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 2018

HIGHLIGHTS

- Revenue for the Period was approximately RMB100.2 million, representing a decrease of 68.1% from approximately RMB314.2 million for the corresponding period in 2017;
- Gross loss for the Period was approximately RMB7.8 million, comparing to gross profit of approximately RMB35.9 million for the corresponding period in 2017;
- Gross loss margin for the Period was approximately 7.8%, decreased from gross profit margin of 11.4% for the corresponding period in 2017;
- Net losses attributable to the owners of the Company for the Period was approximately RMB100.6 million, decreased from net profit of RMB8.8 million for the corresponding period in 2017;
- Net loss margin attributable to owners of the Company for the Period was approximately 100.4%, comparing to net profit margin of 2.8% for the corresponding period in 2017;
- Our loss per share for the Period was RMB4.8 cents, comparing to the profit per share of RMB0.6 cents for the corresponding period in 2017; and
- Achieved net cash inflow from operating activities of approximately RMB8.5 million and maintained cash and restricted cash balances of approximately RMB108.6 million.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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 2018. Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB100.2 million, representing a decrease of 68.1% from approximately RMB314.2 million for the corresponding period in 2017;

- Gross loss for the Period was approximately RMB7.8 million, comparing to gross profit of approximately RMB35.9 million for the corresponding period in 2017;

- Gross loss margin for the Period was approximately 7.8%, decreased from gross profit margin of 11.4% for the corresponding period in 2017;

- Net losses attributable to the owners of the Company for the Period was approximately RMB100.6 million, decreased from net profit of RMB8.8 million for the corresponding period in 2017;

- Net loss margin attributable to owners of the Company for the Period was approximately 100.4%, comparing to net profit margin of 2.8% for the corresponding period in 2017;

- Our loss per share for the Period was RMB4.8 cents, comparing to the profit per share of RMB0.6 cents for the corresponding period in 2017; and

- Achieved net cash inflow from operating activities of approximately RMB8.5 million and maintained cash and restricted cash balances of approximately RMB108.6 million.

During the Period, certain new policies were launched by the Chinese government which have caused disruptions in the solar industry. Such new policies are expected to reduce solar installation quota and feed-in-tariffs in China during the second half of 2018. Such new policies created uncertainties in the domestic solar market and negatively impacted industry demand and selling price of upstream products.

In order to remain flexible and rapidly adapt our business to the challenging market environment, we continued to reduce our fixed costs of operations and the level of our fixed assets in the manufacturing business segment. We put focus to further strengthen our supply chain management, advanced technological capabilities, high quality product offerings, and premium customer bases to ensure our long-term competitiveness. And we actively looked for opportunities to out-source production procedures to third party processing agents whenever it is in our commercial interest. We believe out-sourcing our production would be more cost effective when there are excess production capacities in market. And we continued to reduce head counts and to dispose of fixed assets which were low in utilization. We also rented out the idle space in our factories. These measures are aligned with our overall strategy of improving our operating efficiencies.

During the Period, we were 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. The absence of commitment to long term supply contracts gives 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 manufacturing business as a solid foundation to support the development of our downstream solar businesses. We strive to create synergies among our existing upstream solar business and other new business initiatives in the renewable energies industry in order to create value for our shareholders.

We believe the industry demand will continue to grow over the long term as solar PV is becoming increasingly cost competitive and less dependent on government policies and subsidies. We remain confident in the long-term sustainable growth of the industry despite the impact by the new solar PV policies issued by the Chinese government. We proactively design and execute various strategies to navigate this challenging period in the industry.

In order to enhance our profit and profitability, the Group also made continuous efforts to develop and expand its new business initiatives. On 18 September 2017, Comtec Renewable Energy Group Limited ("**Comtec Renewable Energy**"), a wholly-owned subsidiary of the Company, and Macquarie Corporate Holding Pty Limited ("**Macquarie Capital**") entered into a shareholders' agreement, pursuant to which Comtec Renewable Energy and Macquarie Capital agreed to form a co-investment vehicle (the "**Co-Investment Vehicle**") for the purpose of developing and expanding the downstream solar business. The Co-Investment Vehicle specifically focuses on rooftop distributed generation projects on commercial and industrial buildings. It will be owned as to 50% by Comtec Renewable Energy and 50% by Macquarie Capital, respectively, and the total subscription amount to be paid by each party for the transaction will be up to a maximum of US$5.0 million. The Co-Investment Vehicle will focus on the development, project management and construction of distributed solar generated power projects in the PRC with an aggregate capacity of 30 to 40 Megawatts. During the Period, the Co-Investment Vehicle has established its investment platform in China and was in the process to build up its own project portfolio. We believe the cooperation with Macquarie Capital will broaden the Group's strategic cooperation with international financial institutions, which strengthens and improves the financial resources of the Group.

Up to 30 June, 2018, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 11.5 MW which can be transferred to the Co-Investment Vehicle subject to reaching mutually acceptable agreements.

