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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 712)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- Revenue for the Period was approximately RMB50.3 million, representing an increase of 76.7% from approximately RMB28.5 million for the corresponding period in 2020;
- Gross profit for the Period was approximately RMB7.9 million for the Period, representing an increase by approximately 965.5%, from approximately RMB0.9 million gross loss for the corresponding period in 2020;
- Gross profit margin for the Period was approximately 15.7%, comparing to the gross loss margin of 3.2% for the corresponding period in 2020;
- Net losses attributable to the owners of the Company for the Period was approximately RMB19.5 million, representing a decrease by approximately 37.4%, from approximately RMB31.2 million for the corresponding period in 2020;
- Net losses margin attributable to the owners of the Company for the Period was approximately 38.7%, comparing to the net losses margin of 109.4% for the corresponding period in 2020;
- Our loss per share for the Period was RMB2.56 cents, comparing to the adjusted loss per share of 4.45 cents for the corresponding period in 2020; and
- Maintained bank and cash balances of approximately RMB5.5 million as at 30 June 2021.

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 2021 (the “Period”), together with the comparative figures for the corresponding period in 2020. 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

For the six months ended 30 June 2021

		For the six months ended 30 June	
	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	50,347	28,490
Cost of sales and services		(42,445)	(29,403)
Gross profit (loss)		7,902	(913)
Other income	6	3,330	2,966
Other gains and losses	7	(3,162)	(1,115)
Distribution and selling expenses		(384)	(469)
Administrative expenses		(17,485)	(21,020)
Research and development expenses		(1,712)	(577)
Share of loss of a joint venture		—	(24)
Finance costs	8	(7,236)	(11,390)
Loss before taxation	9	(18,747)	(32,542)
Income tax (expenses) credit	10	(16)	10
Loss and total comprehensive expense for the period		(18,763)	(32,532)
(Loss) Profit and total comprehensive (expenses) income for the period attributable to			
Owners of the Company		(19,501)	(31,161)
Non-controlling interests		738	(1,371)
		(18,763)	(32,532)
		<i>RMB cents</i>	<i>RMB cents</i>
Loss per share			
— Basic	12	(2.56)	(4.45)
— Diluted	12	(2.56)	(4.45)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		120,395	128,236
Investment properties		82,914	82,914
Right-of-use assets		18,649	19,568
Goodwill		6,573	6,573
Intangible assets		1,525	2,135
Interests in an associate		—	159
Deposits paid for acquisition of property, plant and equipment		526	691
		230,582	240,276
Current assets			
Inventories		18,977	17,215
Trade and other receivables	13	88,781	70,771
Advance to suppliers		27,793	29,737
Pledged bank deposits		—	21,214
Bank balances and cash		5,526	5,126
		141,077	144,063
Current liabilities			
Trade and other payables	14	180,147	137,444
Contract liabilities		31,564	34,720
Interest-bearing borrowings		142,361	164,481
Tax liabilities		4,325	5,808
Deferred income		840	840
Considerable payable		5,130	5,130
Lease liabilities		1,529	1,591
Convertible Bonds	15	50,543	84,587
		416,439	434,601
Net current liabilities		(275,362)	(290,538)

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Total assets less current liabilities		(44,780)	(50,262)
Non-current liabilities			
Interest-bearing borrowings		9,000	10,300
Deferred tax liabilities		11,541	11,541
Deferred income		7,329	7,329
Lease liabilities		8,720	9,713
		36,590	38,883
Net liabilities		(81,370)	(89,145)
Capital and reserves			
Share capital	16	2,708	2,556
Reserves		(82,695)	(89,580)
Equity attribute to owners of the Company		(79,987)	(87,024)
Non-controlling interests		(1,383)	(2,121)
Total deficits		(81,370)	(89,145)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The condensed consolidated financial statements of Comtec Solar Systems Group Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 30 June 2021 were authorised for issue in accordance with a resolution of the board of directors of the Company on 31 August 2021.

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 are principally engaged in research, production and sales of efficient mono-crystalline products, power storage products and lithium battery products and the investment, development, construction and operation of solar photovoltaic power stations.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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 2021 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 2020.

The Group incurred a net loss attributable to the owners of the Company of approximately RMB20 million for the six months ended 30 June 2021 and had net current liabilities and net liabilities of approximately RMB275 million and RMB81 million as at that date respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt as to the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has developed and implemented the following liquidity plan:

- 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 in the foreseeable future;
- 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 in 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 that it will continue to be able to do so in the foreseeable future; and
- The Group is adopting strict control of operating and investing activities.

