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 2017

RESULTS HIGHLIGHTS

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the unaudited interim results of the Group for the six months ended 30 June 2017. Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB314.2 million, representing a decrease of 36.0% from approximately RMB491.1 million for the corresponding period in 2016;
- Gross profit for the Period was approximately RMB35.9 million, representing an increase of 15.4% from approximately RMB31.1 million for the corresponding period in 2016;
- Gross profit margin for the Period was approximately 11.4%, increasing from the gross profit margin of 6.3% for the corresponding period in 2016;
- Net profit for the Period attributable to the owners of the Company was approximately RMB8.8 million, representing a turnaround from the net loss attributable to the owners of the Company of RMB6.4 million for the corresponding period in 2016;
- Net profit margin for the Period was approximately 2.6%, representing a turnaround from the net loss margin of 1.3% for the corresponding period in 2016;
- Basic and diluted profit per Share for the Period was approximately RMB0.6 cent and RMB0.5 cent, respectively, representing a turnaround from both basic and diluted loss per Share of RMB0.5 cent for the corresponding period in 2016;
- Total shipment of ingots and wafers for the Period was approximately 197.4MW, representing an increase of approximately 18.8% from approximately 166.2MW for the corresponding period in 2016; and
- The Group achieved earnings before interest expenses, taxation expenses, depreciation expenses and amortization expense of approximately RMB49.0 million for the Period, representing an increase of approximately 67.8% from approximately RMB29.2 million for the corresponding period in 2016.

CHAIRMAN STATEMENT

During the Period, the Company achieved remarkable progress in downsizing the scale of manufacturing businesses and expanding to the more profitable downstream solar business which specifically focuses on rooftop distributed generation projects on industrial and commercial buildings. We achieved net profit attributable to the owners of the Company of approximately RMB8.8 million for the Period, representing a turnaround from the net loss of approximately RMB6.4 million for the corresponding period in 2016 and the net loss of approximately RMB1,007.1 million for the year ended 31 December 2016. The Group also achieved earnings before interest expenses, taxation expenses, depreciation expenses and amortization expense of approximately RMB49.0 million during the Period, representing an increase of approximately 67.8% from approximately RMB29.2 million for the corresponding period in 2016.

Disposal of assets in Malaysia

On 30 December 2016 (after trading hours of the Stock Exchange), the Company, Comtec Solar International (M) Sdn. Bhd. ("Comtec Malaysia") and Longi (Kuching) Sdn. Bhd ("Longi") entered into an asset transfer agreement, pursuant to which Comtec Malaysia agreed to sell and Longi agreed to purchase the assets of Comtec Malaysia at a total consideration of RMB200.0 million.

Such asset disposal was approved by the Shareholders of the Company at the extraordinary general meeting held on 20 April 2017 and completed in June 2017. For details, please refer to the announcements of the Company dated 3 January 2017, 21 March 2017 and 20 April 2017 and the circular of the Company dated 31 March 2017.

On the other hand, we have made good progress on the downstream businesses.

Cooperation with Luoyang Tourism Development

On 10 January, 2017, the Group entered into a strategic agreement with Luoyang Tourism Development Group Limited in relation to the exclusive cooperation in the investment, establishment, development and operation of the smart energy charging facilities project in Luoyang.

Cooperation with Administrative Committee of Wuxi Huishan Economic Development Zone

On 12 January, 2017, the Group entered into a strategic framework cooperation agreement with Administrative Committee of Wuxi Huishan Economic Development Zone in relation to the proposed cooperation in the distributed solar power generation projects and the intelligent energy charging facilities projects. Pursuant to the agreement, both parties agreed to cooperate exclusively with each other in connection with solar projects in Huishan Economic Development Zone.

Acquisition of Forum (Asia)

In March 2017, the Group has completed the acquisition of Forum (Asia) Limited ("Forum Asia"). This acquisition represents an attractive opportunity for the Group to expand into the business of rooftop solar project with individual scale less than 1MW.

Cooperation with Fuzhou Swire Coca Cola

On 8 May 2017, the Company successfully completed the construction of a solar power rooftop distributed generation station in Fuzhou (the "Solar Power Generation Station"). Pursuant to an electricity supply agreement entered into by, amongst others, Fuzhou Comtec Solar Electricity Co., Ltd.* (福州卡姆丹克太陽能電力有限責任公司) ("Fuzhou Comtec"), a wholly-owned subsidiary of the Company, and Fuzhou Swire Coca Cola Beverage Co., Ltd.* (福州太古可口可樂飲料有限公司) ("Fuzhou Swire Coca Cola"), the Solar Power Generation Station was constructed by Fuzhou Comtec to supply Fuzhou Swire Coca Cola with solar power electricity for a term of 25 years. The Solar Power Generation Station was constructed on a rooftop covering an area of approximately 30,000 square meters and its scale is approximately 2 Megawatts.

Cooperation with ISDN Holdings

On 25 May 2017, the Company entered into a strategic cooperation framework agreement with ISDN Holdings Limited ("ISDN Holdings"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1656) and the Stock Exchange of Singapore (stock code: I07.SI), in relation to the strategic cooperation in the energy industry. After arm's length negotiation, the parties incorporated an investment holding company in the British Virgin Islands (the "JV Holdco") in August 2017. The JV Holdco is named C&I Renewable Limited and owned as to 70% by our Company and 30% by ISDN Holdings. The board of directors of the JV Holdco comprises three members, namely Mr. Zhang Zhen and Mr. Chau Kwok Keung, each being an executive Director of our Company, and Mr. Teo Cher Koon, being the managing director and president of ISDN Holdings. After incorporation of the JV Holdco, it will further establish subsidiaries in Hong Kong and the PRC. It is expected that the PRC subsidiary will set up and operate a distributed generation solar power station with an estimated scale of approximately 1 Megawatt on the roof of a property owned by ISDN Holdings located in Suzhou, the PRC. It is also expected that, upon commencement of operation of the distributed generation solar power station, ISDN Holdings and/or its subsidiary(ies) will purchase generated power from such power station at the then relevant fair market price for a term of 20 years. The total investment amount to the JV Holdco and its subsidiaries would be no more than RMB8 million.

Acquisition of Kexin

On 25 May 2017 (after trading hours of the Stock Exchange), Comtec Renewable Energy (Jiangsu) Limited ("Comtec Renewable (Jiangsu)"), Zhejiang Kexin Power System Design and Research Company Limited ("Kexin") and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14.0 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represents an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marks the Group's continuous efforts in diversifying its business. It is expected that the acquisition of Kexin will be closed in October 2017.

The above progresses marked the Group's continuous efforts to develop and expand downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group's remaining upstream solar business. It would also enhance our profit amounts and profitabilities.

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription Shares at a subscription price of HK$0.2534 per Share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions Shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司), generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription Share. The net proceeds were expected to be used as general working capital of the Group. As at the date of this announcement, the net proceeds have not been used yet and are expected to be used as working capital of the Group. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription Shares at a subscription price of HK$0.25 per Share. The net proceeds from the subscription are expected to be approximately HK$46.9 million, representing a net subscription price of HK$0.246 per subscription Share and are expected to be used as general working capital of the Group. Please refer to the announcement of the Company dated 21 July 2017 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position was and will be further strengthened after completion of the above subscriptions. In addition, we implemented and will continue to implement a balanced financing plan to support our business operation.