On 25 May 2017, Comtec Renewable Energy (Jiangsu) Limited* (卡姆丹克清潔能源(江蘇)有限公司) ("**Comtec Renewable (Jiangsu)**"), Zhenjiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司) ("**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 represented 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 marked the Group's continuous efforts in diversifying its business.

We expect the sound developments and growth prospects of the electric vehicle industry and the power storage industry would drive sustainable growth and profitability of Kexin. During the Period, Kexin has achieved remarkable growth of business and it recorded revenue of approximately RMB31.5 million for the Period, increasing of approximately 505.8%, from RMB5.2 million which was included in the consolidated revenue of the Group for the year ended 31 December 2017 since completion of its acquisition in October 2017.

The above progresses marked the Group's continuous efforts to develop and expand its new business initiatives in the renewable energy industry. It would fuel the growth of the Group and enhance our profitability in future.

On 18 May 2018 (after trading hours), Putana Limited ("**the Subscriber**") and the Company entered into a subscription agreement ("**the Subscription Agreement**") in respect of the issue of 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%. The conversion price is HK$0.174 per share for a potential maximum amount of 451,137,931 conversion shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as at the date hereof, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy and other downstream projects, and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed on 31 July 2018. Please refer to the announcement of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 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 issuance of the Convertible Bonds. In addition, we implemented and will continue to implement a balanced financing plan to support our business operation.

On behalf of the Board, I would like to express my sincere gratitude to our Shareholders and business partners for their support 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, 30 August 2018

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 2017. 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 Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**100,246**	314,193
Cost of sales and services		**(108,091)**	(278,323)
Gross profit		**(7,845)**	35,870
Other income	*5*	**8,936**	25,281
Other gains and losses	*6*	**(44,205)**	12,397
Distribution and selling expenses		**(2,534)**	(6,560)
Administrative expenses		**(48,794)**	(36,657)
Research and development expenses		**(2,922)**	(2,297)
Share of profit of joint ventures		**398**	–
Finance costs		**(7,278)**	(8,278)
(Loss) profit before taxation	*7*	**(104,244)**	19,756
Taxation	*8*	**(761)**	(11,632)
(Loss) profit and total comprehensive (expense) income for the period		**(105,005)**	8,124
(Loss) profit and total comprehensive (expense) income for the period attributable to			
Owners of the Company		**(100,621)**	8,783
Non-controlling interests		**(4,384)**	(659)
		(105,005)	8,124
		RMB cents	*RMB cents*
(Loss) profit per share			
— Basic	*9*	**(4.80)**	0.57
— Diluted	*9*	**(4.80)**	0.49

Condensed Consolidated Statement of Financial Position
As at 30 June 2018

	NOTES	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**184,834**	142,129
Prepaid lease payments		**13,209**	13,484
Investment properties		**86,027**	86,027
Goodwill	*10*	**66,892**	105,917
Intangible assets	*11*	**14,663**	67,757
Interests in joint ventures	*12*	**2,645**	–
Deposits paid for acquisition of property, plant and equipment		**2,825**	22,354
		371,095	437,668
Current assets			
Inventories		**24,012**	43,209
Trade and other receivables	*13*	**124,188**	131,346
Bills receivable	*13*	**–**	1,684
Advance to suppliers		**96,265**	64,509
Prepaid lease payments		**494**	335
Pledged bank deposits		**22,932**	20,874
Bank balances and cash		**85,703**	32,107
		353,594	294,064
Current liabilities			
Trade and other payables	*14*	**165,336**	131,057
Contract liabilities		**85,919**	–
Customers' deposits received		**–**	43,203
Short-term borrowing		**276,436**	200,339
Tax liabilities		**7,062**	10,333
Deferred income		**287**	287
Contingent consideration payables	*15*	**–**	9,884
		535,040	395,103
Net current liabilities		**(181,446)**	(101,039)
Total assets less current liabilities		**189,649**	336,629

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current liabilities			
Long-term borrowing		**17,800**	11,950
Deferred tax liabilities		**19,867**	31,958
Long-term payable		**8,987**	4,500
Deferred income		**3,868**	4,011
Contingent consideration payables	*15*	**5,231**	42,105
		55,753	94,524
Capital and reserves			
Share capital		**1,807**	1,807
Reserves		**131,633**	231,337
Equity attribute to owners of the company		**133,440**	233,144
Non-controlling interests		**456**	8,961
Total equity		**133,896**	242,105
		189,649	336,629

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, power storage products and lithium battery 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 RMB181.4 million although a net assets of RMB133.9 million are maintained as of 30 June 2018. 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.

- 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 condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRS"), the accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each individual line item.