The directors of the Company are satisfied, after taking into account the factors as mentioned above, that the Group will have sufficient working capital for at least the next 12 months from 30 June 2021. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties 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 (“IFRS”) as explained below, the accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

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 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to IFRS 16	Covid-19-related Rent Concessions

The adoption of above amendment to IFRS does not have a material impact on these condensed consolidated financial information.

4. REVENUE

	For the six months ended 30 June	
	2021	2020
	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	42,282	16,534
— Installation and consulting services for photovoltaic power stations	3,721	8,183
— Power generation	4,344	2,919
— Sales of monocrystalline solar wafers	—	592
— Sales of others	—	216
— Sales of polysilicon	—	39
— Sales of monocrystalline solar ingots	—	7
	<u>50,347</u>	<u>28,490</u>
Geographical markets		
The People's Republic of China (the "PRC") including Hong Kong	<u>50,347</u>	<u>28,490</u>
Total revenue	<u>50,347</u>	<u>28,490</u>
Timing of revenue recognition		
At a point in time	42,282	17,388
Overtime	8,065	11,102
Total revenue	<u>50,347</u>	<u>28,490</u>

5. SEGMENT INFORMATION

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, investment, development, construction and operation of solar photovoltaic power stations and the research, production and sales of power storage products. The Group has two operating and reportable segments for financial reporting purpose for the six months ended 30 June 2021. The Group's segment profit (loss) is the profit (loss) before tax of the Group except that share of loss of a joint venture, finance costs as well as corporate income and expense are excluded from the measurement of segment profit (loss).

The Group's reportable and operating segments are as follows:

- (i) Upstream — Production and sales of efficient mono-crystalline products, trading of solar products.
- (ii) Downstream solar and power storage — Investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products.

Segment revenues and results

	Downstream solar and power storage RMB'000 (Unaudited)
<i>For the six months ended 30 June 2021:</i>	
Revenue	50,347
Cost of sales and services*	<u>(42,445)</u>
Segment profit	<u>7,902</u>
Other income	3,330
Other gains and losses	(3,162)
Distribution and selling expenses	(384)
Administrative expenses	(17,485)
Research and development expenses	(1,712)
Finance costs	<u>(7,236)</u>
Loss before taxation	<u>(18,747)</u>

	Upstream RMB'000 (Unaudited)	Downstream solar and power storage RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<i>For the six months ended 30 June 2020:</i>			
Revenue	854	27,636	28,490
Cost of sales and services*	<u>(7,645)</u>	<u>(21,758)</u>	<u>(29,403)</u>
Segment (loss) profit	<u>(6,791)</u>	<u>5,878</u>	<u>(913)</u>
Other income			2,966
Other gains and losses			(1,115)
Distribution and selling expenses			(469)
Administrative expenses			(21,020)
Research and development expenses			(577)
Share of loss of a joint venture			(24)
Finance costs			<u>(11,390)</u>
Loss before taxation			<u>(32,542)</u>

* Included in the cost of sales and services of the upstream segment and the downstream solar and power storage segment for the six months ended 30 June 2021 was depreciation of property, plant and equipment of RMB3,404,000 (Six months ended 30 June 2020: RMB6,538,000) and RMB1,477,000 (Six months ended 30 June 2020: RMB2,837,000) respectively.

6. OTHER INCOME

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Rental income	2,213	2,392
Income from waived of trade payables	692	—
Government grants (note)	234	421
Interest income	97	124
Others	<u>94</u>	<u>29</u>
	<u>3,330</u>	<u>2,966</u>

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

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Net foreign exchange loss	(2,467)	(1,461)
Gain on disposal of property, plant and equipment	—	958
Written-off of property, plant and equipment	(2,960)	—
Reversal of impairment losses on other receivables, net	—	282
Impairment losses on trade receivables, net	—	(245)
Gain on fair value change of derivative component of convertible bonds	2,659	212
Gain on derecognition upon redemption of convertible bonds	3,173	—
Loss on disposal of financial assets at fair value through profit or loss	—	(861)
Loss on deregistration of an associate	(159)	—
Loss on deregistration of subsidiaries	(3,335)	—
Others	(73)	—
	<u>(3,162)</u>	<u>(1,115)</u>

