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

INTERIM REPORT 2019

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

HEADQUARTERS

16 Yuan Di Road
Nanhui Industrial Zone
Shanghai 201314
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 9 & 11
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners
In Association with
Morgan, Lewis & Bockius

Five Years Summary

Results	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Turnover	66,845	100,246	314,193	491,149	566,031
(Loss) Profit before interest expenses and taxation	(13,770)	(96,966)	28,034	(1,655)	(196,998)
Interest expense	(12,982)	(7,278)	(8,278)	(5,045)	(7,455)
(Loss) Profit before taxation	(26,752)	(104,244)	19,756	(6,700)	(204,453)
Taxation	99	(761)	(11,632)	295	408
Profit (loss) and total comprehensive income for the Period	(26,653)	(105,005)	8,124	(6,405)	(204,045)
Profit (loss) and total comprehensive income for the Period attributable to					
Owners of the Company	(23,958)	(100,621)	8,783	(6,405)	(204,045)
Non-controlling interests	(2,695)	(4,384)	(659)	–	–
	(26,653)	(105,005)	8,124	(6,405)	(204,045)

Assets and liabilities	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	504,597	724,689	1,057,787	2,006,918	2,125,319
Total liabilities	(454,861)	(590,793)	(764,215)	(874,885)	(988,407)
Shareholders' funds	49,736	133,896	293,572	1,132,033	1,136,912
Attributable to					
Owners of the Company	43,707	133,440	285,409	1,132,033	1,136,912
Non-controlling interests	6,029	456	8,163	0	0
	49,736	133,896	293,572	1,132,033	1,136,912

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 2019. Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB66.8 million, representing a decrease of 33.3% from approximately RMB100.2 million for the corresponding period in 2018;

- Gross loss for the Period was approximately RMB0.1 million for the Period, representing a decrease by approximately 98.7%, from approximately RMB7.8 million for the corresponding period in 2018;

- Gross loss margin for the Period was approximately 0.1%, comparing to gross loss margin of 7.8% for the corresponding period in 2018;

- Net losses attributable to the owners of the Company for the Period was approximately RMB24.0 million, representing a decrease by approximately 76.1%, from approximately RMB100.6 million for the corresponding period in 2018;

- Net losses margin attributable to the owners of the Company for the Period was approximately 35.8%, comparing to net loss margin of 100.4% for the corresponding period in 2018;

- Our loss per share for the Period was RMB1.1 cents, comparing to the loss per share of 4.8 cents for the corresponding period in 2018; and

- Achieved net cash inflow from operating activities of approximately RMB17.8 million and maintained cash and restricted cash balances of approximately RMB25.3 million.

Certain policies issued by the Chinese government in 2018 still caused disruptions in the solar industry. Such policies are expected to continue to reduce feed-in-tariffs in China. It negatively impacted the industry demand and selling price of upstream products. However, despite the short-term impacts caused by the new solar PV policies issued by the Chinese government, we still remain confident in the long-term sustainable growth of the industry as solar PV is becoming increasingly cost competitive. We proactively execute various strategies to navigate this challenging period in the industry.

Chairman Statement

In order to enhance our profit amounts and profitability, the Group made continuous efforts to develop our downstream solar businesses which specifically focused on rooftop distributed generation projects on industrial and commercial buildings. As of 30 June 2019, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 15.3 MW which are mainly located in the regions of Jiangsu, Guangdong, Fujian, and Tianjin. The Group plans to gradually sell these completed projects to institutional investors to realize the revenues and profits from development, construction and investment of these projects. As at 30 June 2019, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 5.0 MW in aggregate, and concurrently we are exploring with certain institutional investors the possibility of selling the remaining completed projects to them. This will be one of the major sources of our revenues if the proposed sales come into fruition in future.

In addition, we have started certain projects of approximately 19.6 MW which we have completed initial designs, roof load assessments, execution of power purchase agreements and roof lease agreements, applications for grid connection permits as well as NDRC filings. Such projects are ready for constructions to commence. We have also started other projects of approximately 7.4 MW which, subject to administrative procedures such as applications for grid connection permits and NDRC filings, are ready for constructions to commence in few months' time. These to-build projects are mainly located in the regions of Zhejiang, Jiangsu, Shandong, Anhui, Hebei, Henan, Shanghai, Hubei, and Tianjin. We plan to sell those project companies holding the aforesaid to-build projects to various institutional investors subject to us being their main contractor in completion of these projects. In providing our services, we will charge all project costs plus our service fees covering: 1) project development, 2) engineering, purchasing, and constructions (the "EPC") management and 3) project management of such projects. The purchasers of the to-build projects holding companies should pay us in several instalments depending on construction progress milestones. This can provide our cashflow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future.

On 18 September 2017 (after trading hours), Comtec Renewable Energy Group Limited, a wholly-owned subsidiary of the Company, and Macquarie Capital entered into a shareholders' agreement, pursuant to which they agreed to form Future Energy Capital which was a co-investment vehicle for developing and expanding the downstream solar business. Future Energy Capital specifically focuses on rooftop distributed generation projects on industrial, commercial and residential buildings, and in particular focuses on the development, project management and construction of distributed solar generated power projects in the PRC with an aggregate capacity of 30–40 MW. Future Energy Capital has established its investment platform in China and was in the process to build up its own project portfolio. As of 30 June 2019, the Group has transferred certain grid-connected downstream rooftop distributed generation projects of approximately 5.0 MW in aggregate to the Future Energy Capital. Pursuant to the same shareholders' agreement, Future Energy Capital has the right of first refusal to acquire our projects upon terms no less favorable than the best offer from other potential purchasers. This can provide us, on top of the strategic partnership with Macquarie Capital, with more opportunities in selling our projects at the best possible terms offered in the market.

Chairman Statement

The Company also successfully completed construction of a solar power rooftop distributed generation project in Tianjin in June 2019. Pursuant to an electricity supply agreement entered into by, amongst others, Tianjin Comtec and Tianjin Shell, the solar power generation station was constructed by Tianjin Comtec to supply Tianjin Shell with solar power electricity for a term of 20 years. The solar power generation station was constructed on a roof covering an area of approximately 21,129 square meters and its scale is approximately 1.1 MW.

On 23 November 2018 (after trading hours), Comtec Clean Energy, Lu Ke Ya and Kexin entered into a capital injection agreement with ISDN in relation to the injection of capital by ISDN to the registered capital of Kexin. Pursuant to the same capital injection agreement, ISDN agreed to subscribe for 10% of the enlarged registered share capital of Kexin. ISDN contributed RMB4,444,444.0 in cash to the capital of Kexin in March 2019 and has since been a registered shareholder of Kexin holding 10% equity interest in Kexin. Please refer to the announcement of the Company dated 23 November 2018 for further details.

On 17 June 2019 (after trading hours), Comtec Windpark Renewable entered into a share purchase agreement with The9 and 1111 in relation to the transfer of 9.9% equity interest in Kexin. Pursuant to the said share purchase agreement, The9 and 1111 collectively agreed to purchase the entire issued share capital of Comtec Solar China at a consideration of RMB9.8 million, which shall be satisfied by allotment and issue of 3,444,882 Class A ordinary shares in the capital of The9 to the Company at the issue price of approximately US$0.41 per ordinary share. The9 is an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY". The9 is principally engaged in the development and operation of online games and Internet and website related businesses in the PRC and currently committed to invest in electric vehicle businesses. As of 17 June 2019, Comtec Solar China directly owned 9.9% of the registered capital and equity interest in Kexin. Please refer to the announcement of the Company dated 17 June 2019 for further details.

We expect the developments and growth prospects of the electric vehicle industry and the power storage industry would drive the growth and profitability of Kexin in future. We have noted material increases in enterprise value of Kexin after our acquisition of its equity interests in 2017.

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

Chairman Statement

During the Period, we continued to reduce our fixed costs of operation and our fixed assets in the manufacturing business segment. We also actively looked for opportunities to out-source production procedures to third party processing agents whenever it is in our commercial interests. We believe outsourcing our production procedures would be more cost effective when there are excess production capacities in market. We keep on reducing head counts and disposing of fixed assets which were low in utilization. We also rented out certain idle spaces in our factories and intended to continue doing the same. We would also consider disposing of our factories in Shanghai and Haian, if we have received an attractive offer from any potential buyer. We have kept on executing comprehensive strategies to improve our operating efficiencies so as to remain flexible and enable us to rapidly adapt our business to the challenging industry environment.

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. This would give the Group more flexibility in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials. In addition, we have concluded a re-negotiation with a long-term supplier in December 2018 which enabled us to substantially realize our remaining amounts of prepayments made to that supplier in previous years. An amount of approximately US$5.1 million has been offset with the full amount of our purchase of polysilicons from the supplier throughout the first quarter of 2019.

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hung Kwok Wing, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 subscriptions shares at subscriptions prices of HK$0.055 per share to each of Sun Winning Limited and Mr. Hung Kwok Wing, respectively. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as generally working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 subscriptions shares at subscriptions prices of HK$0.055 per share to Mr. Dai Ji. The subscription were completed on 19 August 2019 with the 270,000,000 subscription shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, an amount of approximately RMB2.8 million has been used have been used for the Group's development, construction and investment of downstream projects and the remaining amount is expected to be used in the same purposes. Please refer to the announcement of the Company dated 20 June 2019 for further details.