	31 December 2017 (Audited) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018 (Restated)** ***RMB'000***
Current Assets				
Trade and other receivables	131,346	–	(945)	130,401
Current liabilities				
Customers' deposit received	43,203	(43,203)	–	–
Contract liabilities	–	43,203	–	43,203
Capital and Reserves				
Reserves	231,337	–	(945)	230,392

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Manufacturing and sales of solar products:		
Monocrystalline solar wafers	**48,763**	134,622
Monocrystalline solar ingots	**6,495**	33,681
	55,258	168,303
Trading of solar products:		
Polysilicon	**4,633**	65,295
Solar cells	**–**	34,138
Solar modules	**2,740**	3,274
Others	**313**	3,727
	7,686	106,434
Downstream solar and power storage business:		
Consulting services for investment, development, construction and operation of solar photovoltaic power stations	**5,835**	39,456
Power storage products	**31,467**	–
	37,302	39,456
Total revenue	**100,246**	314,193
Geographical market:		
PRC including Hong Kong Special Administrative Region ("SAR")	**94,624**	266,508
Philippines and Malaysia	**–**	35,584
Japan	**5,622**	6,172
Korea	**–**	5,929
Total revenue	**100,246**	314,193

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 mono-crystalline products, trading of solar products.

ii. Downstream solar and power storage — Provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations, production and sales of the power storage products which was started in this current interim period.

Segment revenues and results

	Upstream *RMB'000* **(Unaudited)**	**Downstream solar and Power Storage** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
For the six months ended 30 June 2018:			
Revenue	**62,944**	**37,302**	**100,246**
Cost of sales and services	**(79,942)**	**(28,149)**	**(108,091)**
Segment (loss) profit	**(16,998)**	**9,153**	**(7,845)**
Other income			**8,936**
Other gains and losses			**(44,205)**
Distribution and selling expenses			**(2,534)**
Administrative expenses			**(48,794)**
Research and development expenses			**(2,922)**
Share of profit of joint ventures			**398**
Finance costs			**(7,278)**
Loss before taxation			**(104,244)**

	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 (loss) 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			(36,657)
Research and development expenses			(2,297)
Finance costs			(8,278)
Profit before taxation			19,756

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, research and development expense, share of profit of associates 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. OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**6,146**	24,813
Rental income	**2,002**	–
Interest income	**95**	174
Others	**693**	294
	8,936	25,281

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.

6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**(4,698)**	(4,625)
Gain (loss) on disposal of property, plant and equipment	**(70)**	2,185
Allowance for trade and other receivables *(Note 13)*	**(17,533)**	–
Impairment losses recognized in respect of advance to suppliers	**(3,200)**	–
Loss on disposal of subsidiaries	**(1,402)**	–
Loss recognized in respect of goodwill *(Note 10)*	**(39,025)**	–
Loss recognized in respect of intangible assets *(Note 11)*	**(41,769)**	–
Loss on disposal of assets held for sale	**–**	(2,445)
Gain on fair value changes of contingent consideration payables and related deferred tax liability	**63,492**	17,282
	(44,205)	12,397

7. (LOSS) PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Cost of inventories recognized as expense	**106,689**	277,652
Depreciation of property, plant and equipment	**8,230**	10,719
Release of prepaid lease payments	**117**	275
Amortization of intangible assets	**11,325**	9,296
Research and development expenses	**2,922**	2,297
Operating lease rentals in respect of rented premises	**1,497**	1,729

8. TAXATION

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
People's Republic of China (the "PRC") Enterprise Income Tax — Tax expense for the current period	**(761)**	(11,632)

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 2018 and 30 June 2017. 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.

9. (LOSS) PROFIT PER SHARE

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic loss per share	**(100,621)**	8,783
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,097,703,580**	1,546,513,056
Effect of dilutive potential ordinary shares		
Dilution effect on potential ordinary shares resulting from earn-out arrangement	**–**	241,781,172
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,097,703,580**	1,788,294,228

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 (loss) profit per share for the six months ended 30 June 2018 and 30 June 2017 since their exercise prices were higher than the average market prices of the shares of the Company or they will increase the profit or decrease the loss per share of the Company.

10. GOODWILL

The movement of goodwill is as follows:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
COST		
At the beginning of the period/year	**105,917**	60,256
Acquisition during the year	**–**	45,661
Impairment recognized	**(39,025)**	–
At the end of the period/year	**66,892**	105,917

The carrying amounts of goodwill as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Comtec Renewable Energy Group Limited	**60,256**	60,256
Comtec (Asia) Limited	**–**	39,025
Zhenjiang Kexin Power System Design and Research Company Limited	**6,636**	6,636
	66,892	105,917

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 amounts of the above cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Goodwill impairment of Comtec (Asia) Limited

Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, the goodwill arising from the acquisition was fully impaired during the current interim period as the actual performance in the current interim period didn't meet the expectation and below the business forecast, in the opinion of the directors of the Company it could not be recovered from the relevant cash generating unit related to the distributed generation projects and fully impaired.

