2,087**	2,087
Rental income	**1,297**	2,010
Interest income	**240**	24
Others	**–**	52
	3,624	4,173

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gain/(loss)	**444**	(2,513)
Fair value loss on investment properties	**–**	(6,621)
Gain on disposal of properties *(note)*	**68,129**	–
Gain on deregistration of subsidiaries	**7**	–
Others	**(4)**	(162)
	68,576	(9,296)

Note: As part of the Group's strategy of removing the capital-intensive, less efficient upstream business, on 1 June 2022, the Company's 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 Period. The properties comprise of two land use rights and seven factory buildings.

7. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**2,797**	4,317
Interest on convertible bonds	**3,509**	3,122
Interest on leases liabilities	**929**	412
	7,235	7,851

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
– Salaries, wages, bonus and other benefits (including of director's emoluments)	**3,162**	2,996
– Retirement benefits schemes contributions	**16**	304
Total staff costs	**3,178**	3,300

(b) Other items

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation charge		
– owned property, plant and equipment	**3,748**	6,173
– right-of-use assets	**2,516**	1,133
	6,264	7,306
Amortisation cost of intangible assets	**–**	610
Amount of inventories recognised as an expense	**–**	7,696

9. TAXATION

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**14**	(3)
Deferred tax		
Current period	**–**	(1,655)
Income tax expense/(credit)	**14**	(1,658)

No Hong Kong Profits Tax was provided for the six months ended 30 June 2023 and 2022 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 2023 and 2022.

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2023 and 2022.

11. EARNING/(LOSS) PER SHARE

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earning/loss		
Earning/(loss) for the Period attributable to owners of the Company	**49,305**	(12,233)
Number of shares		
Weighted average number of ordinary shares in issue	**792,316,033**	791,709,002
Weighted average number of outstanding and vested share options	**55,159,500**	–
Weighted average number of shares for the purpose of diluted earnings per share	**847,475,533**	791,709,002

The outstanding share options and conversion option of the convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the six months ended 30 June 2022.

12. TRADE RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables, net of allowance	**7,347**	5,973

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 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
0 to 30 days	**4,691**	5,870
31 to 60 days	**1,893**	35
61 to 90 days	**741**	22
Over 90 days	**22**	46
	7,347	5,973

13. TRADE PAYABLES

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
0 to 30 days	**3,356**	4,845
31 to 60 days	**3,542**	46
61 to 90 days	**670**	21
91 to 180 days	**115**	128
181 to 360 days	**141**	1,203
Over 360 days	**49,392**	43,889
	57,216	50,132

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

14. CONVERTIBLE BONDS

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

The principal terms of the Bonds

(i) Denomination of the Bonds – The Bonds are denominated and settled in USD.

(ii) Maturity date – The third anniversary of the date of issuance, which is 27 July 2021.

(iii) Interest – The Bonds carry interest at 10% per annum, accrued on a daily basis, of which 3% shall be paid in cash semi-annually in arrears and 7% should be paid in cash upon redemption or maturity.

(iv) 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.

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

As at 30 June 2023, the Bonds of the aggregate principal amount of USD6,000,000 is overdue.

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

	Debt component *RMB'000*	Derivative component *RMB'000*
At 1 January 2022 (Audited)	38,254	–
Exchange difference	3,533	–
At 31 December 2022 and 1 January 2023 (Audited)	**41,787**	**–**
Exchange difference	**1,568**	**–**
At 30 June 2023 (Unaudited)	**43,355**	**–**

15. SHARE CAPITAL

	At 30 June 2023		At 31 December 2022	
	No. of shares **(Unaudited)**	***HKD'000*** **(Unaudited)**	*No. of shares* (Audited)	*HKD'000* (Audited)
Authorised:				
Ordinary shares of HK$0.004 each	**1,900,000,000**	**7,600**	1,900,000,000	7,600
Issued and fully paid:				
At the beginning of period/year	**791,709,002**	**3,167**	791,709,002	3,167
Share subscriptions *(note)*	**109,872,610**	**439**	–	–
At the end of the period/year	**901,581,612**	**3,606**	791,709,002	3,167

Presented in RMB:	**At 30 June 2023** ***RMB'000*** **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Ordinary shares	**3,153**	2,752

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

Note: The Company has completed two share subscriptions on 30 June 2023 to settle certain liabilities of approximately HK$17,250,000 (equivalent to approximately RMB15,956,250) of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group is principally engaging in the solar businesses which focus on (1) consulting services for investment, engineering, procurement, development, and operation of solar photovoltaic power stations; (2) operations of rooftop distributed power generation projects in industrial, commercial and residential buildings; (3) sales of lithium battery power storage systems for electric vehicles and power storage customers; as well as (4) logistics services.