Chairman Statement

On 5 July 2019 (after trading hours), the Board announced that it proposed to implement a share consolidation exercise on the basis that every four issued and unissued then existing shares with a par value of HK$0.001 each will be consolidated in to one consolidated share with a par value of HK$0.004 each (the "Share Consolidation"). The Board also proposed to change the board lot size for trading on the Stock Exchange from 2,000 then existing shares to 10,000 consolidated shares (the "Change in Board Lot Size"). It is expected to bring about a corresponding upward adjustment in trading price per consolidated share on the Stock Exchange and increase the trading value of each board lot. The Board was also of the view that it would enhance the Company's corporate image and therefore attract investors to invest in the Company which is beneficial to both the Company and the Shareholders. Also, such proposed changes would allow the Company to comply with the relevant Listing Rules. The Share Consolidation and the Change in Board Lot Size became effective on 28 August 2019. Please refer to the announcements of the Company dated 5 July 2019 and 26 August 2019, and the circular of the Company dated 9 August 2019 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position will be further improved after the closing of the subscriptions mentioned above. 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 2019

Business Review

During the Period, the Group was still under a process to restructure its manufacturing business and to embark on new business initiatives, including the downstream solar businesses which specifically focus on rooftop distributed generation projects in industrial, commercial and residential buildings as well as its lithium batteries systems businesses for electric vehicles and power storage customers.

Certain policies issued by the Chinese government in 2018 still caused disruptions in the solar industry. Such policies are expected to continue to reduce feed-in-tariffs in China. It negatively impacted the industry demand and selling price of upstream products. However, despite the short-term impacts caused by the new solar PV policies issued by the Chinese government, we still remain confident in the long-term sustainable growth of the industry as solar PV is becoming increasingly cost competitive. We proactively execute various strategies to navigate this challenging period in the industry.

In order to enhance our profit amounts and profitability, the Group made continuous efforts to develop our downstream solar businesses which specifically focused on rooftop distributed generation projects on industrial and commercial buildings. As at 30 June 2019, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 15.3 MW which are mainly located in the regions of Jiangsu, Guangdong, Fujian, and Tianjin. The Group plans to gradually sell these completed projects to institutional investors to realize the revenues and profits from development, construction and investment of these projects. As at 30 June 2019, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 5.0 MW in aggregate, and concurrently we are exploring with certain institutional investors the possibility of selling the remaining completed projects to them. This will be one of the major sources of our revenues if the proposed sales come into fruition in future.

In addition, we have started certain projects of approximately 19.6 MW which we have completed initial designs, roof load assessments, execution of power purchase agreements and roof lease agreements, applications for grid connection permits as well as NDRC filings. Such projects are ready for constructions to commence. We have also started other projects of approximately 7.4 MW which, subject to administrative procedures such as applications for grid connection permits and NDRC filings, are ready for constructions to commence in few months' time. These to-build projects are mainly located in the regions of Zhejiang, Jiangsu, Shandong, Anhui, Hebei, Henan, Shanghai, Hubei, and Tianjin. We plan to sell those project companies holding the aforesaid to-build projects to various institutional investors subject to us being their main contractor in completion of these projects. In providing our services, we will charge all project costs plus our service fees covering: 1) project development, 2) engineering, purchasing, and constructions (the "EPC") management and 3) project management of such projects. The purchasers of the to-build projects holding companies should pay us in several instalments depending on construction progress milestones. This can provide our cashflow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future.

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The Company also successfully completed construction of a solar power rooftop distributed generation project in Tianjin in June 2019. Pursuant to an electricity supply agreement entered into by, amongst others, Tianjin Comtec and Tianjin Shell, the solar power generation station was constructed by Tianjin Comtec to supply Tianjin Shell with solar power electricity for a term of 20 years. The solar power generation station was constructed on a roof covering an area of approximately 21,129 square meters and its scale is approximately 1.1 MW.

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Business Review

We expect the developments and growth prospects of the electric vehicle industry and the power storage industry would drive the growth and profitability of Kexin in future. We have noted material increases in enterprise value of Kexin after our acquisition of its equity interests in 2017.

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

During the Period, we continued to reduce our fixed costs of operation and our fixed assets in the manufacturing business segment. We also actively looked for opportunities to out-source production procedures to third party processing agents whenever it is in our commercial interests. We believe outsourcing our production procedures would be more cost effective when there are excess production capacities in market. We keep on reducing head counts and disposing of fixed assets which were low in utilization. We also rented out certain idle spaces in our factories and intended to continue doing the same. We would also consider disposing of our factories in Shanghai and Haian, if we have received an attractive offer from any potential buyer. We have kept on executing comprehensive strategies to improve our operating efficiencies so as to remain flexible and enable us to rapidly adapt our business to the challenging industry environment.

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. This would give the Group more flexibility in managing its supply chain to adapt to the market situations and benefit from the decreasing spot prices of raw materials. In addition, we have concluded a re-negotiation with a long-term supplier in December 2018 which enabled us to substantially realize our remaining amounts of prepayments made to that supplier in previous years. An amount of approximately US$5.1 million has been offset with the full amount of our purchase of polysilicons from the supplier throughout the first quarter of 2019.

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hung Kwok Wing, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 subscriptions shares at subscriptions prices of HK$0.055 per share to each of Sun Winning Limited and Mr. Hung Kwok Wing, respectively. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as generally working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

Business Review

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 subscriptions shares at subscriptions prices of HK$0.055 per share to Mr. Dai Ji. The subscription were completed on 19 August 2019 with the 270,000,000 subscription shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, an amount of approximately RMB2.8 million has been used have been used for the Group's development, construction and investment of downstream projects and the remaining amount is expected to be used in the same purposes. Please refer to the announcement of the Company dated 20 June 2019 for further details.

On 5 July 2019 (after trading hours), the Board announced that it proposed to implement the Share Consolidation on the basis that every four issued and unissued then existing shares with a par value of HK$0.001 each will be consolidated in to one consolidated share with a par value of HK$0.004 each. The Board also proposed to change the board lot size for trading on the Stock Exchange from 2,000 then existing shares to 10,000 consolidated shares. It is expected to bring about a corresponding upward adjustment in trading price per consolidated share on the Stock Exchange and increase the trading value of each board lot. The Board was also of the view that it would enhance the Company's corporate image and therefore attract investors to invest in the Company which is beneficial to both the Company and the Shareholders. Also, such proposed changes would allow the Company to comply with the relevant Listing Rules. The Share Consolidation and the Change in Board Lot Size became effective on 28 August 2019. Please refer to the announcements of the Company dated 5 July 2019 and 26 August 2019, and the circular of the Company dated 9 August 2019 for further details.

Given the current industry environment, it is clear that strict financial discipline is essential to success. Our financial position will be further improved after the closing of the Subscriptions. 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 60.5% of our total revenues, compared to approximately 75.7% in the corresponding period last year. The sales to our largest customer accounted for approximately 17.0% of our total revenues in the Period, as compared to approximately 30.0% in the corresponding period in 2018.

We intend to explore further opportunities and make further expansion into the new business initiatives to fuel the growth of our businesses. To leverage on our advanced technological capabilities, high quality product offerings, premium customer bases, deep industrial experiences and the strategic partnership with reputable institutional investors, we are confident to capture enormous opportunities in the solar industry and to drive continued and healthy growth for the Group in the future.

Financial Review

REVENUE

Revenue decreased by RMB33.4 million, or 33.3%, from RMB100.2 million for the corresponding period in 2018 to RMB66.8 million for the Period, primarily as a result of the decrease in both selling price and sales volume of our upstream solar wafers and ingots, although such decrease was partially mitigated by the increase in revenue from our sales of polysilicon. During the Period, impacts from excess production capacity in market and negative government policies continued. 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 RMB46.2 million, or 94.7%, from RMB48.8 million for the corresponding period in 2018 to RMB2.6 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 91.1% and 42.9%, respectively, as compared to their respective sales during the corresponding period in 2018.

Revenue from sales of ingots decreased by RMB4.4 million, or 67.7%, from RMB6.5 million for the corresponding period in 2018 to RMB2.1 million for the Period, mainly due to the decrease in both sales volume and average selling price by approximately 26.6% and 55.6%, respectively.

Revenue from our downstream solar business mainly included solar project development service income and power generation income. Such incomes decreased by approximately RMB0.5 million, or 8.6%, from RMB5.8 million for the corresponding period in 2018 to RMB5.3 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 developed projects can be sold to long term institutional investors at any stage even after completion of grid connections in the future. As of 30 June 2019, the Group has completed downstream projects of approximately 10.3 MW which are mainly located at the regions of Jiangsu, Guangdong, Fujian, and Tianjin. The Group plans to gradually sell these completed projects to institutional investors to realize the revenues and profits from development, construction and investment of these projects. As at 30 June 2019, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 5.0 MW in aggregate, and concurrently we are exploring with certain institutional investors the possibility of selling the remaining completed projects to them. In addition, we have started certain projects of approximately 19.6 MW which we have completed initial designs, roof load assessments, execution of power purchase agreements and roof lease agreements, applications for grid connection permits as well as NDRC filings. Such projects are ready for constructions to commence. We have also started other projects of approximately 7.4 MW which, subject to administrative procedures such as applications for grid connection permits and NDRC filings, are ready for constructions to commence in few months' time. These to-build projects are mainly located in the regions of Zhejiang, Jiangsu, Shandong, Anhui, Hebei, Henan, Shanghai, Hubei, and Tianjin. We plan to sell those project companies holding the aforesaid to-build projects to various institutional investors subject to us being their main contractor in completion of these projects. In providing our services, we will charge all project costs plus our service fees covering: 1) project development, 2) engineering, purchasing, and constructions (the "EPC") management and 3) project management of such projects. The purchasers of the to-build projects holding companies should pay us in several instalments depending on construction progress milestones. This can provide our cashflow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future.

Financial Review

Our lithium batteries and power storage system business 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 RMB24.2 million for the Period, decreased by approximately RMB7.3 million, or 23.2%, from RMB31.5 million for the corresponding period in 2018. We noted that customers requested extended payment terms during the Period. To avoid negative impacts to the working capital of the Group, the management controlled the sales volume of this business segment during the Period.

