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

2018
Interim Report

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. John Yi Zhang *(Chairman)*
Mr. Zhang Zhen
Mr. Chau Kwok Keung

Non-executive Director

Mr. Wang Yixin

Independent non-executive Directors

Mr. Kang Sun
Mr. Leung Ming Shu
Mr. Xu Erming

COMPANY SECRETARY

Mr. Chau Kwok Keung *(HKICPA, ACCA, CFA)*

AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang
Mr. Chau Kwok Keung

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. Kang Sun
Mr. Xu Erming

NOMINATION COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Kang Sun
Mr. Leung Ming Shu
Mr. Xu Erming

REMUNERATION COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. John Yi Zhang
Mr. Kang Sun
Mr. Xu Erming

CORPORATE GOVERNANCE COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Chau Kwok Keung
Mr. Leung Ming Shu

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi Zhang *(Chairman)*
Mr. Chau Kwok Keung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER

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Nanhui Industrial Zone
Shanghai 201314
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 33
35/F Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Deloitte Touche Tohmatsu

Financial Summary

Results	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Turnover	100,246	314,193	491,149	566,031	520,449
(Loss) Profit before interest expenses and taxation	(96,966)	28,034	(1,655)	(196,998)	12,913
Interest expense	(7,278)	(8,278)	(5,045)	(7,455)	(9,798)
(Loss) Profit before taxation	(104,244)	19,756	(6,700)	(204,453)	3,115
Taxation	(761)	(11,632)	295	408	(125)
(Loss) Profit and total comprehensive (expense) income for the period	(105,005)	8,124	(6,405)	(204,045)	2,990
(Loss) Profit and total comprehensive (expense) income for the period attributable to Owners of the Company	(100,621)	8,783	(6,405)	(204,045)	2,990
Non-controlling interests	(4,384)	(659)	–	–	–
	(105,005)	8,124	(6,405)	(204,045)	2,990

Assets and liabilities	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	724,689	1,057,787	2,006,918	2,125,319	2,484,678
Total liabilities	(590,793)	(764,215)	(874,885)	(988,407)	(970,163)
Shareholders' funds	133,896	293,572	1,132,033	1,136,912	1,514,515
Attributable to					
Owners of the Company	133,440	285,409	1,132,033	1,136,912	1,514,515
Non-controlling interests	456	8,163	0	0	0
	133,896	293,572	1,132,033	1,136.912	1,514.515

Chairman 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 of our financial and business development 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.

Chairman Statement

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 enables us to 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.

Chairman Statement

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 issue of Convertible Bonds was completed on 31 July 2018. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, approximately 80% of which will be used for providing funding for Future Energy and other downstream projects, and approximately 20% of which has been used to repay loans. 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.

Chairman Statement

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

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 energy 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 enables us to 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.

Business Review

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.

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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 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. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, approximately 80% of which will be used for providing funding for Future Energy and other downstream projects, and approximately 20% of which has been used to repay loans.

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, as compared to a gross profit of RMB35.9 million for the corresponding period in 2017. Such gross loss 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 was below expectation and considering the changes of industry environment and government policies in May 2018, the goodwill and intangible assets arising from the acquisition were fully impaired during the 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 the expected credit loss (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 RMB0.7 million was made based on the provision matrix and RMB16.8 million was assessed individually on the debtors with significant balances amounting to RMB24.7 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 were intended to be used for providing funding for Future Energy and other downstream projects and 20% of which were intended to 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 report, USD2 million had been used for repayment of loans. 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 report, the net proceed has been used in full to settle payables to suppliers for the purchase of raw materials 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 were intended to be used for providing funding for Future Energy and other downstream projects and 20% of which were intended to be used as general working capital. The issue of Convertible Bonds was completed on 31 July 2018. As at the date of this report, USD2 million had been used for repayment of loans. 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 report.

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 for the Period, 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.

Corporate Governance and Other Information

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.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

To the best knowledge of the Board, there is no change in any of the Information of the Directors or the chief executive of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of 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 report 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

Saved for the issuance of the Convertible Bonds as disclosed in the section headed "Chairman Statement, Business Review and Financial Review" in this report, during the Period, 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 report, 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.

DISCLOSURE OF INTEREST

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2018, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in the Company

Name of Director	Nature of Interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. John Yi Zhang[1]	Beneficiary of a trust, interest in a controlled corporation, interest of spouse and interest of children under 18	629,283,550	30.00%
Mr Zhang Zhen[2]	Beneficial owner/interest in a controlled corporation	152,402,615	7.27%
Mr Chau Kwok Keung[3]	Beneficial owner	14,728,000	0.70%
Mr. Wang Yixin[4]	Beneficial owner	200,000	0.01%
Mr. Kang Sun[5]	Beneficial owner	749,574	0.04%
Mr. Leung Ming Shu[6]	Beneficial owner	562,787	0.03%
Mr. Xu Erming[7]	Beneficial owner	200,000	0.01%

Notes:

(1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 576,453,844 Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 47,829,706 Shares which are beneficially owned by Mr. Alan Zhang, Mr. Zhang's child under the age of 18, as beneficiary of Zhang Trusts For Descendants, which is an irrevocable trust set up by Mr. Zhang for the benefit of his descendants and of which J.P. Morgan Trust Company of Delaware is the trustee. For the purpose of the SFO, Mr. Zhang is also deemed to be interested in 5,000,000 underlying Shares by virtue of share options granted to him to subscribe for 5,000,000 Shares under the Company's Share Option Scheme on 28 June 2012.