The Group intends to maintain its remaining scale of manufacturing businesses on highly efficient monocrystalline solar wafers. During the Period, we have been free from the impact of long term purchase agreements for polysilicon which led to substantial amount of losses of the Group in the last few years. It would give the Group more flexibility in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials. And we intend to continuously improve the cost competitiveness of our existing upstream solar business to make it a solid foundation to support the development of our downstream businesses.

On behalf of the Board, I would like to express my sincere gratitude to our Shareholders and business partners for their support to and trust in us, and also to our management and employees for their hard work. We look forward to creating greater value and return for our Shareholders.

John Yi Zhang
Chairman

Shanghai, the People's Republic of China, 30 August 2017

INTERIM RESULTS

The Board is pleased to announce the unaudited interim results and condensed consolidated interim financial statements of the Group for the Period, together with the comparative figures for the corresponding period in 2016. These results have been reviewed by the Company's auditors and the Company's audit committee, comprising all of the independent non-executive Directors, with one of them chairing the committee.

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**314,193**	491,149
Cost of sales and services		**(278,323)**	(460,086)
Gross profit		**35,870**	31,063
Other income	*6*	**25,281**	2,917
Other gains and losses	*7*	**12,397**	(3,118)
Distribution and selling expenses		**(6,560)**	(9,091)
Administrative expenses		**(38,954)**	(23,426)
Finance costs		**(8,278)**	(5,045)
Profit (loss) before taxation	*8*	**19,756**	(6,700)
Taxation	*9*	**(11,632)**	295
Profit (loss) and total comprehensive income (expense) for the period		**8,124**	(6,405)
Profit (loss) and total comprehensive income (expense) for the period attributable to			
Owners of the Company		**8,783**	(6,405)
Non-controlling interests		**(659)**	–
		8,124	(6,405)
		RMB cents	*RMB cents*
Profit (loss) per share			
— Basic	*10*	**0.57**	(0.46)
— Diluted	*10*	**0.49**	(0.46)

Condensed Consolidated Statement of Financial Positions

	NOTES	**30 June 2017** **RMB'000** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**216,224**	208,314
Prepaid lease payments-non-current		**22,234**	22,510
Goodwill	*11*	**99,281**	60,256
Intangible assets	*12*	**71,774**	63,050
Deposits paid for acquisition of property, plant and equipment		**1,546**	1,106
		411,059	355,236
Current assets			
Inventories		**72,449**	191,082
Trade and other receivables	*13*	**222,797**	151,585
Bills receivable	*13*	**6,161**	10,826
Advance to suppliers	*14*	**117,473**	117,131
Prepaid lease payments-current		**551**	551
Prepaid assignment fee	*15*	**166,190**	166,190
Short-term bank deposits		**21,580**	126,637
Bank balances and cash		**39,527**	82,130
		646,728	846,132
Assets classified as held for sale	*16*	**–**	160,638
		646,728	1,006,770
Current liabilities			
Trade and other payables	*17*	**213,496**	408,892
Customers' deposits received	*15*	**225,638**	237,668
Short-term bank loans		**231,283**	388,364
Tax liabilities		**13,190**	309
Deferred revenue-current		**287**	287
Contingent consideration payables-current	*18*	**9,884**	–
		693,778	1,035,520
Net current liabilities		**(47,050)**	(28,750)
Total assets less current liabilities		**364,009**	326,486

	NOTES	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Capital and reserves			
Share capital		**1,333**	1,333
Reserves		**284,076**	208,738
Non-controlling interests		**8,163**	–
Total equity		**293,572**	210,071
Non-current liabilities			
Deferred tax liabilities		**19,444**	18,283
Deferred revenue-non-current		**4,154**	4,297
Contingent consideration payables-non-current	*18*	**46,839**	93,835
		70,437	116,415
		364,009	326,486

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").

The Company and its subsidiaries are principally engaged in research, production and sales of efficient mono-crystalline products and the provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB47 million although a net assets of RMB294 million are maintained as of 30 June 2017. These factors initially raised doubt as to the Group's ability to continue as a going concern. However, the Group has developed and implemented the following liquidity plans:

- While there can be no assurance that the Group will be able to refinance its short-term bank loans as they become due, historically, the Group has been able to roll over or obtain replacement borrowings from existing credit for most of its short-term bank loans upon the maturity of the loans. The Group has assumed it will continue to be able to do so for the foreseeable future.

- In late July 2017, the Company had secured approximately HK$76.1 million of additional capital by way of issuing 309 million of new shares in the Company to new investors.

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

Based on the business forecast, secured additional capital, refinanced short-term bank loans and the liquidity plan, the accompanying condensed consolidated financial statements have been prepared assuming the Group will continue as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period.

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

Information reported to the Group's Chief Executive, being the Group's chief operating decision maker, for the purpose of making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided.

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

i. Upstream — Production and sales of efficient monocrystalline products, trading of solar products and provision of processing services for solar products.

ii. Downstream — Provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations.

Segment revenues and results

	Upstream *RMB'000* **(Unaudited)**	**Downstream** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
For the six months ended 30 June 2017:			
Revenue	**274,737**	**39,456**	**314,193**
Cost of sales and services	**(277,652)**	**(671)**	**(278,323)**
Segment profit	**(2,915)**	**38,785**	**35,870**
Other income			**25,281**
Other gains and losses			**12,397**
Distribution and selling expenses			**(6,560)**
Administrative expenses			**(38,954)**
Finance costs			**(8,278)**
Profit before taxation			**19,756**

	Upstream *RMB'000* (Unaudited)	Downstream *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
For the six months ended 30 June 2016:			
Revenue	491,149	–	491,149
Cost of sales and services	(460,086)	–	(460,086)
Segment profit	31,063	–	31,063
Other income			2,917
Other gains and losses			(3,118)
Distribution and selling expenses			(9,091)
Administrative expenses			(23,426)
Finance costs			(5,045)
Loss before taxation			(6,700)

The accounting policies of the operating segments are similar to those of the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the Group's chief operating decision maker.

5. REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Manufacturing and sales of solar products:		
Monocrystalline solar wafers	**134,622**	228,394
Monocrystalline solar ingots	**33,681**	290
	168,303	228,684
Trading of solar products:		
Monocrystalline silicon	**65,295**	257,668
Monocrystalline silicon solar cells	**34,138**	–
Others	**7,001**	3,008
	106,434	260,676
Provision of services:		
Processing services for solar products	**–**	1,789
Consulting services for investment, development, construction and operation of solar photovoltaic power stations	**39,456**	–
	39,456	1,789
Total revenue	**314,193**	491,149

6. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**24,813**	1,308
Interest income	**174**	1,609
Others	**294**	–
	25,281	2,917

Note: The amounts mainly represent the local government grants to encourage activities carried out by the Group in business of solar photovoltaic power station and high-technology advancement. No specific conditions were attached to the grants.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**(4,625)**	(4,095)
Bad debt recovered	**–**	909
Gain (loss) on disposal of property, plant and equipment	**2,185**	(13)
(Loss) gain on disposal of assets held for sale	**(2,445)**	81
Gain on fair value changes of contingent consideration payables *(note 18)*	**17,282**	–
	12,397	(3,118)

8. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Cost of inventories recognized as expense	**277,652**	460,086
Depreciation of property, plant and equipment	**10,719**	30,433
Release of prepaid lease payments	**275**	415
Amortization of intangible assets	**9,296**	–
Research and development expenses (included in administrative expenses)	**2,297**	3,713
Operating lease rentals in respect of rented premises	**1,729**	1,116

9. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
People's Republic of China (the "PRC") Enterprise Income Tax — Tax (expense) credit for the current period	**(11,632)**	295

Taxation arising in the PRC is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2017 and 30 June 2016. There is no provision for Hong Kong Profits Tax since the Group entities incorporated in Hong Kong incurred tax losses for both periods. Withholding tax has been provided for based on the anticipated dividends to be distributed by PRC entities to non-PRC residents, if any.