The decreases of revenue were partially mitigated by the increase in revenue from sales of polysilicon during the Period. Revenue from sales of polysilicon increased by RMB27.6 million, or 600%, from RMB4.6 million for the corresponding period in 2018 to RMB32.2 million for the Period. We concluded a re-negotiation with a long term-supplier in December 2018 which enable us to substantially realize the remaining amounts of our prepayments made to that supplier in previous years. We can offset the full amount of our purchase of polysilicon from the supplier against our remaining amounts of prepayments. Thus, we have increased the purchase volume and sell the polysilicons to our customers for cash.

REVENUE BY GEOGRAPHICAL MARKET

In relation to the geographical analysis of our revenue, approximately 98.7% (2018: 94.4%) of total revenue for the Period was generated from our sales in China. The remaining portion was mainly generated from our sales to the Malaysia-based customer.

COST OF SALES AND SERVICES

Cost of sales and services decreased by RMB41.2 million, or 38.1%, from RMB108.1 million for the corresponding period in 2018 to RMB66.9 million for the Period, which was generally 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 as well as trading of solar modules which also resulted in decrease in revenue of approximately RMB33.4 million, or 33.3%, from the corresponding period in 2018. The industry landscape for upstream solar manufacturing business was still challenging during the Period and the policies issued by the Chinese government in 2018 still negatively impacted industry demand and selling price of upstream products. The Group also paid continuous efforts to reduce costs of sales and to improve our cost effectiveness.

Inventory provision of approximately RMB1.3 million was recorded during the Period, comparing to an amount of approximately RMB17.0 million recorded for the corresponding period in 2018, and was included in the cost of sales and services. Overall, the year-on-year decrease in costs of sales and services of approximately 38.1% was slightly more than the year-on-year decrease in revenue of approximately 33.3%.

Financial Review

GROSS (LOSS)/PROFIT

During the Period, the Group recorded gross loss of approximately RMB0.1 million, representing a decrease by approximately RMB7.7 million, or 98.7%, from approximately RMB7.8 million for the corresponding period in 2018. It was primarily due to the aforementioned factors.

OTHER INCOME

Other income decreased by RMB4.5 million, or 50.6%, from RMB8.9 million for the corresponding period in 2018 to RMB4.4 million for the Period, which was mainly due to the decrease in government subsidy incomes received during the Period.

OTHER GAINS AND LOSSES

Other gains were approximately RMB17.9 million during the Period, representing a turnaround from other losses of RMB44.2 million for the corresponding period in 2018. For the Period, the other gains mainly included: (i) gain on disposal of property, plant and equipment of approximately RMB4.3 million and (ii) gain on fair value changes of the embedded derivatives of approximately RMB4.5 million and (iii) gain on fair value changes of the contingent consideration payables and related deferred tax liability of approximately RMB5.9 million. Other losses for the corresponding period in 2018 mainly included: (i) 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 and (iii) bad debt provisions of approximately RMB17.5 million, and (iv) impairment on advance to a supplier of approximately RMB3.2 million. Such losses were not incurred during the Period. Thus, the Group had turned turnaround and achieved other gains of approximately RMB17.9 million during the Period from the other losses of approximately RMB44.2 million for the corresponding period in 2018.

Gain on disposals of fixed assets

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. During the Period, the Group recorded gains of approximately RMB4.3 million form the disposal of certain fixed assets.

Gain on fair value changes of the embedded derivatives

The Convertible Bonds contain two components, debt component and derivative component. At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The effective interest of debt component is 12.44%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss. During the Period, the Group recorded gains from fair value changes of the embedded financial derivatives of approximately RMB4.5 million.

Gain on fair value changes of contingent consideration payables and related deferred tax liability

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 of 30 June 2019 are based on the valuation performed by the change of the price of share and the exchange rate of HKD/RMB.

Due to the change of industry environment and the release of certain government policy on 31 May 2018, which has negative impact on installation quotas of distributed generation projects in the foreseeable future, the actual performance in the Period did not meet the expectation of the Board and did not reach the business level forecasted, so the contingent consideration payable of approximately RMB5.9 million relating to the acquisition was fully reversed during the Period.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses decreased by RMB0.5 million, or 20%, from RMB2.5 million for the corresponding period in 2018 to RMB2.0 million during the Period, primarily due to the decrease in sales volume as well as sales and market expense on the upstream solar manufacturing business during the Period. The Group also spent continuous efforts to reduce operating expenses.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses decreased by RMB16.7 million, or 34.2%, from RMB48.8 million for the corresponding period in 2018 to RMB32.1 million for the Period, which was mainly due to the decrease in non-cash accounting amortization expenses during the Period and the decrease in administrative and general expenses due to our continuous efforts to reduce operating expenses.

FINANCE COSTS

Interest expenses increased by RMB5.7 million from RMB7.3 million for the corresponding period in 2018 to RMB13.0 million for the Period. It was mainly due to the interests expenses incurred for the Convertible Bonds issued in July 2018 and the bridging loans occurred during first half of 2019 for bank loan renewal.

PROFIT (LOSS) BEFORE TAXATION

Loss before taxation was approximately RMB26.8 million for the Period, representing a decrease by approximately RMB77.4 million, or 74.3%, from approximately RMB104.2 million for the corresponding period in 2018, primarily attributable to the aforementioned factors.

Financial Review

TAXATION

The Group incurred taxation credits of approximately RMB0.1 million during the Period, decreasing from taxation expenses of approximately RMB0.8 million for the corresponding period in 2018. It was mainly due to the reverse of deferred tax liabilities in prior periods.

PROFIT (LOSS) FOR THE PERIOD

The Group recorded loss and total comprehensive expenses attributable to the owners of the Company of approximately RMB24.0 million during the Period, representing a decrease by approximately RMB76.6 million, or 76.1%, from approximately RMB100.6 million for the corresponding period in 2018, primarily attributable to the aforementioned factors. Accordingly, the Group recorded loss and total comprehensive expenses margin of 35.8% for the Period, as compared to the net losses margin of 100.4% for the corresponding period in 2018.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2018: nil).

INVENTORY TURNOVER DAYS

There was a decrease in inventory balance of 44.7% from RMB18.8 million as of 31 December 2018 to RMB10.4 million as of 30 June 2019, 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 of 30 June 2019 totaled 28 days (31 December 2018: 38 days).

TRADE RECEIVABLE TURNOVER DAYS

There was a decrease in trade receivable balance of 25.7% from RMB35.8 million as of 31 December 2018 to RMB26.6 million as of 30 June 2019, which was mainly due to our efforts to reduce the receivable balances to better adapt to the changes of industry environment during the Period. The trade receivable turnover days as of 30 June 2019 totaled 72 days (31 December 2018: 76 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 72 days which was within the credit periods of the Group grants to its customers.

TRADE PAYABLE TURNOVER DAYS

There was a decrease in trade payable balance of 18.1% from RMB79.1 million as of 31 December 2018 to RMB64.8 million as of 30 June 2019, which was mainly due to the downsize of our manufacturing business during the Period. The trade payable turnover days as of 30 June 2019 totaled 175 days (31 December 2018: 162 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. During the Period, the Group achieved net cash inflow from operating activities of approximately RMB17.8 million (the corresponding period in 2018: approximately RMB8.5 million). As of 30 June 2019, the Group maintained pledged bank deposits, equity instrument at fair value through profit and loss ("FVTPL") and bank balances and cash of approximately RMB35.2 million (31 December 2018: approximately RMB30.1 million). As of 30 June 2019, the Group recorded bank borrowings of approximately RMB166.4 million (31 December 2018: approximately RMB175.6 million) including short-term borrowings of approximately RMB161.3 million (31 December 2018: approximately RMB170.2 million) which would be due within one year and shown under current liabilities. As of 30 June 2019, the Group recorded long-term convertible bonds of approximately RMB72.4 million (31 December 2018: approximately RMB72.9 million) which would be due in July 2021. As of 30 June 2019, the Group's current ratio (current assets divided by current liabilities) was 0.5 (31 December 2018: 0.5). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB176.2 million as of 30 June 2019 (31 December 2018: approximately RMB177.4 million). However, the Group still maintained net assets of approximately RMB49.7 million as of 30 June 2019 (31 December 2018: approximately RMB57.7 million).

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hung Kwok Wing, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 subscriptions shares at subscriptions prices of HK$0.055 per share to each of Sun Winning Limited and Mr. Hung Kwok Wing, respectively. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as generally working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 subscriptions shares at subscriptions prices of HK$0.055 per share to Mr. Dai Ji. The subscription were completed on 19 August 2019 with the 270,000,000 subscription shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, an amount of approximately RMB2.8 million has been used have been used for the Group's development, construction and investment of downstream projects and the remaining amount is expected to be used in the same purposes. Please refer to the announcement of the Company dated 20 June 2019 for further details.

The financial positions of the Company would be improved by the closing of the subscriptions mentioned above. 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.

In addition, although there is no assurance that the Company will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowing from existing credit for most of its short-term bank loans upon the maturity date of the loans. As of the date of this report, the Group has renewed approximately RMB143.8 million of our short-term bank loans with one of our principal banks in PRC during 2019. According to the latest discussion with the bank, which provides us with short-term bank loans in PRC, they would still maintain such historical practices. The Group, thus, has assumed that it will continue be able to do so for the foreseeable future.

Also, we had downstream projects with net book value of approximately RMB60.6 million as of 30 June 2019. We plan to sell such projects gradually and we are in discussion with certain institutional investors in relation to the project sales. We also plan to dispose other assets and properties when we receive attractive offers or require additional funding. As we are in the process of downsizing our manufacturing business and to dispose of assets and properties with low utilization, we would also consider to dispose our factories at Shanghai and Haian with net book value of approximately RMB174.6 million in total as of 30 June 2019 (included buildings, investment properties, and right-of-use assets in the financial statements), if we receive an attractive offer from potential buyers.