(2) The 152,402,615 Shares in which Mr. Zhang Zhen is deemed to be interested represent (1) 107,627,076 Shares held by True Joy Renewable Limited, a company which is wholly-owned by Mr. Zhang Zhen; and (2) the 1,500,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 2 May 2017 under the Share Option Scheme (as defined below); and (3) a remaining maximum of 43,275,539 consideration Shares which may be issued to him or a company designated by him, pursuant to a sale and purchase agreement entered into by, amongst others, the Company and Mr. Zhang Zhen, dated 7 July 2016. Please refer to the announcements of the Company dated 7 July 2016 and 29 August 2017 for further details.

(3) The 14,728,000 Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 14,728,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 28 June 2012, 31 March 2014 and 2 May 2017 under the Share Option Scheme (as defined below).

(4) The 200,000 Shares in which Mr. Wang Yixin is deemed to be interested represent 200,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 2 May 2017 under the Share Option Scheme (as defined below).

(5) The 749,574 Shares in which Mr. Kang Sun is deemed to be interested represent 749,574 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options (as defined below) granted to him on 3 August 2009 and 2 October 2009 under the Pre-IPO Share Option Scheme and the Share Options (as defined below) granted to him on 27 December 2012 and 2 May 2017 under the Share Option Scheme (as defined below).

(6) The 562,787 Shares in which Mr. Leung Ming Shu is deemed to be interested represent 562,787 Shares which may be issued to him upon the exercise of the Pre-IPO Share Options (as defined below) granted to him on 3 August 2009 and 2 October 2009 under the Pre-IPO Share Option Scheme and the Share Options (as defined below) granted to him on 27 December 2012 and 2 May 2017 under the Share Option Scheme (as defined below).

(7) The 200,000 Shares in which Mr. Xu Erming is deemed to be interested represent 200,000 Shares which may be issued to him upon the exercise of the Share Options (as defined below) granted to him on 2 May 2017 under the Share Option Scheme (as defined below).

Save as disclosed above, as at 30 June 2018, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 30 June 2018, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty Holding Limited	Beneficial owner	576,453,844	27.48%
Ms. Carrie Wang[1]	Interest of spouse	629,283,550	30.00%
Harmony Gold Ventures Corp[2]	Beneficial owner	154,651,306	7.37%
Shanghai Hengqu Internet Technology Co., Ltd.[2]	Interest in a controlled corporation	154,651,306	7.37%
Jiangyin Jinqu Capital Management Co., Ltd.[2]	Interest in a controlled corporation	154,651,306	7.37%
Mr. Wang Yixin[2]	Interest in a controlled corporation	154,651,306	7.37%
True Joy Renewable Limited	Beneficial owner	107,627,076	5.13%
Advanced Gain Limited[3]	Beneficial owner	190,912,714	9.10%
Mr. Wu Zheqiang[3]	Interest in a controlled corporation	190,912,714	9.10%
Zhang Xiaoqin[4]	Beneficial owner/Interest in a controlled corporation	114,367,897	5.45%

Notes:

(1) Ms. Carrie Wang is the spouse of Mr. John Yi Zhang and therefore, pursuant to the SFO, she is deemed to be interested in all the Shares in which Mr. John Yi Zhang is interested.

(2) Harmony Gold Ventures Corp is a wholly-owned subsidiary of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), which is wholly-owned by Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司), which is in turn owned as to 99% by Mr. Wang Yixin (王藝新). Therefore, each of Shanghai Hengqu Internet Technology Co., Ltd.* (上海恒渠互聯網科技有限公司), Jiangyin Jinqu Capital Management Co., Ltd.* (江陰市金渠資本管理有限公司) and Mr. Wang Yixin is deemed to be interested in the 154,651,306 Shares held by Harmony Gold Ventures Corp.

(3) Advanced Gain Limited is wholly owned by Mr. Wu Zheqiang. Therefore Mr. Wu Zheqiang is deemed to be interested in the 190,912,714 Shares held by Advanced Gain Limited.

(4) The 114,367,897 Shares in which Ms. Zhang Xiaoqin is deemed to be interested represent (i) 98,443,897 Shares held by Rich Reach Holdings Limited, which is wholly owned by Ms. Zhang Xiaoqin; and (ii) 15,924,000 Shares held by herself.

Save as disclosed above, as at 30 June 2018, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

The Company has adopted the share option scheme (the "Share Option Scheme") on 2 October 2009 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

Upon adoption, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 100,000,000 Shares.

On 24 December 2015, the scheme mandate limit under the Share Option Scheme was refreshed with a maximum number of 139,186,175 Shares, being 10% of the Shares in issue as at 24 December 2015. As at the date of this report, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company is 139,186,175 Shares representing 6.6% of the issued share capital of the Company as at the date of this report.

No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

During the Period, no share options (the "Share Options") to subscribe for the ordinary Shares each in the share capital of the Company were granted, lapsed, or cancelled under the Share Option Scheme.