11. INTANGIBLE ASSETS

The balance of intangible assets is analysed as follows:

	Cooperative agreement *RMB'000*	Non-compete agreement *RMB'000*	Franchise relationship *RMB'000*	Backlog *RMB'000*	Technology *RMB'000*	Total *RMB'000*
At 1 January 2017	51,500	11,550	–	–	–	63,050
Additions	–	13,026	5,899	970	6,100	25,995
Amortization	12,875	4,407	2,731	970	305	21,288
At 31 December 2017	38,625	20,169	3,168	–	5,795	67,757
Additions	–	–	–	–	–	–
Amortization	6,438	2,638	1,639	–	610	11,325
Impairment *(Note)*	32,187	8,053	1,529	–	–	41,769
At 30 June 2018	–	9,478	–	–	5,185	14,663

The intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Cooperative agreement	4 years
Non-compete agreement	2–5 years
Franchise relationship	1.8 years
Backlog	0.8 years
Technology	5 years

Note: Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, the intangible assets in the carrying amount of RMB32,187,000 arising from the signed cooperative agreements in the acquisition of Comtec Renewable Energy Group Limited was fully impaired during the current interim period.

At the same time, the intangible assets arising from the non-compete agreement the acquisition of Comtec Renewable Energy Group Limited and Comtec (Asia) Limited was partially impaired in the amount of RMB8,053,000 during the current interim period as the actual performance in the current interim period didn't meet the expectation and below the business forecast.

12. INTERESTS IN JOINT VENTURES

	30 June 2018 ***RMB'000*** **(unaudited)**	31 December 2017 *RMB'000* (audited)
Cost of investment in joint ventures	**2,247**	–
Share of profit or loss of joint ventures	**398**	–
	2,645	–

In January 2018, the Group together with another independent third party to set up a joint venture to develop and expand the downstream solar business. The total subscription amount has been paid by each party is US$355,000 respectively by end of February 2018, which represented 50% equity interest for each party and accounted for interests in joint ventures accordingly.

13. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**77,649**	69,269
Write off of allowance	**–**	(5,151)
Less: allowance for doubtful debts	**(26,168)**	(7,690)
	51,481	56,428
Utility deposits	**1,285**	3,147
Value-added-tax recoverable	**45,353**	43,729
Other receivables and prepayments	**26,069**	28,042
	124,188	131,346
Bills receivable	**–**	1,684

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 at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 to 30 days	**16,136**	18,368
31 to 60 days	**14,362**	6,167
61 to 90 days	**1,754**	353
91 to 180 days	**802**	6,438
Over 180 days	**18,427**	25,102
	51,481	56,428

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 to 30 days	**–**	1,134
31 to 60 days	**–**	550
61 to 90 days	**–**	–
91 to 180 days	**–**	–
	–	1,684

Movement in the allowance for doubtful debts:

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Balance at 31 December 2017	**7,690**	5,151
Remeasurement of loss allowance under ECL	**945**	–
Balance at 1 January 2018	**8,635**	5,151
Impairment losses recognised on receivables	**17,533**	7,690
Amounts written off as uncollectible	**–**	(5,151)
Balance at end of the reporting period	**26,168**	7,690

Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, the Company expected that the account receivables in the amount of RMB22,065,000 which are related to the consulting service of the solar photovoltaic power stations could not be recovered and therefore made fully additional provision of RMB15,446,000 against these receivables as at 30 June 2018.

14. TRADE AND OTHER PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade payables	**118,253**	83,947
Payables for acquisition of property, plant and equipment	**21,377**	17,106
Provision for termination costs for termination of Malaysian plant under construction	**–**	1,267
Other payables and accrued charges	**25,706**	28,737
	165,336	131,057

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Age		
0 to 30 days	**52,141**	45,815
31 to 60 days	**8,385**	11,544
61 to 90 days	**14,202**	5,604
91 to 180 days	**7,573**	4,570
Over 180 days	**35,952**	16,414
	118,253	83,947

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.

15. CONTINGENT CONSIDERATION PAYABLES

The movement of the contingent consideration payables is analysed as:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
At the beginning of the period/year	**51,989**	93,835
Recognized from business acquisitions	**–**	45,250
Change in fair value *(Note)*	**(46,758)**	(22,016)
Transferred to equity	**–**	(65,080)
At the end of the period/year	**5,231**	51,989
Analyzed as:		
Current portion	**–**	9,884
Non-current portion	**5,231**	42,105
	5,231	51,989

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 2018 are based on the valuation performed by the change of the price of share and the exchange rate of HKD/RMB.

Note: Due to the change of industry environment and the release of new government policy "2018 PV Power Generation Notice (2018光伏發電有關事項的通知)" on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, especially for Comtec (Asia) Limited the actual performance in the current interim period didn't meet the expectation and below the business forecast, so the contingent consideration payable relating to the acquisition was almost fully reversed during the current interim period.

16. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2018 and 2017.

17. CAPITAL COMMITMENTS

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Capital expenditure in the consolidated financial statements in respect of the acquisition of property, plant and equipment — Contracted for but not provided	**9,911**	41,889

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2018, the Group was still in a process to restructure its manufacturing business and to expand to the new business initiatives in the renewable industry.