On 17 June 2019 (after trading hours), Comtec Windpark Renewable entered into a share purchase agreement with The9 and 1111 in relation to the transfer of 9.9% equity interest in Kexin. Pursuant to the said share purchase agreement, The9 and 1111 collectively agreed to purchase the entire issued share capital of Comtec Solar China at a consideration of RMB9.8 million, which shall be satisfied by allotment and issue of 3,444,882 Class A ordinary shares in the capital of The9 to the Company at the issue price of approximately US$0.41 per ordinary share. The9 is an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY". Please refer to the announcement of the Company dated 17 June 2019 for further details. We plan to dispose of the shares of The9 and to utilize the proceeds for the same as working capital for operations of the Group.

In addition, we concluded a re-negotiation with a long term-supplier in December 2018 which enable us to substantially realize the remaining amounts of our prepayments made to that supplier in previous years. An amount of approximately USD5.1million has been offset with the full amount of our purchase of polysilicon from the supplier during the first quarter of 2019. The Group has adopted strict control of operating and investing activities in order to continuously improve our financial positions.

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

Financial Review

CAPITAL COMMITMENTS

As of 30 June 2019, the Group's capital commitments were approximately RMB4.2 million (2018: nil), 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 of 30 June 2019, there was no material contingent liability (31 December 2018: 5.9 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 of 30 June 2019, the Group had restricted cash of approximately RMB22.3 million (31 December 2018: RMB22.1 million), and pledged its buildings, investment properties, right-of-use assets, assets held for sales, power station of downstream projects and account receivables of downstream revenue with net book values of approximately RMB89.0 million (31 December 2018: RMB90.9 million), approximately RMB86.0 million (31 December 2018: RMB86.0 million), approximately RMB33.9 million (31 December 2018: RMB13.5 million), approximately RMB3.4 million (31 December 2018: nil), approximately RMB7.3 million (31 December 2018: RMB7.5 million), and approximately RMB0.7 million (31 December 2018: RMB0.5 million), respectively, to banks to secure banking facilities granted to the Group. Save as disclosed above, as of 30 June 2019, no other assets of the Group were charged.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period, the Group did not have any significant acquisition but has disposed 9.9% of registered capital and equity interests in Kexin which is a non-wholly owned subsidiary of the Group.

On 17 June 2019 (after trading hours), Comtec Windpark Renewable entered into a share purchase agreement with The9 and 1111 in relation to the transfer of 9.9% equity interest in Kexin. Pursuant to the said share purchase agreement, The9 and 1111 collectively agreed to purchase the entire issued share capital of Comtec Solar China at a consideration of RMB9.8 million, which shall be satisfied by allotment and issue of 3,444,882 Class A ordinary shares in the capital of The9 to the Company at the issue price of approximately US$0.41 per ordinary share. The9 is an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY". The9 is principally engaged in the development and operation of online games and Internet and website related businesses in the PRC and currently committed to invest in electric vehicle businesses. As of 17 June 2019, Comtec Solar China directly owned 9.9% of the registered capital and equity interest in Kexin. Please refer to the announcement of the Company dated 17 June 2019 for further details.

Financial Review

USE OF PROCEEDS

On 18 May 2018 (after trading hours), Putana Limited, an independent third party, and the Company entered into a subscription agreement in respect of the issue of 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 of the date of this report, and (ii) approximately 17.7% of the issued share capital as enlarged by the issue of the Conversion Shares in full. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The net proceeds from the issue of the Convertible Bonds was approximately US$9.9 million, 80% of which will be used for providing funding for Future Energy Capital and other downstream projects and 20% of which will be used as general working capital. The issue of Convertible Bonds was completed and closed on 31 July 2018. As of the date of this report, US$8.0 million had been used as funding for Future Energy Capital and other downstream projects and US$2.0 million had been used as working capital. 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.

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hung Kwok Wing, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 subscriptions shares at subscriptions prices of HK$0.055 per share to each of Sun Winning Limited and Mr. Hung Kwok Wing, respectively. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as generally working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 subscriptions shares at subscriptions prices of HK$0.055 per share to Mr. Dai Ji. The subscription were completed on 19 August 2019 with the 270,000,000 subscription shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, an amount of approximately RMB2.8 million has been used have been used for the Group's development, construction and investment of downstream projects and the remaining amount is expected to be used in the same purposes. Please refer to the announcement of the Company dated 20 June 2019 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 of 30 June 2019, the Group had 139 (31 December 2018: 166) 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 and power storage 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 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 RMB0.5 million, which mainly arose from monetary assets and liabilities of the Group denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

IMPORTANT EVENTS AFTER THE PERIOD

On 19 June 2019 (after trading hours), Sun Winning Limited and Mr. Hung Kwok Wing, both independent third parties, and the Company entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue 72,727,273 subscriptions shares at subscriptions prices of HK$0.055 per share to each of Sun Winning Limited and Mr. Hung Kwok Wing, respectively. The subscriptions were completed on 17 July 2019, generating net proceeds of approximately HK$7.8 million, which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds were intended to be used as general working capital of the Group, and as at the date of this report, the net proceeds have been used as generally working capital of the Group. Please refer to the announcement of the Company dated 19 June 2019 for further details.

On 20 June 2019 (after trading hours), Mr. Dai Ji, an independent third party, and the Company entered into another subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 270,000,000 subscriptions shares at subscriptions prices of HK$0.055 per share to Mr. Dai Ji. The subscription were completed on 19 August 2019 with the 270,000,000 subscription shares allotted and issued to Mr. Dai Ji, generating the net proceeds of approximately HK$14.65 million which represented a net subscription price of approximately HK$0.054 per subscription share. The net proceeds are expected to be used for the Group's development, construction and investment of downstream projects. As at the date of this report, an amount of approximately RMB2.8 million has been used have been used for the Group's development, construction and investment of downstream projects and the remaining amount is expected to be used in the same purposes. Please refer to the announcement of the Company dated 20 June 2019 for further details.

Financial Review

On 5 July 2019 (after trading hours), the Board announced that it proposed to implement the Share Consolidation on the basis that every four issued and unissued then existing shares with a par value of HK$0.001 each will be consolidated in to one consolidated share with a par value of HK$0.004 each. The Board also proposed to change the board lot size for trading on the Stock Exchange from 2,000 then existing shares to 10,000 consolidated shares. It is expected to bring about a corresponding upward adjustment in trading price per consolidated share on the Stock Exchange and increase the trading value of each board lot. The Board was also of the view that it would enhance the Company's corporate image and therefore attract investors to invest in the Company which is beneficial to both the Company and the Shareholders. Also, such proposed changes would allow the Company to comply with the relevant Listing Rules. The Share Consolidation and the Change in Board Lot Size became effective on 28 August 2019. Please refer to the announcements of the Company dated 5 July 2019 and 26 August 2019, and the circular of the Company dated 9 August 2019 for further details.

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.

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 2019. 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 OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this 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.

Corporate Governance and Other Information

DISCLOSURE OF INTEREST

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

As at 30 June 2019, 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 interests	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 founder of a trust	624,283,550	29.76%
Mr. Zhang Zhen[2]	Beneficial owner/Interest in a controlled corporation	172,402,615	8.22%
Mr. Chau Kwok Keung[3]	Beneficial owner	21,500,000	1.02%
Mr. Wang Yixin[4]	Beneficial owner	200,000	0.01%
Mr. Kang Sun[5]	Beneficial owner	800,000	0.04%
Mr. Leung Ming Shu[6]	Beneficial owner	600,000	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 Zhang Trusts For Descendants as the founder of the trust.

(2) The 172,402,615 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; (2) the 1,500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below); (3) the 20,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 May 2019 under the New Share Option Scheme (as defined below); and (4) 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 21,500,000 Shares in which Mr. Chau Kwok Keung is deemed to be interested represent 1,500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below) and 20,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 May 2019 under the New 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 granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below).

(5) The 800,000 Shares in which Mr. Kang Sun is deemed to be interested represent 200,000 Shares which may be issued to him upon the exercise of the share options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below) and 600,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 May 2019 under the New Share Option Scheme (as defined below).

(6) The 600,000 Shares in which Mr. Leung Ming Shu is deemed to be interested represent 200,000 Shares which may be issued to him upon the exercise of the share options granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below) and 400,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 May 2019 under the New 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 granted to him on 2 May 2017 under the Old Share Option Scheme (as defined below).

Save as disclosed above, as at 30 June 2019, 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 2019, 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:

Long positions in the Company

Name of Shareholders	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty Holdings Limited	Beneficial owner	576,453,844	27.48%
Ms. Carrie Wang[1]	Interest of spouse	624,283,550	29.76%
Harmony Gold Venture 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 (王藝新)[2]	Interest in a controlled corporation	154,651,306	7.37%
True Joy Renewable Limited[3]	Beneficial owner	150,902,615	7.19%
Advanced Gain Limited[4]	Beneficial owner	190,912,714	9.10%
Mr. Wu Zhegiang[4]	Interest in a controlled corporation	190,912,714	9.10%
Ms. Zhang Xiaoqin[5]	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 (王藝新) is deemed to be interested in the 154,651,306 Shares held by Harmony Gold Ventures Corp.

(3) The 150,902,615 Shares in which True Joy Renewable Limited is deemed to be interested represent (1) 107,627,076 Shares held by itself; and (2) a remaining maximum of 43,275,539 consideration Shares which may be issued to it pursuant to a sale and purchase agreement entered into by, amongst others, the Company, True Joy Renewable Limited 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.

(4) 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.