Details of the movement of the Share Options under the Share Option Scheme during the Period are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2018	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Balance as at 30 June 2018
Other participants in aggregate	15 June 2018	HK$0.151	–	21,986,175	–	–	21,986,175
Director							
Mr. Zhang Zhen	2 May 2017	HK$0.335	1,500,000	–	–	–	1,500,000
Mr. Chau Kwok Keung	2 May 2017	HK$0.335	1,500,000	–	–	–	1,500,000
Mr. Wang Yixin	2 May 2017	HK$0.335	200,000	–	–	–	200,000
Mr. Leung Ming Shu	2 May 2017	HK$0.335	200,000	–	–	–	200,000
Mr. Kang Sun	2 May 2017	HK$0.335	200,000	–	–	–	200,000
Mr. Xu Erming	2 May 2017	HK$0.335	200,000	–	–	–	200,000
Other participants in aggregate	2 May 2017	HK$0.335	24,400,000(11)	–	–	–	24,400,000
Other participants in aggregate	9 September 2016	HK$0.560	89,000,000	–	–	–	89,000,000
Other participants in aggregate	25 November 2015	HK$0.736	59,000,000	–	–	–	59,000,000
Other participants in aggregate	26 June 2015	HK$1.500	20,000,000	–	–	–	20,000,000
Other participants in aggregate	11 May 2015	HK$1.390	59,800,000	–	–	–	59,800,000
Director							
Mr. Chau Kwok Keung	31 March 2014	HK$1.386	13,000,000	–	–	–	13,000,000
Other participants in aggregate	31 March 2014	HK$1.386	22,650,000	–	–	–	22,650,000
Other participants in aggregate	30 September 2013	HK$1.870	4,020,000	–	–	–	4,020,000
Director							
Mr. Kang Sun	27 December 2012	HK$1.262	300,000	–	–	–	300,000
Mr. Leung Ming Shu	27 December 2012	HK$1.262	300,000	–	–	–	300,000
Other participants in aggregate	27 December 2012	HK$1.262	6,938,000	–	–	–	6,938,000
Director							
Mr. John Yi Zhang	28 June 2012	HK$0.980	5,000,000	–	–	–	5,000,000
Mr. Chau Kwok Keung	28 June 2012	HK$0.980	228,000	–	–	–	228,000
Other participants in aggregate	28 June 2012	HK$0.980	3,556,000	–	–	–	3,556,000
Other participants in aggregate	24 May 2010	HK$1.490	2,240,000	–	–	–	2,240,000
			314,232,000	21,986,175	–	–	336,218,175

Notes:

(1) Share options granted under the Share Option Scheme on 24 May 2010 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
24 May 2010	50% of the total number of Share Options granted ns granted
30 June 2011	50% of the total number of Share Options granted ns granted

(2) Share options granted under the Share Option Scheme on 28 June 2012 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
28 June 2012	50% of the total number of Share Options granted
28 September 2012	12.5% of the total number of Share Options granted
28 December 2012	12.5% of the total number of Share Options granted
28 March 2013	12.5% of the total number of Share Options granted
28 June 2013	12.5% of the total number of Share Options granted

(3) Share options granted under the Share Option Scheme on 27 December 2012 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
27 December 2012	50% of the total number of Share Options granted
27 March 2013	12.5% of the total number of Share Options granted
27 June 2013	12.5% of the total number of Share Options granted
27 September 2013	12.5% of the total number of Share Options granted
27 December 2013	12.5% of the total number of Share Options granted

(4) Share options granted under the Share Option Scheme on 30 September 2013 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
30 September 2013	50% of the total number of Share Options granted
30 December 2013	12.5% of the total number of Share Options granted
30 March 2014	12.5% of the total number of Share Options granted
30 June 2014	12.5% of the total number of Share Options granted
30 September 2014	12.5% of the total number of Share Options granted

(5) Share options granted under the Share Option Scheme on 31 March 2014 vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

The 30,800,000 share options (including the Share Option granted to Mr. Chau Kwok Keung) shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
31 March 2014	50% of the total number of Share Options granted
30 June 2014	12.5% of the total number of Share Options granted
30 September 2014	12.5% of the total number of Share Options granted
31 December 2014	12.5% of the total number of Share Options granted
31 March 2015	12.5% of the total number of Share Options granted

The remaining 4,850,000 share options shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
31 March 2014	1/3 of the total number of options granted
30 June 2014	1/12 of the total number of options granted
30 September 2014	1/12 of the total number of options granted
31 December 2014	1/12 of the total number of options granted
31 March 2015	1/12 of the total number of options granted
30 June 2015	1/12 of the total number of options granted
30 September 2015	1/12 of the total number of options granted
31 December 2015	1/12 of the total number of options granted
31 March 2016	1/12 of the total number of options granted

(6) Share options granted under the Share Option Scheme on 11 May 2015 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
11 May 2015	50% of the total number of Share Options granted
11 August 2015	12.5% of the total number of Share Options granted
11 November 2015	12.5% of the total number of Share Options granted
11 February 2016	12.5% of the total number of Share Options granted
11 May 2016	12.5% of the total number of Share Options granted

(7) Share options granted under the Share Option Scheme on 26 June 2015 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
26 June 2015	50% of the total number of Share Options granted
26 September 2015	12.5% of the total number of Share Options granted
26 December 2015	12.5% of the total number of Share Options granted
26 March 2016	12.5% of the total number of Share Options granted
26 June 2016	12.5% of the total number of Share Options granted

(8) Share options granted under the Share Option Scheme on 25 November 2015 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
25 November 2015	50% of the total number of Share Options granted
25 February 2016	12.5% of the total number of Share Options granted
25 May 2016	12.5% of the total number of Share Options granted
25 August 2016	12.5% of the total number of Share Options granted
25 November 2016	12.5% of the total number of Share Options granted