10. PROFIT (LOSS) PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit (loss)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic loss per share	**8,783**	(6,405)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,546,513,056**	1,391,861,750
Effect of dilutive potential ordinary shares		
Dilution effect on potential ordinary shares resulting from earn-out arrangements	**241,781,172**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,788,294,228**	1,391,861,750

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's profit (loss) per share for the six months ended 30 June 2017 and 30 June 2016 since their exercise prices were higher than the average market prices of the Company or they will increase the profit or decrease the loss per share of the Company.

11. GOODWILL

The movement of goodwill is as follows:

	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
COST		
At the beginning of the period/year	**60,256**	–
Arising on acquisition of subsidiaries	**39,025**	60,256
At the end of the period/year	**99,281**	60,256

The carrying amounts of goodwill as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Forum (Asia) Limited	**39,025**	–
Comtec Renewable Energy Group Limited	**60,256**	60,256
	99,281	60,256

For the purposes of impairment testing, the net carrying amount of the goodwill, which arose from the acquisitions of subsidiaries, has been allocated to the cash generating unit relating to downstream solar service business.

The recoverable amount of the cash-generating units was determined based on the value in use calculations separately covering respectively a 5.5 years and 6.5 years financial budget plan and the estimated terminal value at the end of the relative financial budget period as prepared by the Group's management. There are a number of key assumptions and estimates involved in the preparation of the cash flow projection for the period covered by the Group's management prepared financial budget plans and the estimated terminal values, as follows:

Revenue — The basis used to determine the value assigned to the budgeted revenue is based on contracts which have been concluded or under negotiation and are expected to be finalized in the coming year, and adopted compound annual growth rate of revenue around 15–26% in the forecasted revenues in its budget plans from 2017 to 2022 and from 2017 to 2023 for each of the business acquisitions.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is based on analysis of the related industries. The budgeted gross margin keeps from 28% to 70% in budget plans from 2017 to 2022 and from 2017 to 2023 for each of the business acquisitions.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant industry.

Based on the impairment testing conducted, the directors of the Company are of the view that no impairment loss against the goodwill was considered necessary as at 30 June 2017.

12. INTANGIBLE ASSETS

	Cooperative agreement *RMB'000*	Non-compete agreement *RMB'000*	Franchise relationship *RMB'000*	Backlog *RMB'000*	Total *RMB'000*
COST					
At 1 January 2017	51,500	11,550	–	–	63,050
Additions	–	11,150	5,899	971	18,020
At 30 June 2017	51,500	22,700	5,899	971	81,070
AMORTIZATION					
At 1 January 2017	–	–	–	–	–
Provided for the period	6,438	1,736	819	303	9,296
At 30 June 2017	6,438	1,736	819	303	9,296
CARRYING VALUES					
At 30 June 2017	45,062	20,964	5,080	668	71,774
At 31 December 2016	51,500	11,550	–	–	63,050

13. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade receivables	**93,061**	100,679
Write off of allowance	**(6,060)**	(4,260)
Less: allowance for doubtful debts	**–**	(5,151)
	87,001	91,268
Unbilled revenue *(note)*	**22,000**	–
Utility deposits	**2,164**	3,798
Value-added-tax recoverable	**39,244**	43,242
Other receivables and prepayments	**7,833**	13,277
Other receivables in relation to disposal of assets classified as held for sale	**64,555**	–
	222,797	151,585
Bills receivable	**6,161**	10,826

Note: The Group primarily earns services revenue by providing consulting services for investment, development, construction and operation of solar photovoltaic power stations. The duration of the consulting contracts normally range from a few months to a year. The Group recognizes such revenue upon finalization and acceptance of the services from its customers. The excess of amount of revenue recognized over the amount billed on a particular contract is included in trade and other receivables as unbilled revenue.

The Group requests prepayment from customers before delivery of goods and/or services and allows a credit period of 7 to 180 days on a case-by-case basis. The following is an aging analysis of trade receivables net of allowance for doubtful debts, presented based on invoice date (excluding the unbilled revenue) at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 to 30 days	**18,942**	**21,872**
31 to 60 days	**17,345**	**3,189**
61 to 90 days	**3,247**	**810**
91 to 180 days	**1,530**	**2,556**
Over 180 days	**45,937**	**62,841**
	87,001	**91,268**

The following is an aging analysis of bills receivable presented based on invoice date at the end of the reporting period:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 to 30 days	**700**	2,126
31 to 60 days	**5,411**	4,250
61 to 90 days	**–**	3,450
91 to 180 days	**50**	1,000
	6,161	10,826

14. ADVANCE TO SUPPLIERS/PROVISION FOR ONEROUS CONTRACTS

In prior years, in order to secure a stable supply of raw materials, the Group has entered into several non-cancellable purchase agreements with two major suppliers, independent parties not related to the Group, whereby the Group committed a "take or pay" obligation to purchase the minimum annual quantity of raw materials, mainly polysilicon virgins (to be used in the manufacture of its products) at pre-determined prices over the contractual periods up to 2018 (can be extended to 2021 with prior written notice to the supplier). According to the terms of these agreements, the Group were required to made upfront advances to these suppliers. The advances are unsecured, interest-free and non-refundable but could be utilised to reduce the invoice amount of purchases up to those agreed minimum annual quantities. Therefore, at the end of each reporting period, the directors of the Company estimate the amount of advances that is expected to be settled by the offset of the purchases of the agreed contract quantity in the next twelve months and classify it as current asset at the end of each reporting period. The remaining balance is classified as non-current asset in the condensed consolidated statement of financial position. In early 2016, the Group has reached into agreements with the two major suppliers, of which one has unconditionally agreed to waive the term relating to minimum annual quantity and pre-determined purchase price and the other has unconditionally agreed to reduce the pre-determined purchase price for the forthcoming purchases. As the remaining supplier contract containing pre-determined purchase price has duly expired at the beginning of 2017, the Group no longer maintained any supplier contracts with onerous contract provision as at the end of the current reporting period.