(5) 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 2019, 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 SCHEMES

Pre-IPO Share Option Scheme

The Company has adopted a share option scheme on 2 June 2008 (the "Pre-IPO Share Option Scheme") for the purpose of giving its employees an opportunity to have a personal stake in the Company and helping motivate its employees to optimize their performance and efficiency, and retaining its employees whose contributions are important to the long-term growth and profitability of the Group. Options to subscribe for an aggregate of 574,020 Shares (the "Underlying Shares") were granted to two independent non-executive Directors and a former Director on 3 August 2009 and 2 October 2009, in respect of 230,000 Underlying Shares and 344,020 Underlying Shares, respectively. The exercise price per Share is HK$2.51, which is at a 19.5% premium to the final offer price in the Global Offering. No further options would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

All options granted under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Options") can only be exercised in the following manner: (a) Shares representing 1/12th of the Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme shall vest on 1 November 2009; (b) from 1 November 2009 onwards, the remaining 11/12th of the Underlying Shares shall vest in equal quarterly instalments of 1/12th of the Underlying Shares at the end of each three-month period subject to continued employment with our Company during that period and all other terms and conditions as described in the Pre-IPO Share Option Scheme; and (c) all outstanding Pre-IPO Share Options shall lapse on the date falling 10 years from the offer date of the Pre-IPO Share Options.

Details of the movement of the share options granted under the Pre-IPO Share Option Scheme as at 30 June 2019 are as follows:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2019	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 30 June 2019
Directors							
Mr. Kang Sun	3 August 2009	HK$2.51	249,574	–	–	249,574	–
Mr. Leung Ming Shu	3 August 2009	HK$2.51	62,787	–	–	62,787	–
Others	3 August 2009	HK$2.51	199,659	–	199,659	–	–
Total			512,020	–	199,659	312,361	–

As disclosed above, all Pre-IPO Share Options granted have lapsed or been cancelled by the grantees during the Period.

Share Option Schemes

The Company adopted a share option scheme (the "Old 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.

In view of, among others, the fact that the Old Share Option Scheme will expire after 1 October 2019, and for the same purposes above, the Company conditionally adopted a new share option scheme (the "New Share Option Scheme") on 31 December 2018 (the "Adoption Date"). The New Share Option Scheme became unconditional and took effect on 17 January 2019 upon the Listing Committee's granting the listing of, and permission to deal in the Shares falling to be issued pursuant to the exercise of option under the New Share Option Scheme, and the Old Share Option Scheme was terminated on even date.

Under the New Share Option Scheme, the aggregate number of Shares in respect of which options (including both exercised and outstanding options) may be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed 10% of the total number of Shares in issue on the Adoption Date, i.e. 209,770,358 Shares.

No option may be granted to any participant of the New 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 New 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 New 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 New Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be granted or offered.

Details of the movement of the share options granted under the Old Share Option Scheme during the Period are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2019	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 30 June 2019
Other participants in aggregate	15 June 2018	HK$0.151	21,986,175	–	–	700,000	–	21,286,175
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	–	–	6,300,000	–	18,100,000
Other participants in aggregate	9 September 2016	HK$0.560	89,000,000	–	–	71,000,000	–	18,000,000
Other participants in aggregate	25 November 2015	HK$0.736	59,000,000	–	–	16,400,000	–	42,600,000
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	–	–	54,700,000	5,100,000	–
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	–	–	21,750,000	–	900,000
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	–	–	1,488,000	600,000	4,850,000
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	–	–	2,580,000	926,000	50,000
Other participants in aggregate	24 May 2010	HK$1.490	2,240,000	–	–	1,340,000	900,000	–
			336,218,175	–	–	176,258,000	26,354,000	133,606,175

Notes:

(1) All share options granted under the Old Share Option Scheme on 24 May 2010 have either lapsed or been cancelled by the grantees.

(2) Share options granted under the Old 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 Old 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 Old 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 Old 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"):

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

(6) All share options granted under the Old Share Option Scheme on 11 May 2015 have either lapsed or been cancelled by the grantees.

(7) Share options granted under the Old 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 Old 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 Old 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 Old 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 11,500,000 Share Options (including the share options granted to the Directors) shall be subject to a vesting schedule as follows:

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 schedule as follows:

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 under the Old Share Option Scheme on 2 May 2017, among which 4,200,000 were not accepted by the relevant grantees.

(12) Share options granted under the Old 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"):

Out of the 21,286,175 share options granted, 16,686,175 share options shall be subject to a vesting schedule as follows:

Vesting Date	Percentage of share options to vest
15 June 2018	50% 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 4,600,000 share options shall be subject to a vesting schedule as follows:

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

Details of the movement of the share options granted under the New Share Option Scheme during the Period are as follows:

Grantee	Date of grant	Exercise price per Share	Balance as at 1 January 2019	Share options granted during the Period	Closing price of the securities immediately before the date on which the share options were granted	Exercised during the Period	Lapsed or cancelled during the Period	Balance as at 30 June 2019
Director								
Mr. Zhang Zhen	29 May 2019	HK$0.070	–	20,000,000	HK$0.072	–	–	20,000,000
Mr. Chau Kwok Keung	29 May 2019	HK$0.070	–	20,000,000	HK$0.072	–	–	20,000,000
Mr. Kang Sun	29 May 2019	HK$0.070	–	600,000	HK$0.072	–	–	600,000
Mr. Leung Ming Shu	29 May 2019	HK$0.070	–	400,000	HK$0.072	–	–	400,000
Other participants in aggregate	29 May 2019	HK$0.070	–	104,613,825	HK$0.072	–	–	104,613,825
Total				145,613,825		–	–	145,613,825

Notes:

Share options granted under the New Share Option Scheme on 29 May 2019 shall vest in the relevant grantee 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
29 May 2019	50% of the total number of share options granted
29 August 2019	12.5% of the total number of share options granted
29 November 2019	12.5% of the total number of share options granted
29 February 2020	12.5% of the total number of share options granted
29 May 2020	12.5% of the total number of share options granted

During the Period save as disclosed above, no share options granted under the Old Share Option Scheme or the New Share Option Scheme were lapsed or cancelled.

Further details of the Pre-IPO Share Option Scheme, the Old Share Option Scheme and the New Share Option Scheme are set out in note 26 to the financial statements.

Report on Review of Condensed Consolidated 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 38 to 83, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 Auditing and Assurance 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

We draw attention to note 2 to the condensed consolidated financial statements which indicates that the Group incurred a net loss of RMB27 million during the six months ended 30 June 2019 and, the Group's current liabilities exceeded its current assets by RMB176 million as of 30 June 2019. In addition, as of 30 June 2019, the Group had capital commitments, contracted for but not provided, amounting to RMB4 million as disclosed in note 28 to the condensed consolidated financial statements. The Group's ability to continue as a going concern and maintain sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future is dependent on whether the financing plans and measures as set forth in note 2 to the condensed consolidated financial statements can be successfully executed. However, the likelihood of the successful implementation of these financing plans and measures could not be determined as at the date of our report. These event and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019

	NOTES	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	4	66,845	100,246
Cost of goods and services	4	(66,924)	(108,091)
Gross (loss) profit		(79)	(7,845)
Other income	5	4,409	8,936
Other gains and losses	6	17,936	(44,205)
Distribution and selling expenses		(1,972)	(2,534)
Administrative expenses		(32,113)	(48,794)
Research and development expenses		(1,823)	(2,922)
Share of (loss) profit of joint ventures		(128)	398
Finance costs	7	(12,982)	(7,278)
Loss before taxation	8	(26,752)	(104,244)
Income tax credit (expense)	9	99	(761)
Loss and total comprehensive expense for the period		(26,653)	(105,005)
Loss and total comprehensive expense for the period attributable to			
Owners of the Company		(23,958)	(100,621)
Non-controlling interests		(2,695)	(4,384)
		(26,653)	(105,005)
		RMB cents	*RMB cents*
Loss per share			
— Basic	12	(1.14)	(4.80)
— Diluted	12	(1.14)	(4.80)

Condensed Consolidated Statement of Financial Position

as at 30 June 2019

	NOTES	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	146,866	166,444
Right-of-use assets	13	33,892	–
Prepaid lease payments		–	12,933
Investment properties		86,027	86,027
Goodwill	14	66,892	66,892
Intangible assets	15	4,713	5,645
Interests in joint ventures	16	10,536	10,514
Deposits paid for acquisition of property, plant and equipment	13	324	148
		349,250	348,603
Current assets			
Inventories		10,404	18,788
Trade and other receivables	17	65,164	75,207
Bills receivable	17	150	–
Advance to suppliers		39,011	71,611
Prepaid lease payments		–	549
Pledged bank deposits		22,275	22,063
Equity instrument at fair value through profit or loss ("FVTPL")	20	9,868	–
Bank balances and cash		3,040	8,020
		149,912	196,238
Assets classified as held for sale	19	5,435	–
		155,347	196,238
Current liabilities			
Trade and other payables	21	118,837	139,068
Contract liabilities		40,372	51,530
Short-term borrowing	22	161,279	170,172
Tax liabilities		5,785	5,785
Deferred income		287	287
Contingent consideration payables	23	–	5,936
Obligations under finance lease		–	820
Lease liabilities		4,971	–
		331,531	373,598
Net current liabilities		(176,184)	(177,360)
Total assets less current liabilities		173,066	171,243

Condensed Consolidated Statement of Financial Position

as at 30 June 2019

	NOTES	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Long-term borrowing	22	5,100	5,400
Deferred tax liabilities		18,373	18,503
Long-term payable		3,614	4,500
Deferred income		3,581	3,725
Convertible bonds	24	72,426	72,902
Obligations under finance lease		–	8,501
Lease liabilities		20,236	–
		123,330	113,531
Capital and reserves			
Share capital	25	1,807	1,807
Reserves		41,900	53,074
Equity attribute to owners of the Company		43,707	54,881
Non-controlling interests		6,029	2,831
Total equity		49,736	57,712
		173,066	171,243