(9) Share options granted under the Share Option Scheme on 9 September 2016 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
9 September 2016	50% of the total number of Share Options granted
9 December 2016	12.5% of the total number of Share Options granted
9 March 2017	12.5% of the total number of Share Options granted
9 June 2017	12.5% of the total number of Share Options granted
9 September 2017	12.5% of the total number of Share Options granted

(10) Share options granted under the Share Option Scheme on 2 May 2017 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

The 17,800,000 Share Options (including the Share Options granted to the Directors) shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
2 August 2017	12.5% of the total number of Share Options granted
2 November 2017	12.5% of the total number of Share Options granted
2 February 2018	12.5% of the total number of Share Options granted
2 May 2018	12.5% of the total number of Share Options granted
2 August 2018	12.5% of the total number of Share Options granted
2 November 2018	12.5% of the total number of Share Options granted
2 February 2019	12.5% of the total number of Share Options granted
2 May 2019	12.5% of the total number of Share Options granted

The remaining 10,400,000 Share Options shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
2 May 2017	50% of the total number of Share Options granted
2 August 2017	12.5% of the total number of Share Options granted
2 November 2017	12.5% of the total number of Share Options granted
2 February 2018	12.5% of the total number of Share Options granted
2 May 2018	12.5% of the total number of Share Options granted

(11) The Company granted a total of 32,400,000 Share Options on 2 May 2017, among which 4,200,000 were not accepted by the relevant grantees.

(12) Share options granted under the Share Option Scheme on 15 June 2018 shall vest in the grantees in accordance with the timetable below with a 10-year exercise period (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

The 16,686,175 Share Options shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
15 June 2018	50.0% of the total number of Share Options granted
15 September 2018	12.5% of the total number of Share Options granted
15 December 2018	12.5% of the total number of Share Options granted
15 March 2019	12.5% of the total number of Share Options granted
15 June 2019	12.5% of the total number of Share Options granted

The remaining 5,300,000 Share Options shall be subject to a vesting period as followings:

Vesting Date	Percentage of Share Options to vest
15 September 2018	12.5% of the total number of Share Options granted
15 December 2018	12.5% of the total number of Share Options granted
15 March 2019	12.5% of the total number of Share Options granted
15 June 2019	12.5% of the total number of Share Options granted
15 September 2019	12.5% of the total number of Share Options granted
15 December 2019	12.5% of the total number of Share Options granted
15 March 2020	12.5% of the total number of Share Options granted
15 June 2020	12.5% of the total number of Share Options granted

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 23 to the financial statements.

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF COMTEC SOLAR SYSTEMS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Comtec Solar Systems Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 83, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Accounting Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Report on Review of Condensed Consolidated Financial Statements

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our review conclusion, we draw attention to note 2 to the condensed consolidated financial statements, which indicates that the Group experienced a net loss of RMB105 million for the period ended 30 June 2018 and the Group's current liabilities exceeded its current assets by RMB181 million as of 30 June 2018. In addition, as of 30 June 2018, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB10 million as disclosed in note 25 to the condensed consolidated financial statements. These factors initially raised doubt as to the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2018

	NOTES	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (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	(7,278)	(8,278)
(Loss) profit before taxation	8	(104,244)	19,756
Taxation	9	(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	12	(4.80)	0.57
— Diluted	12	(4.80)	0.49

Condensed Consolidated Statement of Financial Position

at 30 June 2018

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	184,834	142,129
Prepaid lease payments		13,209	13,484
Investment properties		86,027	86,027
Goodwill	14	66,892	105,917
Intangible assets	15	14,663	67,757
Interests in joint ventures	16	2,645	–
Deposits paid for acquisition of property, plant and equipment	13	2,825	22,354
		371,095	437,668
Current assets			
Inventories		24,012	43,209
Trade and other receivables	17	124,188	131,346
Bill receivables	17	–	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	19	165,336	131,057
Contract liabilities		85,919	–
Customers' deposits received		–	43,203
Short-term borrowing	20	276,436	200,339
Tax liabilities		7,062	10,333
Deferred income		287	287
Contingent consideration payables	21	–	9,884
		535,040	395,103
Net current liabilities		(181,446)	(101,039)
Total assets less current liabilities		189,649	336,629

Condensed Consolidated Statement of Financial Position

at 30 June 2018

	NOTES	30 June 2018 RMB'000 *(Unaudited)*	31 December 2017 RMB'000 *(Audited)*
Non-current liabilities			
Long-term borrowing	20	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	21	5,231	42,105
		55,753	94,524
Capital and reserves			
Share capital	22	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