During the Period, certain new policies were launched by the Chinese government which have caused disruptions in the solar industry. Such new policies are expected to reduce solar installation quota and feed-in-tariffs in China during the second half of 2018. Such new policies created uncertainties in the domestic solar market and negatively impacted industry demand and selling price of upstream products.

In order to remain flexible and rapidly adapt our business to the challenging market environment, we continued to reduce our fixed costs of operation and the level of our fixed assets in the manufacturing business segment. We put focus to further strengthen our supply chain management, advanced technological capabilities, high quality product offerings, and premium customer bases to ensure our long-term competitiveness. And we actively looked for opportunities out-source production procedures to third party processing agents whenever it is in the Group's commercial interest. We believe out-sourcing our production would be more cost effective when there are excess production capacities in market. And we continued to reduce head counts and to dispose the fixed assets which were in low utilization. We also rent out the idle space in our factories. These measures are aligned with our overall strategy of improving our operating efficiencies.

During the Period, we were 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. The absence of commitment to long term supply contracts gives 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 manufacturing business as a solid foundation to support the development of our downstream solar businesses. We strive to create synergies among our existing upstream solar business and other new business initiatives in the renewable energies industry in order to create value for our shareholders.

We believe the industry demand will continue to grow over the long term as solar PV is becoming increasingly cost competitive and less dependent on government policies and subsidies. We remain confident in the long-term sustainable growth of the industry despite the impact by the new solar PV policies issued by the Chinese government. We proactively design and execute various strategies to navigate this challenging period in the industry.

In order to enhance our profit and profitability, the Group also made continuous efforts to develop and expand its new business initiatives. On 18 September 2017, Comtec Renewable Energy Group Limited ("**Comtec Renewable Energy**"), a wholly-owned subsidiary of the Company, and Macquarie Corporate Holding Pty Limited ("**Macquarie Capital**") entered into a shareholders' agreement, pursuant to which Comtec Renewable Energy and Macquarie Capital agreed to form a co-investment vehicle (the "**Co-Investment Vehicle**") for the purpose of developing and expanding the downstream solar business. The Co-Investment Vehicle specifically focuses on rooftop distributed generation projects on commercial and industrial buildings. It will be owned as to 50% by Comtec Renewable Energy and 50% by Macquarie Capital, respectively, and the total subscription amount to be paid by each party for the transaction will be up to a maximum of US$5.0 million. The Co-Investment Vehicle will focus on the development, project management and construction of distributed solar generated power projects in the PRC with an aggregate capacity of 30 to 40 Megawatts. During the Period, the Co-Investment Vehicle has established its investment platform in China and was in the process to build up its own project portfolio. We believe the cooperation with Macquarie Capital will broaden the Group's strategic cooperation with international financial institutions, which strengthens and improves the financial resources of the Group.

Up to 30 June 2018, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 11.5 MW which can be transferred to the Co-Investment Vehicle subject to reaching mutually acceptable agreements.

On 25 May 2017, Comtec Renewable Energy (Jiangsu) Limited* (卡姆丹克清潔能源(江蘇)有限公司) ("**Comtec Renewable (Jiangsu)**"), Zhenjiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司) ("**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 represented 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 marked the Group's continuous efforts in diversifying its business.

We expect the sound developments and growth prospects of the electric vehicle industry and the power storage industry would drive sustainable growth and profitability of Kexin. During the Period, Kexin has achieved remarkable growth of business and it recorded revenue of approximately RMB31.5 million for the Period, increasing of approximately 505.8%, from RMB5.2 million which was included in the consolidated revenue of the Group for the year ended 31 December 2017 since completion of its acquisition in October 2017.

The above progress marked the Group's continuous efforts to develop and expand its new business initiatives in the renewable energy industry. It would fuel the growth of the Group and enhance our profitability in future.

On 18 May 2018 (after trading hours), Putana Limited ("**the Subscriber**") and the Company entered into a subscription agreement ("**the Subscription Agreement**") in respect of the issue of 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%. The conversion price is HK$0.174 per share for a potential maximum amount of 451,137,931 conversion shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as at the date hereof, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed on 31 July 2018. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 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 issuance of the Convertible Bonds. In addition, we implemented and will continue to implement a balanced financing plan to support our business operation.

Revenues from our top five customers during the Period represented approximately 75.7% of our total revenues, compared to approximately 47.1% in the corresponding period last year. The sales to our largest customer accounted for approximately 30.0% of our total revenues in the Period, as compared to approximately 15.8% in the corresponding period in 2017.

We intend to explore further opportunities and make further expansion into the new business initiatives in the renewable energy industry to fuel the growth of our 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 renewable industry and to drive continued and healthy growth for the Group in the future.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB214.0 million, or 68.1%, from RMB314.2 million for the corresponding period in 2017 to RMB100.2 million for the Period, primarily as a result of the decrease in both selling price and sales volume of most of our upstream solar products, although such decrease was partially mitigated by the increase in revenue from our lithium batteries system and power storage system business acquired in October 2017. During the Period, excess production capacity in market continued and negative policies were issued by the Chinese government. This industry environment created uncertainties in the domestic solar market and negatively impacted industry demand and selling price of upstream products.