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019

	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 2018 (Audited)	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
At 1 January 2019 (Audited)	1,807	1,504,484	113,256	11,012	84,583	31,040	(1,691,301)	54,881	2,831	57,712
Adjustment arising from the new application of IFRS16	–	–	–	–	–	–	(951)	(951)	–	(951)
At 1 January 2019 (Restated)	1,807	1,504,484	113,256	11,012	84,583	31,040	(1,692,252)	53,930	2,831	56,761
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(23,958)	(23,958)	(2,695)	(26,653)
Recognition of equity-settled share-based payments	–	–	5,315	–	–	–	–	5,315	–	5,315
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	4,445	4,445
Deemed disposal of partial equity interest of a subsidiary without losing control *(Note 10)*	–	–	–	–	8,420	–	–	8,420	1,448	9,868
At 30 June 2019 (Unaudited)	1,807	1,504,484	118,571	11,012	93,003	31,040	(1,716,210)	43,707	6,029	49,736

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
Loss before taxation	(26,752)	(104,244)
Adjustments for:		
Interest income	(212)	(95)
Interest expense	12,982	7,278
Depreciation of property, plant and equipment	8,165	8,230
Depreciation of right-of-use assets	2,243	–
(Gain) loss on disposal of property, plant and equipment	(4,274)	70
Amortisation of intangible assets	932	11,325
Share-based payment expenses	5,315	1,862
Release of deferred income	(143)	(143)
Release of prepaid lease payments	–	117
Impairment losses recognised in respect of advance to suppliers	–	3,200
(Reverse) allowance for trade and other receivables	(304)	17,533
Allowance for inventories	1,340	16,991
Impairment losses recognised in respect of goodwill	–	39,025
Impairment losses recognised in respect of intangible assets	–	41,769
Gain on fair value change of contingent consideration payables	(5,936)	(63,492)
Gain on fair value change of embedded financial derivatives of convertible bonds	(4,469)	–
Share of loss (profit) of joint ventures	128	(398)
Loss on disposal of subsidiaries	–	1,402
Gain on payables waived by a counterparty	(3,517)	–
Net foreign exchange loss	362	–
Operating cash flows before movements in working capital	(14,140)	(19,570)
Decrease in inventories	7,044	2,207
Increase (decrease) in trade and other receivables	10,190	(12,757)
(Increase) decrease in bills receivable	(150)	1,684
Decrease (increase) in advance to suppliers	32,600	(35,856)
(Decrease) increase in trade and other payables	(6,518)	34,204
(Decrease) increase in contract liability	(11,158)	42,716
Cash generated from operations	17,868	12,628
Tax paid	(30)	(4,080)
Net cash from operating activities	17,838	8,548

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Investing activities		
Withdrawal of pledged bank deposits	22,063	20,874
Placement of pledged bank deposits	(22,275)	(22,932)
Proceeds from disposal of property, plant and equipment	5,021	204
Proceeds from disposal of subsidiaries	–	2,929
Interest received	212	95
Deposits paid for acquisition of property, plant and equipment	(176)	(1,627)
Purchase of property, plant and equipment	(12,446)	(35,636)
Investment in a joint venture	(150)	(2,247)
Net cash used in investing activities	(7,751)	(38,340)
Financing activities		
Bank borrowings raised	138,939	244,062
Interest paid	(8,244)	(7,278)
Repayment of bank borrowings	(148,310)	(153,966)
Repayment of lease liabilities	(1,897)	–
Capital contribution from non-controlling interests	4,445	570
Net cash (used in) from financing activities	(15,067)	83,388
Decrease (increase) in cash and cash equivalents	(4,980)	53,596
Cash and cash equivalents at beginning of the period	8,020	32,107
Cash and cash equivalents at end of the period, represented by bank balances and cash	3,040	85,703

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019

1. GENERAL

Comtec Solar Systems Group Limited (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 (the "Group") 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 incurred a net loss of RMB26,653,000 for the six months ended 30 June 2019 and had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB176,184,000 although a net assets of RMB49,736,000 are maintained as at that date. These factors initially raised doubt as to the Group's ability to continue as a going concern.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

- Subsequent to the end of the reporting period, the Company issued shares to three independent third party subscribers with the net proceeds of RMB19.75 million (HKD22.45 million) to improve the working capital. And according to the share issue mandate approved in the Annual General Meeting on 25 June 2019, the Company will be allowed to issue new shares not exceeding 20% of the aggregate nominal value of the share capital when necessary;

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

2. BASIS OF PREPARATION *(continued)*

- The existing convertible bonds holder's parent company and a potential investor agreed to provide the funding to the Group in the form of debt and/or equity amounting to USD20 million and RMB50 million respectively to improve the Group's liquidity when necessary;

- The expected availability of credit facilities pursuant to the refinancing of its short-term bank loans. Historically, the Group is 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.

The directors of the Company consider that such short term bank loans will not be withdrawn unexpectedly. In addition, taking into account the Group's operating cash flows, the available credit facilities, the proceeds from the new placement and proceeds from the budgeted realisation of downstream solar power stations, the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the 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 2019 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2018.

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 issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015–2017 Cycle*

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Excepted as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of some administration offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received; and

- any initial direct costs incurred by the Group ; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies *IAS 12 Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

On transition, the Group has made the following adjustments upon application of IFRS 16:

At 1 January 2019, the Group recognised lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied ranged from 7.03% to 7.80%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	7,239
Lease liabilities discounted at relevant incremental borrowing rates	6,008
Less: Recognition exemption — short-term leases	(269)
Lease liabilities relating to operating leases recognised upon application of IFRS16	5,739
Add: Obligation under finance leased recognised at 31 December 2018	9,321
Lease liabilities	15,060
Analysed as	
Current	2,229
Non-current	12,831
	15,060

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	At 1 January 2019 *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	4,788
Reclassified from prepaid lease payments	13,482
Amounts included in property, plant and equipment under IAS 17	
— Assets previously under finance leases	10,010
Adjustments on rental deposits at 1 January 2019	94
	28,374
By class:	
Leasehold lands	13,482
Land and buildings	4,882
Equipment	10,010
Right-of-use assets	28,374

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The following table summarises the impact of transition to IFRS 16 on retained earnings as at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 *RMB'000*
Retained profits	
Impact of application of IFRS 16.C8(b)(i) at 1 January 2019	(951)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessor (continued)

	Notes	Carrying amounts previously reported at 31 December 2018 *RMB'000*	Adjustments *RMB'000*	Carrying amounts under IFRS 16 at 1 January 2019 *RMB'000*
Non-current Assets				
Prepaid lease payments	(a)	12,933	(12,933)	–
Other receivables — rental deposits	(b)	941	(94)	847
Property, plant and equipment	(c)	166,444	(10,010)	156,434
Right-of-use assets	(d)	–	28,374	28,374
Current Assets				
Prepaid lease payments	(a)	549	(549)	–
Current Liabilities				
Lease liabilities		–	2,229	2,229
Obligations under finance lease	(c)	820	(820)	–
Non-current Liabilities				
Lease liabilities		–	12,831	12,831
Obligations under finance lease	(c)	8,501	(8,501)	–
Capital and Reserves				
Reserves		53,074	(951)	52,123

(a) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB12,933,000 and RMB549,000 respectively were reclassified to right-of-use assets.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessor (continued)

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, the discounting effect in the amount of RMB94,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to RMB10,010,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of RMB820,000 and RMB8,501,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(d) Apart from the adjustments stated in notes (a), (b) and (c) above, right-of-use assets at the date of initial application also included those recognised for leases previously classified as operating leases applying IAS 17. For such leases, the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application, the amount recognised on this basis was RMB4,788,000 at 1 January 2019. Together with the reclassification amount of prepaid lease payment amounting to RMB13,482,000, the discounting effect adjustment to refundable rental deposits amounting to RMB94,000 and the reclassification of property, plant and equipment amounting to RMB10,010,000, the total amount of right-of-use assets is amounted to RMB28,374,000 on 1 January 2019.

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June, 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The discounting effect of the refundable rental deposits is insignificant to the condensed consolidated financial statements of the Group for the current period.

4A. REVENUE FROM GOODS AND SERVICES

A. For the six months ended 30 June 2019

(i) Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2019	
	Upstream business *RMB'000* *(Unaudited)*	Downstream solar and power storage *RMB'000* *(Unaudited)*
Types of goods or services		
Sales of monocrystalline solar wafers	2,551	–
Sales of monocrystalline solar ingots	2,106	–
Sales of polysilicon	32,172	–
Power storage products	–	24,225
Revenue on power generation	–	3,040
Service income for investment, development, construction and operation of solar photovoltaic power stations	–	2,310
Sales of others	441	–
Total revenue	37,270	29,575
Geographical markets		
PRC (including Hong Kong SAR)	37,139	28,849
Malaysia	–	726
Korea	131	–
Total revenue	37,270	29,575
Timing of revenue recognition		
At a point in time	37,270	27,588
Overtime	–	1,987
Total revenue	37,270	29,575

4A. REVENUE FROM GOODS AND SERVICES *(continued)*

B. For the six months ended 30 June 2018

(i) Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2018	
	Upstream business *RMB'000* *(Unaudited)*	Downstream solar and power storage *RMB'000* *(Unaudited)*
Types of goods or service		
Sales of monocrystalline solar wafers	48,763	–
Sales of monocrystalline solar ingots	6,495	–
Sales of polysilicon	4,633	–
Sales of solar modules	2,740	–
Power storage products	–	31,467
Revenue on power generation	–	4,408
Service income for investment, development, construction and operation of solar photovoltaic power stations	–	1,427
Sales of others	313	–
Total revenue	62,944	37,302
Geographical markets		
PRC (including Hong Kong SAR)	57,322	37,302
Japan	5,622	–
Total revenue	62,944	37,302
Timing of revenue recognition		
At a point in time	62,944	36,686
Overtime	–	616
Total revenue	62,944	37,302

4B. SEGMENT INFORMATION

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, provision of consulting services for investment, development, construction and operation of solar photovoltaic power stations and the research, production and sales of power storage products. The Group has two operating and reportable segments for financial reportable purpose for the six months ended 30 June 2019. The Group's segment loss is the loss before tax of the Group.