The Group has periodically performed an analysis of the sufficiency of impairment recognised in respect of advance to suppliers and provision for onerous contracts, due to volatility of the solar industry which the Group is engaged in. The analysis has made reference to the Group's budgeted annualised production capacity, the Group's product mix, recent market demand for the Group's products, updated forecasted selling prices of the products that reflected current market assessments; and the Group's committed delivery of solar products including terms governed the take or pay supply agreements referred above, etc. Based on such analysis, the Group recognised impairment provision/onerous contracts provision, which represented expected losses to be suffered or future payments that the Group is presently obliged to make under the above-mentioned non-cancellable take or pay agreements, after taking into account the revenue expected to be earned and costs to be incurred in production over the contractual periods, and the movement of which are as follow:

	Provision for impairment on advance to suppliers *RMB'000*	Provision for onerous contracts *RMB'000*	Total *RMB'000*
At 1 January 2016	95,690	–	95,690
Utilise*	(45,049)	–	(45,049)
At 30 June 2016	50,641	–	50,641
Utilise*	(50,641)	–	(50,641)
Provision	1,369	–	1,369
At 31 December 2016	1,369	–	1,369
Utilise*	(1,369)	–	(1,369)
At 30 June 2017	–	–	–

* the provision was utilised as a reduction of cost of sales on disposal of the excessive polysilicon virgins which were purchased from the above suppliers and in turn resold to the free market.

The balance of advance to suppliers are analysed as follows:

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Gross amounts	**117,473**	118,500
Provision	**–**	(1,369)
	117,473	117,131
Less: Amounts recoverable within one year shown under current assets	**(117,473)**	(117,131)
Amounts shown under non-current assets	**–**	–

15. PREPAID ASSIGNMENT FEE/CUSTOMERS' DEPOSITS RECEIVED

On 27 December 2013, a wholly-owned subsidiary of the Company, namely Comtec Solar (Hong Kong) Limited ("Comtec Solar HK"), entered into a wafer supply agreement (the "Wafer Supply Agreement") with Mission Solar Energy LLC, a Delaware limited liability company ("Mission") which is an independent third party, pursuant to which Comtec Solar HK will supply solar wafers with capacity of approximately 500MW to Mission from June 2014 to July 2017 at pre-determined delivery schedule and supply price.

In addition, Mission paid non-refundable deposits of USD35 million (equivalent to approximately RMB213,391,000) to Comtec Solar HK which will be used to offset the related consideration payable from June 2014 to July 2017 upon delivery of the solar wafers under the Wafer Supply Agreement. As a result, the Group recognised such deposits as customers' deposits received in the condensed consolidated statement of financial position. At each reporting date, the directors of the Company estimate the amount of advances that is expected to be settled by the offset of the sales of the agreed contract quantity in the next twelve months and classify it as current liability. The remaining balance is classified as non-current liability in the condensed consolidated statement of financial position. In early 2016, Comtec Solar HK has reached into an agreement with Mission under which neither parties under the Wafer Supply Agreement shall be bounded by the pre-determined delivery schedule and supply price terms for the forthcoming supply/purchase. As the revised delivery schedule has not been reached as to the date of this financial statements, the full amount of the deposit received from Mission is classified as current liabilities as of 30 June 2017 and 31 December 2016.

Carrying amounts of customers' deposits represent:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Mission	**166,190**	166,190
Others	**59,448**	71,478
	225,638	237,668

Immediately before the conclusion of the Wafer Supply Agreement between Comtec Solar (HK) and Mission, Comtec Solar (HK) entered into an agreement with an independent third party (the "Assignor" or the former seller of Mission) and paid an amount of USD35 million (equivalent to approximately RMB213,391,000) to the Assignor as an assignment fee that Comtec Solar (HK) assumed obligations as seller and the Assignor assigned its rights to Comtec Solar (HK) under the Wafer Supply Agreement over the relevant contractual period.

The Group recognised such prepaid assignment fee in the condensed consolidated statement of financial position. At 30 June 2017 and 31 December 2016, the directors of the Company estimate that the full amount of prepaid assignment fee can be utilized in the next twelve months from the reporting date so the entire prepaid assignment fee is classified as current asset.

16. ASSETS CLASSIFIED AS HELD FOR SALE

On 30 December 2016, the Group entered into an agreement (the "Asset Transfer Agreement") with an independent third party, pursuant to which certain assets of the Group maintained in Malaysia comprising property, plant and equipment and prepaid lease payments with a total net book value of approximately RMB499,955,000 will be disposed of for a cash consideration of approximately RMB200,000,000. The directors of the Company estimate the cost of disposal of such assets is approximately RMB39,362,000 and therefore the Group provides a total impairment of RMB339,317,000 against the assets classified as held for sales as at 31 December 2016. The disposal was duly completed on 8 June 2017.

17. TRADE AND OTHER PAYABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade payables	**173,685**	255,509
Payables for acquisition of property, plant and equipment	**20,880**	31,927
Provision for termination costs for termination of Malaysian plant under construction *(Note)*	**–**	88,269
Other payables and accrued charges	**18,931**	33,187
	213,496	408,892

Note: In relation to the disposal of Malaysia plant under construction as disclosed in note 16, a provision of approximately RMB88,269,000 in respect of retrenchment expenses to lay off Malaysian staffing and compensations to two utility suppliers is made in relation to the termination of the Malaysian plant under construction.

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period.

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Age		
0 to 30 days	**39,438**	63,548
31 to 60 days	**9,419**	28,767
61 to 90 days	**10,133**	14,752
91 to 180 days	**9,353**	16,910
Over 180 days	**105,342**	131,532
	173,685	255,509

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

18. CONTINGENT CONSIDERATION PAYABLES

The movement of the contingent consideration payables is analysed as:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
At the beginning of the period/year	**93,835**	–
Recognized from business acquisitions	**45,250**	93,835
Change in fair value	**(17,282)**	–
At the end of the period/year	**121,803**	93,835
Reclassified to equity	**(65,080)**	–
	56,723	93,835
Analyzed as:		
Current portion	**9,884**	–
Non-current portion	**46,839**	93,835
	56,723	93,835

The contingent consideration arose from the issue of ordinary shares of the Company on earn-out basis in relation to the business acquisitions. The contingent consideration is classified as a financial instrument (financial liability at fair value through profit or loss) and recognized in the condensed consolidated statement of financial position at fair value. The fair value of the contingent consideration at the date of initial recognition and as at 30 June 2017 are based on the valuation performed by the change of the price of share and the exchange rate of HK$/RMB.

As of 30 June 2017, the contingent consideration payables in which earn-out has been met is reclassified to equity as the number of the Company's shares 241,887,913 to be issued within 60 business days after 30 June 2017 to satisfy the first installment of acquisitions of Comtec Renewable Energy Group Limited and Forum (Asia) Limited can be fixed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Company achieved remarkable progress in downsizing the scale of manufacturing businesses and expanding to the more profitable downstream solar business which specifically focuses on rooftop distributed generation projects on industrial and commercial buildings. We achieved net profit attributable to the owners of the Company of approximately RMB8.8 million for the Period, representing a turnaround from the net loss of approximately RMB6.4 million for the corresponding period in 2016 and the net loss of approximately RMB1,007.1 million for the year ended 31 December 2016. The Group also achieved earnings before interest expenses, taxation expenses, depreciation expenses and amortization expense of approximately RMB49.0 million during the Period, representing an increase of approximately 67.8% from approximately RMB29.2 million for the corresponding period in 2016.