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share Capital	Share Premium	Share Options Reserve	Special Reserve	Surplus Reserve	Property Revaluation Reserve	Accumulated Loss	Sub-Total	Non-Controlling Interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017 (Audited)	1,333	1,374,735	108,586	11,012	84,583	–	(1,370,178)	210,071	–	210,071
Profit (loss) and total comprehensive income (expense) for the period	–	–	–	–	–	–	8,783	8,783	(659)	8,124
Recognition of equity-settled share-based payments	–	–	1,475	–	–	–	–	1,475	–	1,475
Effect on finalization of earn-out arrangement , to be settled in future by way of issuance	–	–	–	–	–	–	65,080	65,080	–	65,080
Capital contribution from non- controlling interests	–	–	–	–	–	–	–	–	8,822	8,822
At 30 June 2017 (Unaudited)	1,333	1,374,735	110,061	11,012	84,583	–	(1,296,315)	285,409	8,163	293,572
At 31 December 2017 (Audited)	1,807	1,504,484	110,692	11,012	84,583	31,040	(1,510,474)	233,144	8,961	242,105
Remeasurement of allowance subject to expected credit losses ("ECL") *(Note 3)*	–	–	–	–	–	–	(945)	(945)	–	(945)
At 1 January 2018 (Restated)	1,807	1,504,484	110,692	11,012	84,583	31,040	(1,511,419)	232,199	8,961	241,160
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(100,621)	(100,621)	(4,384)	(105,005)
Recognition of equity-settled share-based payments	–	–	1,862	–	–	–	–	1,862	–	1,862
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(4,691)	(4,691)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	570	570
At 30 June 2018 (Unaudited)	1,807	1,504,484	112,554	11,012	84,583	31,040	(1,612,040)	133,440	456	133,896

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
(Loss) profit before taxation	(104,244)	19,756
Adjustments for:		
Interest income	(95)	(174)
Interest expense	7,278	8,278
Depreciation of property, plant and equipment	8,230	10,719
Loss (Gain) on disposal of property, plant and equipment	70	(2,185)
(Gain) on disposal of assets held for sale	–	2,445
Amortization of intangible assets	11,325	9,296
Share-based payment expenses	1,862	1,475
Release of deferred income	(143)	(143)
Release of prepaid lease payments	117	275
Utilization of allowance for advance to suppliers	–	(1,369)
Impairment losses recognized in respect of advance to suppliers	3,200	–
Allowance for trade and other receivables	17,533	–
Allowance for inventories	16,991	–
Impairment losses recognized in respect of goodwill	39,025	–
Impairment losses recognized in respect of intangible assets	41,769	–
Gain on fair value change of contingent consideration payables and related deferred tax liability	(63,492)	(17,282)
Share of profit of joint ventures	(398)	–
Loss on disposal of subsidiaries	1,402	–
Operating cash flows before movements in working capital	(19,570)	31,091
Decrease in inventories	2,207	118,633
Increase in trade and other receivables	(12,757)	(6,657)
Decrease in bill receivables	1,684	4,665
(Increase) decrease in advance to suppliers	(35,856)	1,027
Increase (decrease) in trade and other payables	34,204	(184,347)
Increase in contract liabilities	42,716	–
Decrease in customers' deposits received	–	(12,030)
Cash generated (used in) from operations	12,628	(47,618)
Tax paid	(4,080)	(563)
Net cash generated (used in) from operating activities	8,548	(48,181)

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Investing activities		
Withdrawal of pledged bank deposits	20,874	105,089
Placement of pledged bank deposits	(22,932)	(32)
Proceeds from disposal of assets held for sale	–	93,638
Proceeds from disposal of property, plant and equipment	204	–
Proceeds from disposal of subsidiaries	2,929	–
Interest received	95	174
Deposits paid for acquisition of property, plant and equipment	(1,627)	(27,932)
Purchase of property, plant and equipment	(35,636)	–
Acquisition of investment in a joint venture	(2,247)	–
Net cash (used in) generated from investing activities	(38,340)	170,937
Financing activities		
Bank loan and other borrowing raised	244,062	120,404
Interest paid	(7,278)	(8,278)
Repayment of bank loans	(153,966)	(277,485)
Capital contribution from non-controlling interests	570	–
Net cash generated (used in) from financing activities	83,388	(165,359)
Increase (decrease) in cash and cash equivalents	53,596	(42,603)
Cash and cash equivalents at beginning of the period	32,107	82,130
Cash and cash equivalents at end of the period, represented by bank balances and cash	85,703	39,527

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 experienced a net loss of RMB105 million for the period ended 30 June 2018 and the Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB181 million 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.

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue and the related interpretations.

The Group recognizes revenue from the following major sources:

- Production and sales of efficient mono-crystalline products and trading of solar products
- Consulting services for investment, development, construction and operation of solar photovoltaic power stations
- Power storage products

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognized in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The revenue of the Group arising from sales of solar products and power storage products is recognized at a point of time. Under the transfer-of-control approach in IFRS 15, revenue from these sales is recognized when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the benefits of these products.

For the consulting services for investment, development, construction of operation of solar photovoltaic power stations. The Group recognize revenue when the customers confirmed the services are rendered as the Group does not have enforceable right to payment for performance completed to date.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

3.1.2 Summary of effects arising from initial application of IFRS 15

The impact of transition to IFRS 15 arising from the initial application of IFRS 15 on the Group's major revenue generating operation was insignificant on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	Carrying amounts under IFRS 15 at 1 January 2018 *RMB'000*
Current liabilities					
Customers' deposits received	(a)	43,203	(43,203)	–	–
Contract liabilities	(a)	–	43,203	–	43,203

Notes:

(a) As at 1 January 2018, customers' deposits received of RMB43,203,000 in respect of contracts with customers previously included in customers' deposits received were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *RMB'000*
Current Liabilities			
Customers' deposits received	–	85,919	85,919
Contract liabilities	85,919	(85,919)	–

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and other items and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortized cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The financial assets of the Group mainly include trade and other receivables, bank balances and cash and pledged bank deposits as at 30 June 2018, which are measured at amortized cost. The new application of IFRS9 has no impact on the classification of these financial assets.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, bill receivables, bank balances, short-term bank deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model (continued)

Significant increase in credit risk-continued *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is past due more than 90 days unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

3.2.2 Summary of effects arising from initial application of IFRS 9

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging.