Revenue from sales of wafers decreased by RMB85.8 million, or 63.7%, from RMB134.6 million for the corresponding period in 2017 to RMB48.8 million for the Period. It was primarily the result of the decrease in both sales volume and average selling price of 156 mm x 156 mm monocrystalline solar wafers by approximately 32.0% and 30.0%, respectively, as compared to their respective sales during the corresponding period in 2017. The revenue from 156 mm x 156 mm monocrystalline solar wafers dropped by approximately RMB47.2 million, or 49.2%, from RMB96.0 million for the corresponding period in 2017. And we did not record any shipment of 125 mm x 125 mm monocrystalline solar wafers during the Period to the overseas customer. The revenue from shipment of 125 mm x 125 mm monocrystalline solar wafers was approximately RMB38.7 million for the corresponding period in 2017.

Revenue from sales of ingots decreased by RMB27.2 million, or 80.7%, from RMB33.7 million for the corresponding period in 2017 to RMB6.5 million for the Period, mainly due to the decrease of sales volume by approximately 82.2%. Such decrease was partially mitigated by increase of average selling price. During the Period, we mainly sold the ingots to a Japan-based customer.

Revenue from trading of excess inventory of polysilicon as well as trading of solar cells and modules were approximately RMB4.6 million and RMB2.7 million for the Period, respectively, decreased by approximately RMB60.7 million, or 92.9%, and RMB34.7 million, or 92.8%, respectively, from RMB65.3 million and RMB37.4 million, respectively, for the corresponding period in 2017.

Revenue from our downstream solar business mainly included solar project development service income and power generation income. Such incomes decreased by approximately RMB33.7 million, or 85.3%, from RMB39.5 million for the corresponding period in 2017 to RMB5.8 million for the Period. Such revenues decreased as we focused on developing our own projects instead of providing project development services to third parties during the Period. The completed projects can be sold to long term institutional investors in future. As at 30 June 2018, the Group has completed downstream projects with book value of approximately RMB62.3 million in our Consolidated Statement of Financial Positions.

The decreases of revenue from our solar businesses were partially mitigated by the revenue from the lithium batteries and power storage system business which was acquired in October 2017. It mainly engages 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. It recorded revenue of approximately RMB31.5 million for the Period while there was no such revenue for the corresponding period in 2017.

Revenue by geographical market

In relation to the geographical analysis of our revenue, approximately 94.4% (six months ended 30 June 2017: 84.8%) of total revenue for the Period was generated from our sales in China. The remaining portion was mainly generated from our sales to the Japan-based customers.

Cost of sales and services

Cost of sales and services decreased by RMB170.2 million, or 61.2%, from RMB278.3 million for the corresponding period in 2017 to RMB108.1 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 the result of the decrease in sales volume of our upstream solar businesses, including sales of wafers, ingots, trading of excess inventory of polysilicon as well as trading of solar cells and modules which also resulted in decrease in total revenue of approximately RMB214.0 million, or 68.1%, from the corresponding period in 2017. The industry landscape for upstream solar manufacturing business deteriorated during the first half of 2018 and the new policies issued by the Chinese government have negatively impacted industry demand and selling price of upstream products.

Inventory provision of approximately RMB17.0 million was recorded during the Period and was included in the cost of sales and services. Overall, the year-on-year decrease in costs of sales and services of approximately 61.2% was less than the year-on-year decrease in revenue of approximately 68.1%.

Gross (loss)/profit

During the Period, the Group recorded gross loss of approximately RMB7.8 million, comparing to gross profits of RMB35.9 million for the corresponding period in 2017. It was primarily due to the decrease of average selling price and sales volume and the inventory provision recorded during the Period.

Other income

Other income decreased by RMB16.4 million, or 64.8%, from RMB25.3 million for the corresponding period in 2017 to RMB8.9 million for the Period, which was mainly due to the decrease in government subsidy incomes received during the Period.

Other gains and losses

Other losses were approximately RMB44.2 million during the Period, comparing to other gains of RMB12.4 million for the corresponding period in 2017. For the six months ended 30 June 2018, the amount of other losses mainly included: (i) the impairments on goodwill and intangible assets of approximately RMB80.8 million which was partially offset by (ii) the gain realized in respect of contingent consideration payables and its fair value changes of approximately RMB63.5 million, (iii) bad debt provisions of approximately RMB17.5 million, and (iv) impairment on advance to suppliers of approximately RMB3.2 million. Other gains for corresponding period in 2017 were mainly due to the fair value changes of contingent consideration payables for the acquisitions made.

Impairments on goodwill and intangible assets

For the purposes of impairment testing, the net carrying amount of the goodwill and intangible assets, which arose from the acquisitions of subsidiaries, has been allocated to the cash generating unit relating to downstream solar service business. The recoverable amounts of the above cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Since the actual performance of Comtec (Asia) Limited during the Period is below expectation and considering the changes of industry environment and government policies in May 2018, the goodwill and intangible assets arising from the acquisition was fully impaired during the current interim period as in the opinion of the directors of the Company the net carrying amount of such assets could not be recovered from the relevant cash generating unit related to the downstream solar business.