Disposal of assets in Malaysia

On 30 December 2016 (after trading hours of the Stock Exchange), the Company, Comtec Malaysia and Longi entered into an asset transfer agreement, pursuant to which Comtec Malaysia agreed to sell and Longi agreed to purchase the assets of Comtec Malaysia at a total consideration of RMB200.0 million.

Such asset disposal was approved by the Shareholders of the Company at the extraordinary general meeting held on 20 April 2017 and completed in June 2017. For details, please refer to the announcements of the Company dated 3 January 2017, 21 March 2017 and 20 April 2017 and the circular of the Company dated 31 March 2017.

On the other hand, we have made good progress on the downstream businesses.

Cooperation with Luoyang Tourism Development

On 10 January, 2017, the Group entered into a strategic agreement with Luoyang Tourism Development Group Limited in relation to the exclusive cooperation in the investment, establishment, development and operation of the smart energy charging facilities project in Luoyang.

Cooperation with Administrative Committee of Wuxi Huishan Economic Development Zone

On 12 January, 2017, the Group entered into a strategic framework cooperation agreement with Administrative Committee of Wuxi Huishan Economic Development Zone in relation to the proposed cooperation in the distributed solar power generation projects and the intelligent energy charging facilities projects. Pursuant to the agreement, both parties agreed to cooperate exclusively with each other in connection with solar projects in Huishan Economic Development Zone.

Acquisition of Forum (Asia)

In March 2017, the Group has completed the acquisition of Forum (Asia). This acquisition represents an attractive opportunity for the Group to expand into the business of rooftop solar project with individual scale less than 1MW.

Cooperation with Fuzhou Swire Coca Cola

On 8 May 2017, the Company successfully completed the construction of a Solar Power Generation Station. Pursuant to an electricity supply agreement entered into by, amongst others, Fuzhou Comtec and Fuzhou Swire Coca Cola, the Solar Power Generation Station was constructed by Fuzhou Comtec to supply Fuzhou Swire Coca Cola with solar power electricity for a term of 25 years. The Solar Power Generation Station was constructed on a rooftop covering an area of approximately 30,000 square meters and its scale is approximately 2 Megawatts.

Cooperation with ISDN Holdings

On 25 May 2017, the Company entered into a strategic cooperation framework agreement with ISDN Holdings, in relation to the strategic cooperation in the energy industry. After arm's length negotiation, the parties incorporated the JV Holdco in the British Virgin Islands in August 2017. The JV Holdco is named C&I Renewable Limited and owned as to 70% by our Company and 30% by ISDN Holdings. The board of directors of the JV Holdco comprises three members, namely Mr. Zhang Zhen and Mr. Chau Kwok Keung, each being an executive Director of our Company, and Mr. Teo Cher Koon, being the managing director and president of ISDN Holdings. After incorporation of the JV Holdco, it will further establish subsidiaries in Hong Kong and the PRC. It is expected that the PRC subsidiary will set up and operate a distributed generation solar power station with an estimated scale of approximately 1 Megawatt on the roof of a property owned by ISDN Holdings located in Suzhou, the PRC. It is also expected that, upon commencement of operation of the distributed generation solar power station, ISDN Holdings and/or its subsidiary(ies) will purchase generated power from such power station at the then relevant fair market price for a term of 20 years. The total investment amount to the JV Holdco and its subsidiaries would be no more than RMB8 million.

Acquisition of Kexin

On 25 May 2017 (after trading hours of the Stock Exchange), Comtec Renewable (Jiangsu), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the Vendors at a cash consideration of RMB14.0 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represents an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marks the Group's continuous efforts in diversifying its business. It is expected that the acquisition of Kexin will be closed in October 2017.

The above progresses marked the Group's continuous efforts to develop and expand downstream solar business with a view to creating synergy through integration of the downstream solar business with the Group's remaining upstream solar business. It would also enhance our profit amounts and profitabilities.

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription Shares at a subscription price of HK$0.2534 per Share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions Shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司), generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription Share. The net proceeds were expected to be used as general working capital of the Group. As at the date of this announcement, the net proceeds have not been used yet and is expected to be used as working capital of the Group. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription Shares at a subscription price of HK$0.25 per Share. The net proceeds from the subscription are expected to be approximately HK$46.9 million, representing a net subscription price of HK$0.246 per subscription Share and are expected to be used as general working capital of the Group. Please refer to the announcement of the Company dated 21 July 2017 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position was and will be further strengthened after completion of the above subscriptions. In addition, we implemented and will continue to implement a balanced financing plan to support our business operation.

Our top five customers in the Period contributed approximately 47.1% to our total revenue, compared to approximately 59.2% in the corresponding period last year. The sales of highly efficient monocrystalline wafers to the largest customer in the PRC accounted for approximately 15.8% of our total revenues in the Period, as compared to approximately 36.0% in the corresponding period in 2016. We continued to diversify and expand our customer bases.

During the Period, we have been free from the impact of long term purchase agreements for polysilicon which led to substantial amount of losses of the Group in the last few years. It would give the Group more flexibility in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials. And we would continuously improve the cost competitiveness of our existing upstream solar business to make it a solid foundation to support the development of our downstream businesses. We intend to explore opportunities to further expand into downstream solar business to integrate with our existing upstream solar business. To leverage on our advanced technological capabilities, high quality product offerings, premium customer bases and the strategic partnership with reputable institutional investors, we are confident to capture enormous opportunities in the solar industry and to drive continued and healthy growth for the Group in the future.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB176.9 million, or 36.0%, from RMB491.1 million for the corresponding period in 2016 to RMB314.2 million for the Period, primarily as a result of the decrease in revenue from sale of excess inventory of polysilicon and 125 mm x 125 mm monocrystalline wafers, which was partially mitigated by the increase in revenue from sales of 156 mm x 156 mm monocrystalline wafers, monocrystalline ingots and other solar materials and the increase in project development service income.

Sales of 125 mm by 125 mm monocrystalline solar wafers

Revenue from sales of 125 mm by 125 mm monocrystalline solar wafers decreased by RMB138.5 million, or 78.2%, from RMB177.2 million for the corresponding period in 2016 to RMB38.7 million for the Period, primarily due to the decrease in our sales volume by 54.0% from 125.0MW for the corresponding period in 2016 to 57.5MW for the Period, as well as by the decrease in average selling price of approximately 50.0% from RMB1.4 per watt in the corresponding period in 2016 to RMB0.7 per watt for the Period.

The decrease in sale volume was mainly due to our strategy to diversify our sales from an oversea customer who mainly demands for 125 mm by 125 mm monocrystalline solar wafers and has highly specified product specification requirements and we try to accommodate the increasing demands from the fast expanding PRC-based customers who mainly demand for 156 mm by 156 mm monocrystalline solar wafers. And the average selling price decreased materially because we tried to sell out the existing inventory of the highly specified product specifications for the overseas customers as they plan to change their product specifications soon.