Loss allowances for other financial assets at amortized cost mainly comprise of other receivables, pledged bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB945,000 has been recognized against accumulated losses. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including trade and other receivables, bank balances, pledged bank deposits at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade and other Receivables *RMB'000*	Bank balances and cash *RMB'000*	Pledged bank deposits *RMB'000*
At 31 December 2017 — IAS 39	(7,690)	–	–
Amounts remeasured through opening retained profits	(945)	–	–
At 1 January 2018	(8,635)	–	–

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

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

4A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	For the six months ended 30 June	
	2018 *RMB'000* *(Unaudited)*	2017 *RMB'000* *(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 of 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

4B. 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 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)

4B. SEGMENT INFORMATION *(continued)*

	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 expenses, 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 17)*	(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 14)*	(39,025)	–
Loss recognized in respect of intangible assets *(Note 15)*	(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. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest expense in relation to bank loans wholly repayable within five years	8,234	8,521
Less: amounts capitalized in the cost of qualifying assets	(956)	(243)
	7,278	8,278

8. (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

9. 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 recognized 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.

10. DISPOSAL OF SUBSIDIARIES

According to the reorganisation proposal authorised by the Board of Directors, the Group entered into a sale agreement in February 2018 to fully dispose its equity interest in Sunny Mega Limited and its subsidiaries to the joint venture newly set up by the Company and an independent third party with the net assets of approximately RMB5,563,000, the total consideration was RMB4,450,000, the net cash arising from the disposal was RMB2,318,000 and the disposal loss of RMB1,113,000 was recognized in the current interim period.

In April 2018, the Group entered into another sale agreement to fully dispose its equity interest in Jiangying Danyu Limited to an independent third party with the net assets of approximately RMB900,000, the consideration was RMB611,000 and the disposal loss of RMB289,000 was recognized in the current interim period.

11. DIVIDENDS

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

12. (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.

13. PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

During the current interim period, the Group acquired manufacturing equipment and incurred construction costs for power stations of approximately RMB60,661,000 (corresponding period of 2017: RMB18,394,000).

In addition, the Group disposed certain of its equipment and machinery with a carrying amount of approximately RMB275,000 (corresponding period of 2017: RMB5,000) which resulted in a loss of approximately RMB70,000 (corresponding period of 2017: a gain of RMB2,185,000).

(b) Deposit paid for acquisition of property, plant and equipment

During the period, the Group spent approximately RMB1,627,000 (six months ended 30 June 2017: RMB27, 932,000) on deposits paid for acquisition of property, plant and equipment.

14. 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

14. GOODWILL *(continued)*

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.

15. 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 in 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.

16. 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.

17. TRADE AND OTHER RECEIVABLES/BILL RECEIVABLES

	30 June 2018 *RMB'000* *(Unaudited)*	31 December 2017 *RMB'000* *(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
Bill receivables	–	1,684

17. TRADE AND OTHER RECEIVABLES/BILL RECEIVABLES *(continued)*

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 RMB'000 (Unaudited)	31 December 2017 RMB'000 (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 bill receivables presented based on invoice date at the end of the reporting period:

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

17. TRADE AND OTHER RECEIVABLES/BILL RECEIVABLES *(continued)*

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 recognized 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.

18. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES SUBJECT TO ECL MODEL

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 following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 30 June 2018.

	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
0–30 days	3.00%	15,923	478
31–60 days	3.50%	14,883	521
61–90 days	4.07%	1,828	74
91–180 days	7.64%	795	61
More than 180 days	37.23%	1,488	554
		34,917	1,688

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

As at 30 June 2018, the impairment allowance is provided in the amount of RMB26,168,000, among which RMB1,688,000 was made based on the provision matrix and RMB24,480,000 was assessed individually on the debtors with significant balances amounting to RMB24,680,000.

19. 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.

20. BORROWINGS

	30 June 2018 *RMB'000* *(Unaudited)*	31 December 2017 *RMB'000* *(Audited)*
Bank loans	201,604	212,289
Other borrowing	92,632	–
	294,236	212,289
— secured and guaranteed	294,236	212,289
— unsecured	–	–
	294,236	212,289
Carrying amounts repayable:		
Within one year		
Less: Amounts due within one year shown under current liabilities	276,436	200,339
Amounts shown under non-current liabilities	17,800	11,950

The bank loans carry interest at variable market rates ranging from 3.22% to 7.15% (six months ended 30 June 2017: 2.47% to 5.22%) per annum.

Other borrowing carries interest rate of 20% per annum with a term of only one month for the short-period financing purpose.

21. 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.

22. SHARE CAPITAL

The share capital of the Group represented the issued and fully paid share capital of the Company.

Authorised:	Number of shares	Amount *HKD'000*
Ordinary shares		
Ordinary shares of HKD0.001 each at 1 January 2017, 31 December 2017 and 30 June 2018	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount *HKD'000*
Ordinary shares		
Ordinary shares at 31 December 2017 and 30 June 2018	2,097,703,580	2,098

	30 June 2018 *RMB'000* *(Unaudited)*	31 December 2017 *RMB'000* *(Audited)*
Presented as RMB:		
Ordinary shares	1,807	1,807

All the shares issued by the Company ranked pari passu with the existing shares in all respects.