8. FINANCE COSTS

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Interest on borrowings	3,753	6,106
Imputed interest on convertible bonds	2,858	4,481
Imputed interest on leases liabilities	516	487
Others	109	316
	<u>7,236</u>	<u>11,390</u>

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Cost of inventories recognised as expense	31,436	23,615
Depreciation of property, plant and equipment	4,881	9,375
Depreciation of right-of-use assets	919	1,172
Amortisation of intangible assets	610	903
	<u>610</u>	<u>903</u>

10. INCOME TAX EXPENSES (CREDIT)

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	16	—
Deferred tax		
Current period	—	(10)
Income tax credit expenses (credit)	<u>16</u>	<u>(10)</u>

No Hong Kong Profits Tax was provided for the six months ended 30 June 2021 and 2020 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 2021 and 2020.

11. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2021 and 2020.

12. LOSS PER SHARE

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company	<u>(19,501)</u>	<u>(31,161)</u>
Number of shares		
Weighted average number of ordinary shares	<u>760,965,803</u>	<u>699,749,764</u>

The outstanding share options and conversion option of the convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the six months ended 30 June 2021 and 30 June 2020.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables, net of allowance	23,339	30,699
Other receivables	65,442	40,072
	<u>88,781</u>	<u>70,771</u>

The Group requests prepayment from customers before delivery of goods and allows a credit period of 7 to 180 days for the remaining balance on case-by-case basis. The following is an ageing analysis of trade receivables net of impairment based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
0 to 30 days	2,575	8,325
31 to 60 days	359	2,584
61 to 90 days	5,293	1,061
91 to 180 days	6,482	6,766
Over 180 days	8,630	11,963
	<u>23,339</u>	<u>30,699</u>

14. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	87,027	65,557
Payables for acquisition of property, plant and equipment	15,544	16,973
Other payables and accrued charges	77,576	54,914
	<u>180,147</u>	<u>137,444</u>

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
0 to 30 days	2,029	7,812
31 to 60 days	11,550	2,111
61 to 90 days	4,755	1,312
91 to 180 days	3,977	2,618
Over 180 days	64,716	51,704
	<u>87,027</u>	<u>65,557</u>

The average credit period on purchases of goods is 30 to 90 days and certain suppliers grant a longer credit period on a case-by-case basis.

15. 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.

In March 2021, the Company received the conversion notices from the subscriber to the exercise of the conversion rights attached to the Bonds in respect of the aggregate principal amount of USD4,000,000 (equivalent to RMB25,886,000).

The principal terms of the Bonds

- (i) Denomination of the Bonds — The Bonds are denominated and settled in USD.
- (ii) Maturity date — The third anniversary of the date of issuance, which is 27 July 2021.
- (iii) Interest — The Bonds carry interest at 10% per annum, accrued on a daily basis, of which 3% shall be paid in cash semi-annually in arrears and 7% should be paid in cash upon redemption or maturity.
- (iv) Conversion
 - a) Conversion price — The conversion price is HKD0.174 per share, subject to adjustments.

Upon the completion of the share consolidation on 28 August 2019, the conversion price has been increased to HKD0.696 per share.
 - b) Conversion period — The bondholder shall have the right, on any business day after the date of issuance until and including the seventh business day immediately preceding the maturity date, to convert the whole or part of the outstanding principal amounts of the Bonds.
 - c) Number of conversion shares issuable — The number of conversion shares to be issued shall be calculated based on the principal amount of the Bonds being converted and the conversion price applicable on the relevant conversion date. No fraction of a share shall be issued on conversion of the Bonds.

The Bonds contain two components, namely 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 movements of the debt and derivative components of the Bonds for the six months ended 30 June 2021 are set out as below:

	Debt Component RMB'000 (Unaudited)	Derivative Component RMB'000 (Unaudited)
At 1 January 2021	74,460	10,127
Interest charge	2,858	—
Interest payment	(5,484)	—
Gain arising on changes of fair value	—	(2,659)
Net exchange difference	259	41
Redemption of convertible bonds	(25,580)	(3,479)
At 30 June 2021	46,513	4,030

	Debt Component RMB'000 (Audited)	Derivative Component RMB'000 (Audited)
At 1 January 2020	72,600	224
Interest charge	9,042	—
Interest payment	(1,998)	—
Loss arising on changes of fair value	—	9,926
Net exchange difference	(5,184)	(23)
At 31 December 2020	74,460	10,127