Sales of 156 mm by 156 mm monocrystalline solar wafers

Revenue from sales of 156 mm by 156 mm monocrystalline solar wafers increased by RMB44.8 million, or 87.4%, from RMB51.2 million for the corresponding period in 2016 to RMB96.0 million for the Period, primarily as a result of the increase of sales volume by 176.8% from 35.2MW for the corresponding period in 2016 to 97.4MW for the Period. The increase in sales volume was mainly due to our strategies to focus on the fast expanding PRC strategic customers who mainly demand for 156 mm by 156 mm monocrystalline solar wafers and are willing to commit advance payments to us.

However, such increase in sales volume was partially mitigated by the decrease in average selling price of approximately 33.3% from RMB1.5 per watt in the corresponding period in 2016 to RMB1.0 per watt for the Period due to the competitive market environments.

Project development service income

We have recorded project development service income of approximately RMB39.5 million during the Period as we started the downstream business to provide project development services to our customers which include but are not limited to application for the required permits for the projects from various regulatory departments, arrangement of public filings for the project documents, provision of advice on the engineering, purchase and construction works of the projects and coordination on the training for the staffs of customers in relation to the project development and subsequent operation of the projects, etc. We would charge them for a fee according to the scale of the projects. There was no such revenue for the corresponding period in 2016.

Processing services income

There was no revenue from processing fees on monocrystalline solar ingots and wafers during the Period, as compared to approximately RMB1.9 million for the corresponding period in 2016, primarily due to our change of strategy and we ceased to provide such services during the Period.

Others

Other revenue mainly included the revenue from sales of excess inventory of polysilicon, sales of ingots and sales of other solar products. The revenue from the sales of excess inventory of polysilicon purchased under the long-term agreements with our major polysilicon suppliers decreased by RMB192.4 million or 74.7%, from RMB257.7 million for the corresponding period in 2016 to RMB65.3 million for the Period. It was because certain long-term purchase agreements expired by the end of 2016 and the suppliers of remaining long-term purchase agreements waived the take-or-pay clauses in the respective agreements. Thus, we were substantially free from the impacts of such long-term purchase agreements during the Period. The sales volume reduced substantially from approximately 2,446.3 tons for the corresponding period in 2016 to 544.9 tons for the Period.

Such decrease was partially mitigated by the increase in revenue from sales of monocrystalline solar ingots from RMB0.3 million for the corresponding period in 2016 to RMB33.7 million during the Period due to the increase in demand for monocrystalline solar ingots in the market. The sales volume increases from approximately 1.1 tons for the corresponding period in 2016 to 156.1 tons for the Period.

The revenue from sales of other solar products also increased materially from RMB2.9 million for the corresponding period in 2016 to RMB41.1 million during the Period. It was mainly because we started to sell solar cells to our downstream business customers as value added services to them during the Period.

Revenue by geographical market

In relation to the geographical analysis of our revenue, approximately 84.8% (2016: 55.2%) of total revenue for the Period was generated from our sales in China. The remaining portion was mainly generated from our sales to the Philippines, Japan, Korea and Malaysia-based customers.

Cost of sales and services

Cost of sales and services decreased by RMB181.8 million, or 39.5%, from RMB460.1 million for the corresponding period in 2016 to RMB278.3 million for the Period, which was in line with the decrease of revenue for the Period. The decrease in cost of sales and services was primarily as a result of the decrease in sales volume of excess inventory of polysilicon which also resulted in decrease in such revenue of approximately RMB192.4 million from the corresponding period in 2016. It was mainly due to the reason that certain long-term purchase agreements expired by the end of 2016 and the suppliers of remaining long-term purchase agreements waived the take-or-pay clauses in the respective agreements. It enabled us to reduce the purchase volume and excess inventory to resale during the Period. The sales volume of excess inventory of polysilicon reduced substantially from approximately 2,446.3 tons for the corresponding period in 2016 to 544.9 tons for the Period.

The decrease in revenue from the sales of 125 mm by 125 mm wafers was substantially mitigated by the increase in revenue from sales of 156 mm by 156 mm wafer, project development services income as well as sales of ingots and other solar materials. Thus, there were no material net impacts to the cost of sales and services.

As we were restructuring the business focus form the lower profit margin manufacturing business to higher profit margin downstream project development business, for the Period, we were able to achieve the decrease in costs of sales and services for 39.5% from the corresponding period while our revenue only decreased by 36.0% for the Period.

Gross profit

Gross profit increased by RMB4.8 million, or 15.4%, from RMB31.1 million for the corresponding period in 2016 to RMB35.9 million for the Period, primarily due to the fact that the Group changed its business focus to the higher profit margin downstream project development business.

Other income

Other income increased by RMB22.3 million, or 743.3%, from RMB3.0 million for the corresponding period in 2016 to RMB25.3 million for the Period, which was mainly due to the government subsidy incomes of approximately RMB24.8 million received during the Period.

Other gains and losses

Other gains were approximately RMB12.4 million during the Period, representing a turnaround from other losses of RMB3.1 million for the corresponding period in 2016. Such gains were mainly due to the fair value changes of contingent consideration payables for the acquisitions made, which was partially offset by the net foreign exchange losses incurred during the Period.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB2.5 million, or 27.5%, from RMB9.1 million for the corresponding period in 2016 to RMB6.6 million during the Period, primarily due to the decrease in export sales volume during the Period.

Administrative and general expenses

Administrative and general expenses increased by RMB15.6 million, or 66.7%, from RMB23.4 million for the corresponding period in 2016 to RMB39.0 million for the Period, which was mainly due to the non-cash accounting amortization expenses of approximately RMB9.3 million incurred for the two acquisitions closed during or before the Period and the administrative expenses incurred for the development of the Group's downstream business during the Period.

Interest expenses

Interest expenses increased by RMB3.3 million from RMB5.0 million for the corresponding period in 2016 to RMB8.3 million for the Period. It was mainly due to an amount of RMB5.4 million was capitalized for the new additions of construction in progress for the corresponding period in 2016 while the amount of interest expenses capitalized during the Period was immaterial due to no material addition to construction in progress balances.

Profit (Loss) before taxation

Profit before taxation was approximately RMB19.8 million for the Period, representing a turnaround from the loss before taxation of RMB6.7 million for the corresponding period in 2016, due to the aforementioned factors.

Taxation

The Group incurred taxation expenses of approximately RMB11.6 million during the Period mainly because the entities of the Group generated assessable profits during the Period while the Group did not incur significant tax expenses in the corresponding period in 2016 since no material assessable profits were derived or tax losses were incurred from the Group entities.

Profit (Loss) for the period

The Group recorded net profit of attributable to the owners of the Company of RMB8.8 million during the Period, representing a turnaround from the net loss of approximately RMB6.4 million for the corresponding period in 2016, primarily attributable to the increase in gross profit during the Period due to the fact that the Group changed its business focus to the higher profit margin project development business as well as the increase in subsidy income and gain from fair value changes of contingent consideration payables. Accordingly, the Group recorded net profit margin of 2.8% for the Period, representing a turnaround from net loss margin of 1.3% for the corresponding period in 2016.

Interim dividend

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2016: nil).

Inventory turnover days

There was a decrease in inventory balance of 62.1% from RMB191.1 million as at 31 December 2016 to RMB72.4 million as at 30 June 2017, which was mainly due to the decrease of operating scales of our manufacturing businesses. The inventory turnover days as at 30 June 2017 totaled 47 days (31 December 2016: 72 days).