During the Period, certain signed business agreements of Comtec Renewable Energy Group Limited were expected cannot be performed due to the change of industry environment and launch of new government policies. Hence, intangible assets related to such business agreements of approximately RMB32.2 million were impaired after specific assessments.

Gain realized in respect of contingent consideration payables and its fair value changes

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 2018 are based on the valuation performed by the change of the price of share and the exchange rate of HKD/RMB. The gain on fair value changes of contingent consideration payables was mainly due to the decrease of share price of the Company during the Period.

Since the actual performance of Comtec (Asia) Limited during the Period is below expectation and considering the changes of industry environment and government policies in May 2018, the contingent consideration payable relating to the acquisition of Comtec (Asia) Limited was fully reversed during the current interim period.

Bad debt provisions and impairment on advance to suppliers

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group evaluated its exposures to credit risk and estimated credit losses for trade receivables collectively based on ECL model as at 30 June 2018.

The assessments were based on historical observed default rates over the expected life of the debtors and were adjusted for forward-looking information that was available without undue cost or effort. The assessments were regularly reviewed by management to ensure relevant information about specific debtors were updated.

As at 30 June 2018, an impairment allowance was provided in an amount of RMB17.5 million, among which RMB 0.7 million was made based on the provision matrix and RMB16.8 million was assessed individually on the debtors with significant balances amounting to RMB 24.7 million.

During the Period, impairment of approximately RMB3.2 million was made to advance to suppliers which was based on specific assessment on recoverability of advances to suppliers.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB4.1 million, or 62.1%, from RMB6.6 million for the corresponding period in 2017 to RMB2.5 million during the Period, primarily due to the decrease in sales and market expense on the upstream solar manufacturing business during the Period. It was mainly due to the decrease in sales volume of the upstream solar business.

Administrative and general expenses

Administrative and general expenses increased by RMB12.1 million, or 33.0%, from RMB36.7 million for the corresponding period in 2017 to RMB48.8 million for the Period, which was mainly due to the increase in non-cash accounting amortization expenses and administrative expenses incurred during the Period in relation to the acquired subsidiaries.

Interest expenses

Interest expenses decreased by RMB1.0 million from RMB8.3 million for the corresponding period in 2017 to RMB7.3 million for the Period. It was mainly due to an amount of RMB0.9 million was capitalized for the new additions of construction in progress during the Period while the amount of interest expenses capitalized for the corresponding period in 2017 was immaterial due to no material addition to construction in progress balances.

Profit (Loss) before taxation

Loss before taxation was approximately RMB104.2 million for the Period, comparing to the profit before taxation of RMB19.8 million for the corresponding period in 2017, due to the aforementioned factors.

Taxation

The Group incurred taxation expenses of approximately RMB0.8 million during the Period, decreasing from RMB11.6 million for the corresponding period in 2017. It was mainly due to the decrease in the assessable profits recorded by the subsidiaries of our Company in China during the Period.

Profit (Loss) for the period

The Group recorded net loss attributable to the owners of the Company of RMB100.6 million during the Period, representing a reversal from the net profit of approximately RMB8.8 million for the corresponding period in 2017, primarily attributable to the aforementioned factors. Accordingly, the Group recorded net loss margin attributable to the owners of the Company of 100.4% for the Period, as compared to the net profits margin of 2.8% for the corresponding period in 2017.

Interim dividend

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2017: nil).

Inventory turnover days

There was a decrease in inventory balance of 44.4% from RMB43.2 million as at 31 December 2017 to RMB24.0 million as at 30 June 2018, which was mainly due to the Group's efforts to downsize the scale of its traditional manufacturing wafer business and to reduce its inventory level. The inventory turnover days as at 30 June 2018 totaled 40 days (31 December 2017: 33 days).

Trade receivable turnover days

There was a decrease in trade receivable balance of 8.7% from RMB56.4 million as at 31 December 2017 to RMB51.5 million as at 30 June 2018, which was mainly due to downsizing of the Group's traditional manufacturing wafer business and that a bad debt provision of RMB17.5 million was made during the Period. Nonetheless such decrease was partially offset by the increase of business scale of Kexin and its trade receivable balance. The trade receivable turnover days as at 30 June 2018 totaled 93 days (31 December 2017: 42 days). The Group has closely supervised the repayment status of debtor balances. The credit period granted to customers is approximately 7 to 180 days on case-by-case basis. The average receivable turnover days were approximately 93 days which was within the credit periods of the Group grants to its customers.