16. SHARE CAPITAL

	At 30 June 2021		At 31 December 2020	
	No. of shares (Unaudited)	HKD'000 (Unaudited)	No. of shares (Audited)	HKD'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.004 each	<u>1,900,000,000</u>	<u>7,600</u>	<u>1,900,000,000</u>	<u>7,600</u>
Issued and fully paid:				
At the beginning of period/year	733,174,710	2,933	628,289,531	2,513
Share issued upon conversion of convertible bonds (note i)	45,113,792	180	—	—
Shares issued upon subscription in February 2020 (note ii)	—	—	104,885,179	420
At the end of the period/year	<u>778,288,502</u>	<u>3,113</u>	<u>733,174,710</u>	<u>2,933</u>
		At 30 June 2021 RMB'000 (Unaudited)		At 31 December 2020 RMB'000 (Audited)
Presented in RMB:		<u>2,708</u>		<u>2,556</u>

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.

Notes

- (i) On 5 March 2021 and 18 March 2021, conversion options of the Bonds were exercised to subscribe 45,113,792 ordinary shares of the Company in aggregate, with exercise price of HK\$0.696 per share among which approximately HK\$180,000 (equivalent to RMB 152,000) was credited to share capital and approximately HK\$31,219,000 (equivalent to RMB 26,386,000) was transferred from carrying amount of the Bonds to the share premium.
- (ii) On 28 February 2020, the Company issued 104,885,179 new shares pursuant to a subscription agreement dated 31 December 2019 at the subscription price of HKD0.1 per subscription share, with an aggregate net proceed of HKD10,489,000 (equivalent to RMB9,273,000), after deducting related expenses of HKD157,000 (equivalent to RMB141,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group is principally engaging in the downstream solar business which specifically focuses on rooftop distributed generation projects in industrial, commercial and residential buildings as well as its lithium battery systems businesses for electric vehicles and power storage customers. For the six months ended 30 June 2020, in addition to the above businesses, the Group also operated a limited scale of upstream manufacturing business which had not been profitable over the last few years.

On 16 March 2021, the Company entered into a strategic cooperation framework agreement with Jiangsu Changzhou Tianning Economic Development Zone Management Committee and Changzhou Tianning Investment Service Centre. Pursuant to the said strategic cooperation framework agreement, the respective parties agreed to launch comprehensive cooperation in new energy asset trading platform, intelligent logistics and renewable energy business based on the principle of “equality and mutual benefit” so as to take complimentary advantages of their respective resources, expertise and experience. The details of the said strategic cooperation framework agreement are set out in the announcement of the Company dated 18 March 2021.

Riding on the global concern on climate change and the global trend on environmental justice, we expect we can benefit from such trend and will have a continuous improvement in the revenue and profit in our business. Having removed our capital intensive, less efficient upstream business, the Group is now more focused in developing our downstream solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products. We provide EPC services for downstream 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 continuous support provided to the electric vehicle industry, green energy and the power storage industry globally, our profit will grow diversely and constantly in the future.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB21.8 million, or 76.7%, from RMB28.5 million for the six months ended 30 June 2020 to RMB50.3 million for the six months ended 30 June 2021, primarily due to the increase in the sales of power storage products.

Revenue from our downstream solar businesses mainly included sales of power storage products, installation and consulting services for photovoltaic power stations, power generation, and EPC management service income.

Cost of sales and services

Cost of sales and services increased by 44.4% from RMB29.4 million in the first half of 2020 to RMB42.4 million in the first half of 2021 in line with the increase in revenue in our downstream businesses.

Gross profit (loss)

During the Period, the Group recorded gross profit of approximately RMB7.9 million, representing an increase of approximately 965.5% from the gross loss of approximately RMB0.9 million for the corresponding period in 2020. The increase is in line with the change in products and service mix and our significant increase in revenue.

Other income

During the Period, other income was approximately RMB3.3 million, representing an increase of approximately 12.3%, from approximately RMB3.0 million for the corresponding period in 2020.

Other gains and losses

Other losses were approximately RMB3.2 million during the Period, representing an increase by 183.6% from other losses of RMB1.1 million during the corresponding period in 2020 primarily due to the increase in foreign exchange losses of approximately RMB1.0 million.

Distribution and selling expenses

Distribution and selling expenses decreased by 18.1%, from RMB0.5 million for the corresponding period in 2020 to RMB0.4 million for the Period, primarily due to the cut in sales and marketing expense on the upstream solar manufacturing business during the Period. The Group also made continuous efforts to reduce operating expenses.