Trade receivable turnover days

The trade receivable turnover days as at 30 June 2017 totaled 63 days (31 December 2016: 41 days). The credit period for our customers are generally not more than 180 days. The average receivable turnover days were approximately 63 days which was within the credit periods of the Group granted to its customers.

Trade payable turnover days

The trade payable turnover days as at 30 June 2017 totaled 113 days (31 December 2016: 97 days). The Group has obtained continuous supports from our long-term and strategic suppliers.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from share placements. As at 30 June 2017, the Group's current ratio (current assets divided by current liabilities) was 0.9 (31 December 2016: 1.0) and it was in a net debt position of approximately RMB164.0 million (31 December 2016: approximately RMB168.8 million). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB47.0 million as of 30 June 2017 (31 December 2016: approximately RMB28.8 million). However, the Group still maintained net assets of approximately RMB293.6 million as of 30 June 2017 (31 December 2016: approximately RMB210.1 million) and has entered into two shares subscription agreements with two independent investors in July 2017 which are expected to generate net proceeds of approximately HK$76.1 million in aggregate. Furthermore, although there is no assurance that the Group will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. The Group has assumed it will continue to be able to do so for the foreseeable future. The Group has also adopted strict control of operating and investing activities.

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription Shares at a subscription price of HK$0.2534 per Share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions Shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司), generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription Share. The net proceeds were expected to be used as general working capital of the Group. As at the date of this announcement, the net proceeds have not been used yet and are expected to be used as working capital of the Group. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription Shares at a subscription price of HK$0.25 per share. The net proceeds from the subscription are expected to be approximately HK$46.9 million, representing a net subscription price of HK$0.246 per subscription Share and are expected to be used as general working capital of the Group. Please refer to the announcement of the Company dated 21 July 2017 for further details.

The Group would implement a balanced financing plan to support the operation of our business.

Capital commitments

As at 30 June 2017, the Group does not have any current plan to increase the production capacity of manufacturing businesses. In additions, the Group has yet to make any capital commitments for its downstream solar business which would depend on and be subject to market conditions and opportunities (31 December 2016: nil).

Contingent liabilities

As at 30 June 2017, there was no material contingent liability (31 December 2016: nil).

Related party transactions

On 25 May 2017 (after trading hours of the Stock Exchange), Comtec Renewable (Jiangsu), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represents an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marks the Group's continuous efforts in diversifying its business.

The consideration payable by Comtec Renewable (Jiangsu) for the acquisition was RMB14.0 million and determined after arm's length negotiation between the parties by reference to, among others, (i) the potential prospects of Kexin and its expected synergy with the Company, and (ii) the valuation of Kexin as at 12 May 2017, which indicated that the market value of Kexin was reasonably stated by the range of RMB15.0 million to RMB21.0 million as at 12 May 2017.

Please refer to the announcements of the Company dated 25 May 2017 for further details.

Save from above and other than the remuneration that the Group paid to the Directors and key management, the Group did not have any related party transactions during the Period.

Charges on group assets

As at 30 June 2017, other than the restricted cash of approximately RMB21.6 million (31 December 2016: RMB126.6 million), the Group pledged its buildings and prepaid lease payments with net book values of approximately RMB133.4 million (31 December 2016: RMB137.8 million) and approximately RMB22.8 million (31 December 2016: RMB23.1 million), respectively, to banks to secure banking facilities granted to the Group. Save as disclosed above, as at 30 June 2017, no other assets of the Group were charged.

Acquisition of subsidiaries

Reference is made to the announcement of the Company dated 14 November 2016. On 14 November 2016 (after trading hours of the Stock Exchange), the Company, Forum (Asia), and its original shareholders entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire 51% of the entire issued share capital of Forum (Asia) at a total maximum consideration of RMB52.02 million from its original shareholders. The consideration is to be satisfied by the Company by allotting and issuing new shares to the original shareholders of Forum (Asia) under the specific mandate sought from the Shareholders (unless the Company opted to pay in cash with the consent of its original shareholders). In March 2017, the Group has completed the acquisition of Forum (Asia), upon which Forum (Asia) has become a subsidiary of the Company. This acquisition represents an attractive opportunity for the Group to expand into the business of rooftop solar project with individual scale less than 1MW.

On 25 May 2017 (after trading hours of the Stock Exchange), Comtec Renewable (Jiangsu), Kexin and the vendors of Kexin entered into an equity transfer agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the vendors at a cash consideration of RMB14 million. Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. The acquisition represents an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marks the Group's continuous efforts in diversifying its business. It is expected that the acquisition of Kexin will be closed in October 2017, upon which Kexin will become a subsidiary of the Company.

Disposal of assets of a subsidiary

Reference is made to the announcements of the Company dated 3 January 2017, 21 March 2017 and 20 April 2017 and the circular of the Company dated 31 March 2017. On 30 December 2016 (after trading hours of the Stock Exchange), the Company, Comtec Malaysia and Longi entered into an asset transfer agreement, pursuant to which Comtec Malaysia agreed to sell and Longi agreed to purchase the assets of Comtec Malaysia at a total consideration of RMB200.0 million.

Comtec Malaysia was established in 2013 by the Company to expand the Group's production capacity in its solar-grade monocrystalline silicon business. Due to the unfavorable global macro-economic environment, the relatively small scale of operations, the lower production efficiency at the early stage of its operations and that it took time to train the local production team, Comtec Malaysia has been loss making and has recorded cumulative operating loss of approximately RMB178.5 million since 2013. Although the Group has been striving to improve its operating efficiency and reduce its production cost per unit, Comtec Malaysia has not been able to generate operating profit in 2016. At the same time, the industry landscape for the monocrystalline silicon business deteriorated in the second half of 2016, with certain major players who use monocrystalline silicon wafers, such as those produced by Comtec Malaysia, scaling back or even shutting down their production. In such circumstances, the Board considers that it will be in the interest of the Company to exit its investment in the production facilities in Malaysia so that the Group can provide more resources on expanding its downstream distributed solar system business, as it is expected that the business prospects of the downstream distributed solar system business is better than that of the upstream ingot and wafer manufacturing business. Also, given the unfavorable market conditions, the Board believes there is a risk that the prices of the assets of Comtec Malaysia may fall even lower later.

An extraordinary general meeting was held on 20 April 2017 and the Shareholders approved the asset transfer agreement. The disposal was completed in June 2017.

Use of proceeds

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription Shares at a subscription price of HK$0.2534 per Share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions Shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司), generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription Share. The net proceeds were expected to be used as general working capital of the Group. As at the date of this announcement, the net proceeds have not been used yet and are expected to be used as working capital of the Group. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription Shares at a subscription price of HK$0.25 per Share. The net proceeds from the subscription are expected to be approximately HK$46.9 million, representing a net subscription price of HK$0.246 per subscription Share and are expected to be used as general working capital of the Group. Please refer to the announcement of the Company dated 21 July 2017 for further details.

Save as disclosed herein, the Company has not conducted any equity fund raising activities in the past 12 months preceding the date of this report.