Trade payable turnover days

There was an increase in trade payable balance of 40.8% from RMB84.0 million as at 31 December 2017 to RMB118.3 million as at 30 June 2018, which was mainly due to the expanding business scale of Kexin during the Period. The trade payable turnover days as at 30 June 2018 totaled 198 days (31 December 2017: 64 days). The group has obtained continuous supports from suppliers during the challenging industry environment.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and the proceeds from issue of equity or debt securities. As at 30 June 2018, the Group's current ratio (current assets divided by current liabilities) was 0.7 (31 December 2017: 0.7) and it was in a net debt position of approximately RMB185.6 million (31 December 2017: approximately RMB157.6 million). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB181.4 million as of 30 June 2018 (31 December 2017: approximately RMB101.0 million). However, the Group still maintained net assets of approximately RMB133.9 million as of 30 June 2018 (31 December 2017: approximately RMB242.1 million) and has entered into a subscription agreement with an independent investor in May 2018 which generated net proceeds of approximately US$9.9 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. Also, we had downstream projects with book value of approximately RMB62.3 million in our book as at 30 June 2018. We would consider to dispose the projects as well as other assets and properties when we receive reasonable offers or require additional funding. The Group has also adopted strict control of operating and investing activities.

On 18 May 2018 (after trading hours), Putana Limited ("**the Subscriber**") and the Company entered into a subscription agreement ("**the Subscription Agreement**") in respect of the issue of 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%. The conversion price is HK$0.174 per share for a potential maximum amount of 451,137,931 conversion shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as at the date hereof, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was complete and closed on 31 July 2018. As at the date of this announcement, USD2 million had been used as working capital. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 for further details.

Although there is no assurance that the Group will be able to raise capital when we require additional funding, historically, the Group has been able to raise capital in each of last few years when required. The Group has assumed it will continue to be able to do so for the foreseeable future.

The Group would implement a balanced financing plan to support our business operations.

Capital commitments

As at 30 June 2018, the Group's capital commitments were approximately RMB9.9 million (2017: RMB41.9 million), which were mainly related to the construction in process downstream projects. Such amounts are expected to be billed and booked as payables upon completion of such projects. 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 2018, other than the balance of contingent consideration payables of approximately RMB5.2 million, there was no material contingent liability (31 December 2017: RMB52.0 million).

Related party transactions

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 2018, the Group had restricted cash of approximately RMB22.9 million (31 December 2017: RMB20.9 million), and pledged its buildings, investment properties, prepaid lease payments, power station of downstream projects and account receivables of downstream revenue with net book values of approximately RMB95.3 million (31 December 2017: RMB98.5 million), approximately RMB86.0 million (31 December 2017: RMB86.0 million), approximately RMB13.7 million (31 December 2017: RMB13.8 million), approximately RMB25.3 million (31 December 2017: RMB16.9 million), and approximately RMB0.7 million (31 December 2017: nil) respectively, to banks to secure banking facilities granted to the Group. Save as disclosed above, as at 30 June 2018, no other assets of the Group were charged.

Significant acquisition and disposal of subsidiaries

During the six months ended 30 June 2018, the Group did not have any significant acquisition and disposal of subsidiaries.

Use of proceeds

On 21 July 2017, the Company entered into a 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 subscription has been completed on 18 October 2017 with the 190,912,714 subscriptions shares allotted and issued to Advanced Gain Limited, generating the net proceeds of approximately HK$46.93 million, representing a net subscription price of HK$0.2458 per subscription share. As at the date of this announcement, the net proceed has been used as working capital of the Group. Please refer to the announcements of the Company dated 21 July 2017 and 18 October 2017 for further details.

On 18 May 2018 (after trading hours), Putana Limited ("**the Subscriber**") and the Company entered into a subscription agreement ("**the Subscription Agreement**") in respect of the issue of 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%. The conversion price is HK$0.174 per share for a potential maximum amount of 451,137,931 conversion shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as at the date hereof, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed on 31 July 2018. As at the date of this announcement, USD2 million had been used as working capital. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 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 announcement.

Human resources

As at 30 June 2018, the Group had 193 (31 December 2017: 342) 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 solar business and the lithium batteries system and power storage system 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 amount of capital commitments for its downstream solar business, other than the projects under constructions, and the lithium batteries system and power storage system 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 recognized net exchange losses of approximately RMB4.7 million, which mainly arose from monetary assets and liabilities of the Group 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

On 18 May 2018 (after trading hours), Putana Limited ("**the Subscriber**") and the Company entered into a subscription agreement ("**the Subscription Agreement**") in respect of the issue of 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%. The conversion price is HK$0.174 per share for a potential maximum amount of 451,137,931 conversion shares to be allotted and issued upon exercise in full of the conversion rights attached to the Convertible Bonds which represent (i) approximately 21.5% of the existing issued share capital of the Company as at the date hereof, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was complete and closed on 31 July 2018. Please refer to the announcements of the Company dated 18 May 2018 and the circular of the Company dated 9 July 2018 for further details.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. 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.

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 2018. 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 for the issue of the Convertible Bonds as disclosed above, 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 2018
"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 of
Comtec Solar Systems Group Limited
John Yi Zhang
Chairman

Shanghai, the People's Republic of China, 30 August 2018

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.