Administrative expenses

Administrative expenses decreased by RMB3.5 million, or 16.8%, from RMB21.0 million for the corresponding period in 2020 to RMB17.5 million for the Period, which was mainly due to our continuous efforts to reduce operating expenses.

Research and development expenses

Research and development expenses increased by RMB1.1 million, or 196.7%, from RMB0.6 million for the corresponding period in 2020 to RMB1.7 million for the Period as we have been actively investing and expanding our new products and services in the downstream businesses.

Interest expenses

Interest expenses decreased by RMB4.2 million from RMB11.4 million for the corresponding period in 2020 to RMB7.2 million for the Period as we continue to repay our debts and improve our capital structure.

Loss before taxation

Loss before taxation was approximately RMB18.7 million for the Period, decreased by RMB13.8 million, or 42.4%, from losses of approximately RMB32.5 million for the corresponding period in 2020.

Taxation

The Group recorded tax expense of approximately RMB0.02 million during the Period, decreasing from tax credits of approximately RMB0.01 million for the corresponding period in 2020 due to our revenue and profit turnaround.

Loss for the Period

The Group recorded a loss and total comprehensive expenses of approximately RMB18.8 million during the Period, while the group recorded a loss and total comprehensive expenses of approximately RMB32.5 million during the same period last year.

Interim dividend

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2020: nil).

Liquidity and financial resources

As at 30 June 2021, the Group's current ratio (current assets divided by current liabilities) was 0.3 (31 December 2020: 0.3). The gearing ratio (total liabilities divided by total equity) was 5.6 (31 December 2020: 5.3). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB275.4 million as of 30 June 2021 (31 December 2020: approximately RMB290.5 million). Also, the Group recorded net liabilities of approximately RMB81.4 million as of 30 June 2021 (31 December 2020: RMB89.1 million).

Capital commitments

As at 30 June 2021, the Group's capital commitment was nil (31 December 2020: 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 downstream solar business and power storage business which would depend on and subject to the market conditions and opportunities.

Contingent liabilities

As at 30 June 2021, there was no material contingent liability (31 December 2020: nil).

Charges on group assets

As at 30 June 2021, the Group had no restricted cash (31 December 2020: RMB21.2 million), and pledged its buildings, investment properties, right-of-use assets, prepaid lease payment, power station of downstream projects, inventories of downstream projects and trade receivables of downstream projects to various parties to secure financing facilities granted to the Group. Save as disclosed above, as at 30 June 2021, no other assets of the Group were charged.

OUTLOOK

Potential Impact on Project Development

Given the uneven and uncertain recovery of the coronavirus disease COVID-19, a series of precautionary and control measures have been and continued to be, from time to time, implemented in China and Hong Kong during the first half of 2021 and we expect the same for the rest of the year. The Group will monitor its project developments and construction and minimize these impacts when they arise. We expect the business turnaround in the Period will continue for the rest of the year.

Asset allocation

As we have fully suspended our upstream manufacturing business and prepared to dispose the assets and properties with low utilization, we will dispose our factories in Shanghai and Haian if we receive an attractive offer from potential buyers.

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 currently has no Chief Executive Officer (the “CEO”). The daily operation and management of the Company is monitored by the Executive Director, Mr. John Yi Zhang, who is also 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. The Company was of the view that such temporary arrangement would promote the efficient implementation of the Company’s strategies and effective development of the Company’s businesses. 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.

Following the resignation of Mr. Kang Sun on 20 March 2021, the Board had two independent non-executive Directors and had been actively identifying a suitable candidate to full up the one vacancy. In compliance with Rule 3.10(1) and Rule 3.21 of the Listing Rules, Dr. Yan Ka Shing was elected as an independent non-executive Director and member of the audit committee of the Company with effect from 1 July 2021. The details of the said change of Board members and their respective personal particulars are set out in the announcements of the Company dated 22 March 2021 and 30 June 2021 and the circular of the Company dated 26 May 2021.

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 2021. 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.comtcsolar.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.

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
“Directors(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“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
“NDRC”	the National Development and Reform Commission of the PRC
“Period”	the six months ended 30 June 2021
“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

“Share(s)”	Ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America
“*”	For identification only
“%”	per cent

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

Shanghai, the People’s Republic of China, 31 August 2021

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