Human resources

As at 30 June 2017, the Group had 349 (31 December 2016: 482) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Payment levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

The Group is planning to further expand to the downstream business. Due to the rapid changing market environment, the Group prefers to maintain flexibilities throughout the expansion process and avoid fixing a capacity target under a pre-determined timeline. The Group has yet to make any capital commitments for its downstream solar business which would depend on and be subject to the market conditions and opportunities. We believe this strategy would enable the Group to maximize its advantages from the industry consolidation process.

Exposure to fluctuations in exchange rates and any related hedges

The Group recognised net exchange losses of approximately RMB4.6 million, which mainly arose from monetary assets and liabilities of the Group entities denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Important Events after the Period

Share Subscriptions

On 13 July 2017, the Company entered into a subscription agreement with Rich Reach Holdings Limited (富達控股有限公司), an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 118,389,897 subscription Shares at a subscription price of HK$0.2534 per Share. The subscription has been completed on 20 July 2017 with the 118,389,897 subscriptions Shares allotted and issued to Rich Reach Holdings Limited (富達控股有限公司), generating the net proceeds of approximately HK$29.2 million, representing a net subscription price of HK$0.247 per subscription Share. The net proceeds were expected to be used as general working capital of the Group. As at the date of this announcement, the net proceeds have not been used yet and are expected to be used as working capital of the Group. Please refer to the announcements of the Company dated 13 July 2017 and 20 July 2017 for further details.

On 21 July 2017, the Company entered into another subscription agreement with Advanced Gain Limited, an independent third party, pursuant to which the Company has conditionally agreed to allot and issue 190,912,714 subscription Shares at a subscription price of HK$0.25 per Share. The net proceeds from the subscription are expected to be approximately HK$46.9 million, representing a net subscription price of HK$0.246 per subscription Share and are expected to be used as general working capital of the Group. Please refer to the announcement of the Company dated 21 July 2017 for further details.

Issue of Consideration Shares

Reference is made to the announcements of the Company dated 7 July 2016 and 15 September 2016 and the circular of the Company (the "Joy Boy Circular") dated 9 August 2016 in relation to the acquisition of Comtec Renewable Energy Group Limited (formerly known as Joy Boy HK Limited) ("Joy Boy").

As disclosed in the Joy Boy Circular, pursuant to the sale and purchase agreement entered into by and among the Company, Joy Boy and the vendors and ultimate holders of Joy Boy dated 7 July 2016 (the "Joy Boy Sale and Purchase Agreement"), the actual amount of the First Instalment (as defined in the Joy Boy Circular) payable by the Company is to be determined by reference to the profit before taxation of Joy Boy for the twelve months ended 30 June 2017. Please refer to the Joy Boy Circular for details.

On 29 August 2017, the Board announced that based on the management accounts of Joy Boy for the twelve months ended 30 June 2017 and in accordance with the terms of the Joy Boy Sale and Purchase Agreement, it was determined that a total of 241,567,690 Shares would be allotted and issued to the Vendors (as defined in the Joy Boy Circular) as payment of the First Instalment (as defined in the Joy Boy Circular). Such consideration shares will be allotted and issued in accordance with the terms of the Joy Boy Sale and Purchase Agreement in due course.

Reference is made to the announcements of the Company dated 14 November 2016 and 29 December 2016 and 1 March 2017 and the circular of the Company (the "Forum (Asia) Circular") dated 12 December 2016 in relation to the acquisition of 51% of the total issued share capital of Forum (Asia).

As disclosed in the Forum (Asia) Circular, pursuant to the sale and purchase agreement entered into by and among the Company, Forum (Asia) and the vendors and ultimate holders of Forum (Asia) dated 14 November 2016 (the "Forum (Asia) Sale and Purchase Agreement"), the actual amount of the First Instalment (as defined in the Forum (Asia) Circular) payable by the Company is to be determined by reference to the profit before taxation of Forum (Asia) for the six months ended 30 June 2017. Please refer to the Forum (Asia) Circular for details.

On 29 August 2017, the Board announced that based on the management accounts of Forum (Asia) for the six months ended 30 June 2017 and in accordance with the terms of the Forum (Asia) Sale and Purchase Agreement, it was determined that a total of 320,223 Shares would be allotted and issued to the Vendors (as defined in the Forum (Asia) Circular) as payment of the First Instalment (as defined in the Forum (Asia) Circular). Such consideration shares will be allotted and issued in accordance with the terms of the Forum (Asia) Sale and Purchase Agreement in due course.

Cooperation with ISDN Holdings

In August 2017, the Company and ISDN Holdings incorporated the JV Holdco in the British Virgin Islands. The JV Holdco is named C&I Renewable Limited and owned as to 70% by our Company and 30% by ISDN Holdings. The board of directors of the JV Holdco comprises three members, namely Mr. Zhang Zhen and Mr. Chau Kwok Keung, each being an executive Director of our Company, and Mr. Teo Cher Koon, being the managing director and president of ISDN Holdings. After incorporation of the JV Holdco, it will further establish subsidiaries in Hong Kong and the PRC. It is expected that the PRC subsidiary will set up and operate a distributed generation solar power station with an estimated scale of approximately 1 Megawatt on the roof of a property owned by ISDN Holdings located in Suzhou, the PRC. It is also expected that, upon commencement of operation of the distributed generation solar power station, ISDN Holdings and/or its subsidiary(ies) will purchase generated power from such power station at the then relevant fair market price for a term of 20 years. The total investment amount to the JV Holdco and its subsidiaries would be no more than RMB8 million.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. Except for the deviation from code provision A.2.1 as disclosed below, during the Period, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Before 19 April 2017, Mr. John Yi Zhang was the chairman and chief executive officer of the Group. He has extensive experience in solar wafer industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considered that vesting the roles of chairman and chief executive officer in the same individual was beneficial to the business prospects and management of the Group. With effect from 19 April 2017, in order to promote the good corporate governance of the Group to differentiate the roles between the chief executive officer and the chairman of the Board under the Listing Rule, Mr. John Yi Zhang resigned and Mr. Zhang Zhen was appointed as the chief executive officer of the Company. Following the resignation of Mr. John Yi Zhang and the appointment of Mr. Zhang Zhen as the chief executive officer of the Company, the Company is able to comply with paragraph A.2.1 of the Corporate Governance Code, which requires that the roles of chairman and the chief executive should be separate and not be performed by the same individual. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

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 interim financial statements of the Group for the Period.

INTERIM DIVIDEND

The Board resolved that since the Company plans to reserve the 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 2017. 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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules 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 same websites in due course.

DEFINITION

"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

“Model Code”	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
“MW”	megawatt, which equals 106 Watt
“Period”	the six months ended 30 June 2017
“PRC” or “China”	The People’s Republic of China
“PV”	Photovoltaic
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Ordinary share(s) of HK$0.001 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
Comtec Solar Systems Group Limited
John Yi ZHANG
Chairman

Shanghai, the People’s Republic of China, 30 August 2017

As at the date of this announcement, the executive Directors are Mr. John Yi Zhang, Mr. Zhang Zhen and Mr. Chau Kwok Keung, the non-executive Director is Mr. Wang Yixin, and the independent non-executive Directors are Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Xu Erming.