23. SHARE-BASED COMPENSATION

(A) Pre-IPO Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Directors:					
Mr. Leung Ming Shu ("Mr. Leung")	62,787	–	–	–	62,787
Mr. Kang Sun ("Mr. Kang")	249,574	–	–	–	249,574
Others	199,659	–	–	–	199,659
	512,020	–	–	–	512,020
Exercisable at the end of the period	512,020				512,020
Weighted average exercise price (HKD)	2.510				2.510

The number of share options under the Pre-IPO Share Option Scheme exercisable at HKD2.51 per share as at 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018 were 512,020.

At 30 June 2018, the number of shares in respect of which options under the Pre-IPO Share Option Scheme remained outstanding was 512,020 (30 June 2017: 512,020), representing 0.02% (30 June 2017: 0.03%) of the shares of the Company in issue at that date. The Company did not recognize any expense in relation to the share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2018 and 30 June 2017 since the share options were fully vested in the prior period.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme during the six months ended 30 June 2018:

Granted on 24 May 2010

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Employees and others	2,240,000	–	–	–	2,240,000
Exercisable at the end of the period	2,240,000				2,240,000
Weighted average exercise price (HKD)	1.490				1.490

At 30 June 2018, the number of shares in respect of which options granted on 24 May 2010 under the Share Option Scheme remained outstanding was 2,240,000 (30 June 2017: 2,240,000), representing 0.11% (30 June 2017: 0.14%) of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 28 June 2012

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Director:					
Mr. Zhang	5,000,000	–	–	–	5,000,000
Mr. Chau	228,000	–	–	–	228,000
Employees	3,506,000	–	–	–	3,506,000
Consultants	50,000	–	–	–	50,000
	8,784,000				8,784,000
Exercisable at the end of the period	8,784,000				8,784,000
Weighted average exercise price (HKD)	0.980				0.980

At 30 June 2018, the number of shares in respect of which options granted on 28 June 2012 under the Share Option Scheme remained outstanding was 8,784,000 (30 June 2017: 8,784,000), representing 0.42% (30 June 2017: 0.57%) of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 27 December 2012

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Director:					
Mr. Leung	300,000	–	–	–	300,000
Mr. Kang	300,000	–	–	–	300,000
Employees	600,000	–	–	–	600,000
Consultants	6,038,000	–	–	–	6,038,000
Others	300,000	–	–	–	300,000
	7,538,000				7,538,000
Exercisable at the end of the period	7,538,000				7,538,000
Weighted average exercise price (HKD)	1.262				1.262

At 30 June 2018, the number of shares in respect of which options granted on 27 December 2012 under the Share Option Scheme remained outstanding was 7,538,000 (30 June 2017: 7,538,000), representing 0.36% (30 June 2017: 0.49%) of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 30 September 2013

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Consultants	4,020,000	–	–	–	4,020,000
Exercisable at the end of the period	4,020,000				4,020,000
Weighted average exercise price (HKD)	1.870				1.870

At 30 June 2018, the number of shares in respect of which options granted on 30 September 2013 under the Share Option Scheme remained outstanding was 4,020,000 (30 June 2017: 4,020,000), representing 0.19% (30 June 2017: 0.26%) of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 31 March 2014

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Director:					
Mr. Chau	13,000,000	–	–	–	13,000,000
Employees	4,850,000	–	–	–	4,850,000
Consultants	17,800,000	–	–	–	17,800,000
	35,650,000	–	–	–	35,650,000
Exercisable at the end of the period	35,650,000				35,650,000
Weighted average exercise price (HKD)	1.386				1.386

At 30 June 2018, the number of shares in respect of which options granted on 31 March 2014 under the Share Option Scheme remained outstanding was 35,650,000 (30 June 2017: 35,650,000), representing 1.70% (30 June 2017: 2.31%) of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 11 May 2015

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Employees	10,200,000	–	–	–	10,200,000
Consultants	49,000,000	–	–	–	49,000,000
Others	600,000	–	–	–	600,000
	59,800,000	–	–	–	59,800,000
Exercisable at the end of the period	59,800,000				59,800,000
Weighted average exercise price (HKD)	1.390				1.390

At 30 June 2018, the number of shares in respect of which options granted on 11 May 2015 under the Share Option Scheme remained outstanding was 59,800,000 (30 June 2017: 59,800,000), representing 2.85% (30 June 2017: 3.87%) of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 26 June 2015

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Consultants	20,000,000	–	–	–	20,000,000
Exercisable at the end of the period	20,000,000				20,000,000
Weighted average exercise price (HKD)	1.500				1.500

At 30 June 2018, the number of shares in respect of which options granted on 26 June 2015 under the Share Option Scheme remained outstanding was 20,000,000 (30 June 2017: 20,000,000), representing 0.95% (30 June 2017: 1.29%) of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 25 November 2015

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2017, 30 June 2017 and 1 January 2018	Exercised during the period	Forfeited during in the period	Lapsed during the period	Outstanding as at 30 June 2018
Consultants	59,000,000	–	–	–	59,000,000
Exercisable at the end of the period	59,000,000				59,000,000
Weighted average exercise price (HKD)	0.736				0.736

At 30 June 2018, the number of shares in respect of which options granted on 25 November 2015 under the Share Option Scheme remained outstanding was 59,000,000 (30 June 2017: 59,000,000), representing 2.81% (30 June 2017: 3.82%) of the shares of the Company in issue at that date.