The Group continues to provide solar engineering, procurement and construction ("EPC") services for rooftop distributed generation projects to customers from Guangdong, Fujian, Tianjin, Zhejiang, Shandong, Anhui, Hebei, Henan, Hubei, and Hunan and this business continues to provide a stable revenue stream to the Group. While the Group is facing weak demand and strong competitions in the lithium battery power storage systems manufacturing business, we noted that our logistics business has grown steadily during the Period. Jiangsu Comtec Logistics Co., Ltd* (江蘇卡姆丹克物流有限公司), has been established and rebranded as the Group's logistics business arm for, among others, transportation of mono-crystalline products and power storage products, since the year ended 31 December 2020. The importance of providing stable logistics service has become increasingly apparent especially considering the severe challenges brought by the COVID-19 pandemic at that time and during the last few years. The logistics business, being established in one of the most vibrant new energy economic centre, Changzhou, has helped both internal and external customers to stable supplies and support production. During the Period, the Group's revenue from logistics services business achieved a breakthrough and the revenue from external customer from this segment increased significantly by 100% to approximately RMB6.3 million for the Period.

Every year, global energy demand continues to rise. Driven by factors such as the rapid development of the emerging economies and extended life longevity for human, total worldwide energy usage is expected to grow by nearly 50% by 2050. At the same time, scientists are sending alarming warnings about rising temperature levels, caused by carbon dioxide and other greenhouse gases. We have observed that the global economy is busily working on switching to cleaner energy sources, and the pace of change has never been faster. The Group, originating from its solar energy production equipment manufacturing, will continue to develop and expand our businesses with a mission to improve the global energy supply in both efficiency and sources. For the efficiency aspect, the Group will continue to invest, research, develop and provide power storage and power supply technology to boost energy storage efficiency, power supply stability and reducing energy loss in the process of power generation. For the energy sources vision, the Group will, its investment, technology development and design, strive to increase the proportion of the world's energy supply from renewable sources.

The Group continues to persevere in its business and future development and will continue to play its role in a sustainable future for all global citizens.

FINANCIAL REVIEW

Revenue

Revenue from our businesses mainly included (1) consulting services income from design, installation and construction of photovoltaic power stations, (2) power generation income (3) income from sales of power storage products, and (4) income from logistics services business. Revenue, decreased by approximately RMB7.9 million, or 46.4%, from approximately RMB17.0 million for the corresponding period in 2022 to approximately RMB9.1 million for the Period, primarily due to the weak demand and strong competition for the sales of lithium battery power storage products, and while revenue from logistics services business increased by 100% to approximately RMB6.3 million for the Period as compared to the corresponding period in 2022.

Cost of sales and services

Cost of sales and services decreased by 5.7% from approximately RMB11.2 million for the corresponding period in 2022 to approximately RMB10.6 million for the Period, generally in line with the decrease in revenue, partially offset by the increase in cost of services incurred by the increased logistics services business.

Gross profit

During the Period, the Group recorded gross profit of approximately RMB4.8 million, representing a decrease of approximately 15.7% from the gross profit of approximately RMB5.8 million for the corresponding period in 2022, as a result of the decrease in revenue.

Other income

During the Period, other income was approximately RMB3.6 million, representing a decrease of 13.2%, from approximately RMB4.2 million for the corresponding period in 2022, which was mainly due to the decrease in rental income as we completed the disposal of certain properties in Shanghai, more details of the Disposal to be provided below under section "Other gains and losses".

Other gains and losses

Other gains were approximately RMB68.6 million during the Period, representing an increase by 837.7% from other losses of approximately RMB9.3 million during the corresponding period in 2022. The increase was primarily due to disposal of certain properties in Shanghai. Specifically, the Group, on 1 June 2022, announced that the Group's wholly-owned subsidiary, Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), as the Vendor, entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with, Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), as the Purchaser, to dispose the properties (together with the ancillary facilities) located in Shanghai, the PRC, at the consideration of RMB180 million (the "Disposal"). The properties comprised of two land use rights and seven factory buildings and was used partly as investment properties and partly as manufacturing facility of the Group. The Disposal was completed and the Group recorded a net gain on the disposal of properties of approximately RMB68.1 million during the Period. The proceeds were used to repay the borrowings of the Group during both 2022 and the Period.