Granted on 9 September 2016

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2018	Exercised during the period	Forfeited during the period	Lapsed during in the period	Outstanding as at 30 June 2018
Consultants	89,000,000	–	–	–	89,000,000
Exercisable at the end of the period	89,000,000				89,000,000
Weighted average exercise price (HKD)	0.560				0.560

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 2 May 2017

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2018	Exercised during the period	Forfeited during the period	Lapsed during in the period	Outstanding as at 30 June 2018
Director:					
Mr. Zhang Zhen	1,500,000	–	–	–	1,500,000
Chau Kwok Keung	1,500,000	–	–	–	1,500,000
Leung Ming Shu	200,000	–	–	–	200,000
Kang Sun	200,000	–	–	–	200,000
Xu Er Ming	200,000	–	–	–	200,000
Wang Yi Xing	200,000	–	–	–	200,000
Employees	14,000,000	–	–	–	14,000,000
Consultants	10,400,000	–	–	–	10,400,000
	28,200,000	–	–	–	28,200,000
Exercisable at the end of the period	12,250,000				19,300,000
Weighted average exercise price (HKD)	0.335				0.335

At 30 June 2018, the number of shares in respect of which options granted on 2 May 2017 under the Share Option Scheme remained outstanding was 28,200,000 (30 June 2017: 28,200,000), representing 1.34% (30 June 2017: 1.82%) of the shares of the Company in issue at that date.

Granted on 15 June 2018

Pursuant to a board resolution resolved on 15 June 2018, the Company granted 21,986,175 share options of the Company, which respectively represent 1.05% of the shares of the Company in issue at the grant date, to employees and consultants of the Company under the Share Option Scheme. Set out below are details of the outstanding options granted under the Share Option Scheme on 15 June 2018:

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 15 June 2018 (continued)

The options granted are at an exercise price of HKD0.151 per share and might only be exercised in the following manner:

(i) Half of the share options for consultants vested and exercisable on date of grant; and

(ii) The remaining share options for consultants and options for employees and directors will have one-eighth to be vested every three months since the date of grant.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme on 15 June 2018 during the six months ended 30 June 2018:

For the six months ended 30 June 2018:

	Number of options				
	Outstanding as at 1 January 2018	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2018
Employees	–	5,300,000	–	–	5,300,000
Consultants	–	16,686,175	–	–	16,686,175
	–	21,986,175	–	–	21,986,175
Exercisable at the end of the period	–				8,343,087
Weighted average exercise price (HKD)	–	0.151			0.151

At 30 June 2018, the number of shares in respect of which options granted on 15 June 2018 under the Share Option Scheme remained outstanding were 21,986,175, representing 1.05% of the shares of the Company in issue at that date.

23. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

As of the grant date, the fair value of the share options granted on 15 June 2018 was HKD145,000 (HKD0.06 per share), HKD202,000 (HKD0.07 per share) and HKD1,430,000 (HKD0.09 per share) for employees, directors and consultants respectively.

	Employees/ Directors	Consultants
Share price	HKD0.146	HKD0.146
Exercise price	HKD0.151	HKD0.151
Expected volatility	55.00%	55.00%
Expected life	10	10
Risk-free interest rate	2.25%	2.25%
Turnover Rate	10%	0%

The risk-free interest rate was based on the interpolated market yield of Hong Kong government bonds with maturities 22 February 2028 and 22 August 2028 as of the option grant date. Expected volatility was determined by using the historical volatility of the Company's share prices. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognized an expense of approximately RMB1,862,000 (2017: RMB1,475,000) for the period ended 30 June 2018 in relation to the share options granted by the Company under the Share Option Scheme.

24. PLEDGE OF ASSETS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Prepaid lease payments	13,703	13,819
Property, plant and equipment	120,629	98,486
Investment properties	86,027	86,027
Pledged bank deposits	22,932	20,874
Account receivable of downstream revenue	714	–
	244,005	219,206

25. CAPITAL COMMITMENTS

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

26. RELATED PARTY TRANSACTIONS

The Group did not have any outstanding balances with related parties at 30 June 2018 and 30 June 2017.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period were as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Basic salaries and allowances	2,758	3,597
Retirement benefit scheme contributions	52	94
Share-based payments	187	–
Performance related incentive bonuses	16	–
	3,013	3,691

The remuneration of directors and key management personnel is determined by the remuneration committee of the Company having regard to the performance of the individuals and market trends.

27. SUBSEQUENT EVENTS

On 6 July 2018, the Company entered into an amendment agreement to amend certain terms of the subscription agreement entered on 18 May 2018 with an independent third party, in respect of the issue of the Convertible Bonds with an aggregate amount of US$10 million due 2021, to extend the long stop date to 3 August 2018 and amend the provision regarding the use and handling of the proceeds from the issue of Convertible Bonds. The interest rate of Convertible Bonds carries at 10% per annum to be accrued on a daily basis, of which 3% shall be paid in cash semi-annually in arrears and 7% should be paid in cash upon redemption or maturity.

The issue of the Convertible Bonds has been completed on 31 July 2018 and the net proceeds from the issue of the Convertible Bonds are expected to be amount to approximately US$9.9 million, 80% of which will be used for providing funding for the downstream solar projects and 20% will be used as general working capital.

Definitions

"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