Selling and distribution expenses

Selling and distribution expenses increased by 283.0%, from approximately RMB0.3 million for the corresponding period in 2022 to approximately RMB1.3 million for the Period, primarily due to the increased business travel as compared to the corresponding period in 2022 when the citywide static management imposed in Shanghai due to the Covid-19 pandemic.

Administrative expenses

Administrative expenses increased by approximately RMB1.0 million, or 8.1%, from approximately RMB12.9 million for the corresponding period in 2022 to approximately RMB13.9 million for the Period, which was mainly due to the increase in legal and professional fees for the corporate actions pursuant to reduction of liabilities and on the Disposal.

Research and development expenses

Research and development expenses decreased by approximately RMB1.2 million, or 66.2%, from approximately RMB1.8 million for the corresponding period in 2022 to approximately RMB0.6 million for the Period, due to the stringent cost control measures implemented by the Company.

Finance costs

Interest expenses decreased by approximately RMB0.7 million from approximately RMB7.9 million for the corresponding period in 2022 to approximately RMB7.2 million for the Period due to a decrease in interest expenses following repayment of borrowings by utilizing the use of proceeds from the Disposal.

Profit before taxation

Profit before taxation was approximately RMB48.7 million for the Period, increased by approximately RMB54.6 million, or 925.7%, from losses of approximately RMB5.9 million for the corresponding period in 2022, due to the aforementioned factors.

Taxation

The Group recorded tax expenses of approximately RMB14,000 during the Period, increasing from tax credit of approximately RMB1.7 million for the corresponding period in 2022, mainly due to the enterprise income tax incurred from the operating profit made from the Group's rooftop distributed generation projects during the Period.

Profit for the Period

The Group recorded a profit and total comprehensive income of approximately RMB48.7 million during the Period, while the group recorded a loss and total comprehensive expenses of approximately RMB4.2 million during the corresponding period in 2022.

Interim dividend

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2022: nil).

Liquidity and financial resources

As at 30 June 2023, the Group's current ratio (current assets divided by current liabilities) was 0.3 (31 December 2022: 0.54). The gearing ratio (total liabilities divided by total equity) was 2.2 (31 December 2022: 2.8). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of approximately RMB180.4 million as of 30 June 2023 (31 December 2022: approximately RMB192.3 million). Also, the Group recorded net liabilities of approximately RMB130.8 million as of 30 June 2023 (31 December 2022: approximately RMB164.2 million).

The Company has completed the two subscription agreements with 46,178,343 subscription Shares and 63,694,267 subscription Shares were issued and allotted to the First Subscriber (as defined in the Company's announcement dated 30 September 2022) and the Second Subscriber (as defined in the Company's announcement dated 30 September 2022), both subscribers are independent third parties, respectively on 30 June 2023, at the issue price of HK$0.157 per Subscription Share. The loans owned to the First Subscriber and the Second Subscriber by the Company of approximately HK$17,250,000 in aggregate (equivalent to approximately RMB15,960,250) were deemed to have been fully repaid upon completion of the aforementioned subscription agreements. Please refer to the Company's announcements dated 30 June 2023 and 30 September 2022 for further details.

Prior to the AGM held on the same day, the Company entered into three subscription agreements with the three subscribers (all are independent third parties) to capitalise outstanding loans of a total of approximately RMB6.9 million and raised approximately RMB8.5 million for the Group's general working capital purpose and repayment of the Group's debt. Please refer to the Company's announcement dated 30 June 2023 for further details.

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, introduction of new strategic investors and pursuing growth through considering possible and adequate fund raising, financial restructuring, M&A and partnerships.

Capital commitments

As at 30 June 2023, the Group's capital commitment was nil (31 December 2022: nil). The Group would carefully plan for the expansion of its rooftop distributed generation projects and power storage business which would depend on and subject to the market conditions and opportunities.

Contingent liabilities

As at 30 June 2023, there was no material contingent liability (31 December 2022: nil).

Charges on group assets

As at 30 June 2023, the Group had restricted cash of approximately RMB0.1 million (31 December 2022: approximately RMB0.2 million), and pledged its buildings, investment properties, right-of-use assets and plant and machines to secure financing facilities granted to the Group. Save as disclosed above, as at 30 June 2023, no other assets of the Group were charged.

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.

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.

Relaunching the development of the logistics business segment

The Group established its logistics business in 2020 as we have been optimistic of the growth and prospect of the industry. The segment has achieved a breakthrough in its performance with an increased revenue during the Period.

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.

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 is currently finalising 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. More information regarding the aforesaid investment and the potential opportunities of such investments will be disclosed as and when appropriate.

CORPORATE GOVERNANCE CODE

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 14 to the Listing Rules (the "CG Code") 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.

In accordance to Rule 3.10(1) of the Listing Rules, the Company should appoint at least three independent non-executive Directors. Following the retirement of Mr. Ma Teng on 30 September 2022, the Company has only two independent non-executive Directors on the Board.

Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and such committee must comprise a minimum of three members. Following the retirement of Mr. Ma Teng on 30 September 2022, the Audit Committee only comprised two independent non-executive Directors, which is below the minimum requirement under Rule 3.21 of the Listing Rules.

Pursuant to Rule 3.25 of the Listing Rules, every listed issuer must establish a remuneration committee chaired by an independent non-executive Director and comprising a majority of independent non-executive directors. Following the retirement of Mr. Ma, the remuneration committee of the Company, (the "Remuneration Committee") only comprised two independent non-executive Directors, one executive Director and one non-executive Director.

Pursuant to Rules 3.27A of the Listing Rules, a majority of the members of the nomination committee should be independent non-executive directors. However, during the Period, the nomination committee of the Company, (the "Nomination Committee") only comprised one-executive Director, one non-executive Director and two independent non-executive Directors.

To comply with Rules 3.10(1), 3.21, 3.25 and 3.27A, the Board is in the process of identifying a suitable candidate to fill the vacancies of the independent non-executive Director position and memberships of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. The Company will make its best endeavour to identify a suitable candidate to fill the casual vacancy on the Board for the position of independent non-executive Director as soon as practicable pursuant to Rules 3.11 and 3.23 of the Listing Rules and will make further announcement as and when appropriate.

The Board currently comprises only male directors. The Nomination Committee has set a target of not less than 10% for female Directors representation on the Company's Board during its meeting in March 2023 and the Board is currently still in progress of searching at least one female director on the Board.

MODEL CODE

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

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

INTERIM DIVIDEND

The Board resolved that since the Company plans to reserve cash for working capital requirement and any potential investment opportunities in the future, no interim dividend will be declared for the six months ended 30 June 2023. The Company may consider its dividend policy in the future according to the financial results and performance of the Company, and the general industry and economic environment.

PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and to the best knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

DEFINITIONS

"AGM"	the Annual General Meeting held on on 30 June 2023
"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Convertible Bonds"	the convertible bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Disposal"	the disposal of the certain properties in Shanghai comprise of two land use rights and seven factory buildings
"Framework Agreement"	A strategic cooperation framework agreement which the Company entered with Jiangsu Changzhou Tianning Economic Development Zone Management Committee and Changzhou Tianning Investment Service Centre on 16 March 2021
"Group"	the Company and its subsidiaries
"HK$" 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
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons
"Kexin"	Zhejiang Kexin Power System Design and Research Company Limited* （鎮江科信動力系統設計研究有限公司）, a company incorporated under the laws of the PRC and a partially-owned subsidiary of the Company
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Mr. Zhang" or "Mr. John Yi Zhang"	Mr. John Yi Zhang, an executive Director and the chairman of the Board
"MW"	megawatt, which equals 106 Watt
"Period"	The six months ended 30 June 2023
"PRC" or "China"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sales and purchase agreement dated 1 June 2022 in relation to the disposal of the properties
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	Ordinary share(s) of HK$0.004 each in the share capital of the Company
"Share Consolidation"	the share consolidation of every four issued and unissued Unconsolidated Shares into one (1) Share
"Shareholder(s)"	Shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Unconsolidated Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company prior to the Company's share consolidation which took effect on 28 August 2019
"USD"	United States dollars, the lawful currency of the United States of America

"*"	For identification only
"%"	per cent

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

Shanghai, the People's Republic of China, 28 August 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