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 in the 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 2019:			
Revenue	37,270	29,575	66,845
Cost of sales and services	(43,220)	(23,704)	(66,924)
Segment (loss) profit	(5,950)	5,871	(79)
Other income			4,409
Other gains and losses			17,936
Distribution and selling expenses			(1,972)
Administrative expenses			(32,113)
Research and development expenses			(1,823)
Share of loss of joint ventures			(128)
Finance costs			(12,982)
Loss before taxation			(26,752)

4B. SEGMENT INFORMATION *(continued)*

	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)

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grants *(Note)*	1,598	6,146
Rental income	2,282	2,002
Interest income	212	95
Others	317	693
	4,409	8,936

Note: The amounts mainly represent the local government grants to attract high-quality personnel to support the activities carried out by the Group in business of high-technology advancement. No specific conditions were attached to the grants.

6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange loss	(536)	(4,698)
Gain (loss) on disposal of property, plant and equipment	4,274	(70)
Reverse of (allowance) for trade and other receivables *(Note 17)*	304	(17,533)
Impairment losses recognised in respect of advance to suppliers	–	(3,200)
Loss on disposal of subsidiaries	–	(1,402)
Loss recognised in respect of goodwill	–	(39,025)
Loss recognised in respect of intangible assets	–	(41,769)
Gain on fair value changes of contingent consideration payables	5,936	63,492
Gain on fair value change of embedded derivatives of convertible bonds	4,469	–
Gain on payables waived by a counterparty	3,517	–
Others	(28)	–
	17,936	(44,205)

7. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on borrowings	8,244	8,036
Interest expense on convertible bonds	3,807	–
Interest expense on leases liabilities	931	–
Interest expense on finance leases	–	198
Less: amounts capitalised in the cost of qualifying assets	–	(956)
	12,982	7,278

8. LOSS BEFORE TAXATION

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	63,996	106,689
Depreciation of property, plant and equipment	8,165	8,230
Depreciation of right-of-use assets	2,243	–
Release of prepaid lease payments	–	117
Amortisation of intangible assets	932	11,325
Research and development expenses	1,823	2,922

9. TAXATION

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
— The PRC Enterprise Income Tax	30	–
— Under provision in prior years	–	809
Deferred tax:		
— Current period	(129)	(48)
Tax (benefit) expense for the current period	(99)	761

PRC income tax is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 June 2019 and 30 June 2018. There is no provision for Hong Kong profits tax since the Group entities incorporated in Hong Kong incurred tax losses for both periods.

10. DEEMED DISPOSAL OF PARTIAL EQUITY INTEREST OF A SUBSIDIARY WITHOUT LOSING CONTROL

During the current interim period, the Group dispose its 9.9% equity interests in Zhenjiang Kexin Power System Design and Research Company Limited ("Kexin") to an independent third party named The9 Limited ("The9") through The9's wholly owned subsidiary named 1111 Limited at a consideration of RMB9.8 million. The consideration was satisfied by the allotment and issue of 3,444,882 ordinary shares of The9 at the issue price of approximately USD0.41 per ordinary share. As a result, the Group's total equity interests in Kexin were reduced to 53.1% and Kexin still remains as a subsidiary of the Group.

11. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2019 and 2018.

12. LOSS PER SHARE

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(23,958)	(100,621)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,097,703,580	2,097,703,580

The outstanding share options of the Company and the convertible bonds 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 per share for the six months ended 30 June 2019 and 30 June 2018 since their exercise prices were higher than the average market prices of the shares of the Company or they will decrease the loss per share of the Group.

13. PROPERTY, PLANT AND EQUIPMENT, DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Property, plant and equipment

During the current interim period, the Group acquired manufacturing equipment and incurred construction costs for power stations of approximately RMB1,364,000 (corresponding period of 2018: RMB60,661,000).

In addition, the Group disposed certain of its equipment and machinery with a carrying amount of approximately RMB747,000 (corresponding period of 2018: RMB275,000) which resulted in a gain of approximately RMB4,274,000 (corresponding period of 2018: a loss of RMB70,000).

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

During the current interim period , the Group spent approximately RMB176,000 (six months ended 30 June 2018: RMB1,627,000) on deposits paid for acquisition of property, plant and equipment.

(c) Right-of-use assets

As note *3.1.2 Transition and summary of effects arising from initial application of IFRS 16*, the Group recognised right-of-use assets amounting to RMB28,374,000 at 1 January 2019.

During the current interim period, the Group entered into some new lease agreements for the use of office with lease term of more than 1 year. On lease commencement, the Group recognised RMB11,176,000 of right-of-use asset relating to operating leases, considering the discounting effect adjustment to refundable rental deposits amounting to RMB63,000 and RMB11,113,000 of lease liabilities.

14. GOODWILL

The movement of goodwill is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
COST		
At the beginning of the period/year	66,892	105,917
Impairment recognised	–	(39,025)
At the end of the period/year	66,892	66,892

The carrying amounts of goodwill as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Comtec Renewable Energy Group Limited	60,256	60,256
Zhenjiang Kexin Power System Design and Research Company Limited	6,636	6,636
	66,892	66,892

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.

During the current interim period, the management assessed and determined that there were no impairment indicators for the goodwill as at 30 June 2019.

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*	Technology *RMB'000*	Total *RMB'000*
At 1 January 2018	38,625	20,169	3,168	5,795	67,757
Amortisation	6,438	4,115	1,639	1,220	13,412
Impairment	32,187	14,984	1,529	–	48,700
At 31 December 2018	–	1,070	–	4,575	5,645
Amortisation	–	322	–	610	932
At 30 June 2019	–	748	–	3,965	4,713

The intangible assets are amortised 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
Technology	5 years

16. INTERESTS IN JOINT VENTURES

	30 June 2019 *RMB'000* *(Unaudited)*	31 December 2018 *RMB'000* *(Audited)*
Cost of investment in joint ventures	9,325	9,175
Share of profit of joint ventures	1,211	1,339
	10,536	10,514

In May 2019, the Group invested an additional amount of RMB150,000 to one of its joint venture to develop and expand the downstream solar business according to the subscription agreement entered by both parties.

17. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	51,865	61,536
Written off	–	(131)
Less: allowance for credit losses	(25,254)	(25,558)
	26,611	35,847
Value-added-tax recoverable	31,968	32,412
Other receivables	6,585	6,948
	65,164	75,207
Bills receivable	150	–

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Age		
0 to 30 days	3,604	2,805
31 to 60 days	6,491	7,656
61 to 90 days	4,307	1,052
91 to 180 days	7,803	12,260
Over 180 days	4,406	12,074
	26,611	35,847

17. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE *(continued)*

The movement in the allowance for expected credit losses ("ECL") in respect of trade receivables in accordance with the simplified approach set out in IFRS 9 during the current interim period was as follows:

	30 June 2019 *RMB'000* *(Unaudited)*	31 December 2018 *RMB'000* *(Audited)*
Balance at the beginning of the period/year	25,558	8,635
(Reverse of) impairment loss recognised on receivables	(304)	17,054
Amounts written off as uncollectible	–	(131)
Balance at end of the reporting period	25,254	25,558

18. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES SUBJECT TO ECL MODEL

As part of the Group's credit risk management, except for the debtors with significant balances or credit-impaired the Group uses debtors' aging to assess the impairment for its customers which are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Debtors with significant balances or credit-impaired are assessed individually by the Group, 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 2019.

	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
0–30 days	2.50%	2,913	73
31–60 days	4.00%	6,762	270
61–90 days	6.00%	3,612	217
91–180 days	8.28%	636	53
More than 180 days	20.30%	5,406	1,097
		19,329	1,710

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.

18. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES SUBJECT TO ECL MODEL *(continued)*

As at 30 June 2019, the impairment allowance was provided in the amount of RMB25,254,000, among which RMB1,710,000 was made based on the provision matrix and RMB23,544,000 was assessed individually on the debtors with significant balances or credit-impaired in the gross carrying amount of RMB23,544,000.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In April 2019, the Group entered into a proposed agreement with an independent third party to dispose certain solar power stations owned by the Group. It is expected that the power stations would be disposed within twelve months and therefore they were reclassified as assets held for sale and are separately presented in the condensed consolidated statement of financial position.

Major classes of assets held for sale as at the end of the current interim period are as follows:

	30 June 2019 *RMB'000*
Property, plant and equipment	2,020
Right-of-use assets	3,415
Total assets classified as held for sale	5,435

20. EQUITY INSTRUMENT AT FVTPL

	30 June 2019 *RMB'000* *(Unaudited)*	31 December 2018 *RMB'000* *(Audited)*
Equity instrument at FVTPL	9,868	–

As stated in note 10, the Group has obtained the equity investments of The9 in total amount of RMB9,868,000 upon the completion of the 9.9% equity interest disposal of Kexin during the current interim period. The equity instrument of The9 was classified as financial assets at FVTPL and measured at fair value through profit or loss subsequently, the fair value change of the equity instrument is insignificant for the current interim period.

21. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	64,770	79,148
Payables for acquisition of property, plant and equipment	28,095	39,177
Other payables and accrued charges	25,972	20,743
	118,837	139,068

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Age		
0 to 30 days	10,146	20,788
31 to 60 days	546	5,571
61 to 90 days	4,043	2,698
91 to 180 days	8,608	10,173
Over 180 days	41,427	39,918
	64,770	79,148

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

22. BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bank loans		
— secured and guaranteed	166,204	174,392
— unsecured	175	1,180
	166,379	175,572
Carrying amounts repayable:		
Within one year		
Less: Amounts due within one year shown under current liabilities	161,279	170,172
Amounts shown under non-current liabilities	5,100	5,400

The bank loans carry interest at variable market rates ranging from 4.32% to 7.80% (six months ended 30 June 2018: 3.22% to 7.15%) per annum.

23. CONTINGENT CONSIDERATION PAYABLES

The movement of the contingent consideration payables is analysed as:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
At the beginning of the period/year	5,936	51,989
Change in fair value *(Note)*	(5,936)	(46,053)
At the end of the period/year	–	5,936
Analysed as:		
Current portion	–	5,936
	–	5,936

23. CONTINGENT CONSIDERATION PAYABLES *(continued)*

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 recognised 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 2019 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 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 fully reversed during the current interim period.

24. CONVERTIBLE BONDS

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

The principal terms of the Bonds

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

(ii) Maturity date — The third anniversary of the date of issuance, which is 27 July 2021 ("Maturity Date")

(iii) Interest — The interest rate of 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.

(iv) Conversion

a) Conversion price — The price is HKD0.174 per share to be issued upon conversion of the bonds, including the consolidation, subdivision and reclassification of the company; capitalisation of profits or reserves; distributions; rights issues of shares or options over shares and other securities; issues and other issues at less than current market price; modification of rights of conversion and other certain events.

b) Conversion period — The bondholder shall have the right, on any business day after the date of issuance until and including the seventh business day immediately preceding the maturity date, to convert the whole or part of the outstanding principal amounts of the bonds.

c) Number of conversion shares issuable — The number of conversion shares which fall to be issued shall be calculated the principal amount of the bonds being converted and the conversion price applicable on the relevant conversion date. No faction of a share shall be issued on conversion of the bonds.

24. CONVERTIBLE BONDS *(continued)*

(v) Redemption

a) Relevant event redemption date — A day set by the bondholder that is no later than 6 months after the Relevant Event Redemption Notice has been delivered to the Company.

b) Redemption rights — The bondholder shall have the right to require the Company to redeem all (but not part) of the bonds on the relevant event redemption date.

c) Redemption amount — The outstanding principal amount of the bonds together with all outstanding interest accrued shall be repaid by the Company.

The convertible bonds contain two components, debt component and derivative component. The effective interest of debt component is 12.44%.The derivative component is measured at fair value with changes in fair value recognised in profit or loss subsequently.

The movement of the debt and derivative components of the convertible bonds for the year is set out as below:

	Debt Component *RMB'000*	Derivative Component *RMB'000*
As at 31 December 2018	65,353	7,549
Interest charge	3,807	–
Loss arising on changes of fair value	–	(4,469)
Exchange realignment	172	14
As at 30 June 2019	69,332	3,094

25. 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 2018, 31 December 2018 and 30 June 2019	7,600,000,000	7,600

Issued and fully paid:	Number of shares	Amount *HKD'000*
Ordinary shares		
Ordinary shares at 31 December 2018 and 30 June 2019	2,097,703,580	2,098

	30 June 2019 *RMB'000* *(Unaudited)*	31 December 2018 *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.

26. 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 2019:

	Number of options				
	Outstanding as at 1 January 2018, 30 June 2018 and 1 January 2019	Exercised during the period	Forfeited during the period	Lapsed in the period	Outstanding as at 30 June 2019
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	–	(312,361)	(199,659)	–
Exercisable at the end of the period	512,020				–
Weighted average exercise price (HKD)	2.510				–

At 30 June 2019, there is no share in respect of which options under the Pre-IPO Share Option Scheme remained outstanding (30 June 2018: 512,020 shares, representing 0.02% of the shares of the Company in issue at that date). The Company did not recognise any expense in relation to the share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2019 and 30 June 2018 since the share options were fully vested in the prior period.

26. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme

Granted during 2010 to 2018

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme for the six months ended 30 June 2019:

	Number of options					
	Outstanding as at 1 January 2019	Issued during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding as at 30 June 2019
Director:						
Mr. Zhang						
Granted on 28 June 2012	5,000,000	–	–	(5,000,000)	–	–
Granted on 2 May 2017	1,500,000	–	–	–	–	1,500,000
Mr. Chau Kwok Keung						
Granted on 28 June 2012	228,000	–	–	(228,000)	–	–
Granted on 31 March 2014	13,000,000	–	–	(13,000,000)	–	–
Granted on 2 May 2017	1,500,000	–	–	–	–	1,500,000
Mr. Kang Sun						
Granted on 27 December 2012	300,000	–	–	(300,000)	–	–
Granted on 2 May 2017	200,000	–	–	–	–	200,000
Mr. Leung Ming Shu						
Granted on 27 December 2012	300,000	–	–	(300,000)	–	–
Granted on 2 May 2017	200,000	–	–	–	–	200,000
Mr. Dan Martin						
Granted on 27 December 2012	300,000	–	–	–	(300,000)	–
Mr. Shi Cheng Qi						
Granted on 11 May 2015	600,000	–	–	–	(600,000)	–
Mr. Xu Er Ming						
Granted on 2 May 2017	200,000	–	–	–	–	200,000
Mr. Wang Yi Xing						
Granted on 2 May 2017	200,000	–	–	–	–	200,000

26. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted during 2010 to 2018 (continued)

Set out below are the details of movements of the outstanding options granted under the Share Option Scheme for the six months ended 30 June 2019: (continued)

	Number of options					
	Outstanding as at 1 January 2019	Issued during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding as at 30 June 2019
Employees						
Granted on 24 May 2010	2,240,000	–	–	(900,000)	(1,340,000)	–
Granted on 28 June 2012	3,506,000	–	–	(926,000)	(2,580,000)	–
Granted on 27 December 2012	600,000	–	–	(600,000)	–	–
Granted on 31 March 2014	4,850,000	–	–	–	(4,850,000)	–
Granted on 11 May 2015	10,200,000	–	–	(5,100,000)	(5,100,000)	–
Granted on 2 May 2017	14,000,000	–	–	–	(6,300,000)	7,700,000
Granted on 15 June 2018	5,300,000	–	–	–	(700,000)	4,600,000
Consultants						
Granted on 28 June 2012	50,000	–	–	–	–	50,000
Granted on 27 December 2012	6,038,000	–	–	–	(1,188,000)	4,850,000
Granted on 30 September 2013	4,020,000	–	–	–	–	4,020,000
Granted on 31 March 2014	17,800,000	–	–	–	(16,900,000)	900,000
Granted on 11 May 2015	49,000,000	–	–	–	(49,000,000)	–
Granted on 26 June 2015	20,000,000	–	–	–	–	20,000,000
Granted on 25 November 2015	59,000,000	–	–	–	(16,400,000)	42,600,000
Granted on 9 September 2016	89,000,000	–	–	–	(71,000,000)	18,000,000
Granted on 2 May 2017	10,400,000	–	–	–	–	10,400,000
Granted on 15 June 2018	16,686,175	–	–	–	–	16,686,175
	336,218,175	–	–	(26,354,000)	(176,258,000)	133,606,175
Exercisable at the end of the period	323,621,629					133,606,175
Weighted average exercise price (HKD)	0.885					0.725

26. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted during 2010 to 2018 (continued)

For the six months ended 30 June 2018:

	Number of options					
	Outstanding as at 1 January 2018	Issued during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding as at 30 June 2018
Director:						
Mr. Zhang						
Granted on 28 June 2012	5,000,000	–	–	–	–	5,000,000
Granted on 2 May 2017	1,500,000	–	–	–	–	1,500,000
Mr. Chau Kwok Keung						
Granted on 28 June 2012	228,000	–	–	–	–	228,000
Granted on 31 March 2014	13,000,000	–	–	–	–	13,000,000
Granted on 2 May 2017	1,500,000	–	–	–	–	1,500,000
Mr. Kang Sun						
Granted on 27 December 2012	300,000	–	–	–	–	300,000
Granted on 2 May 2017	200,000	–	–	–	–	200,000
Mr. Leung Ming Shu						
Granted on 27 December 2012	300,000	–	–	–	–	300,000
Granted on 2 May 2017	200,000	–	–	–	–	200,000
Mr. Dan Martin						
Granted on 27 December 2012	300,000	–	–	–	–	300,000
Mr. Shi Cheng Qi						
Granted on 11 May 2015	600,000	–	–	–	–	600,000
Mr. Xu Er Ming						
Granted on 2 May 2017	200,000	–	–	–	–	200,000
Mr. Wang Yi Xing						
Granted on 2 May 2017	200,000	–	–	–	–	200,000

26. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted during 2010 to 2018 (continued)

For the six months ended 30 June 2018: (continued)

	Number of options					
	Outstanding as at 1 January 2018	Issued during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding as at 30 June 2018
Employees						
Granted on 24 May 2010	2,240,000	–	–	–	–	2,240,000
Granted on 28 June 2012	3,506,000	–	–	–	–	3,506,000
Granted on 27 December 2012	600,000	–	–	–	–	600,000
Granted on 31 March 2014	4,850,000	–	–	–	–	4,850,000
Granted on 11 May 2015	10,200,000	–	–	–	–	10,200,000
Granted on 2 May 2017	14,000,000	–	–	–	–	14,000,000
Granted on 15 June 2018	–	5,300,000	–	–	–	5,300,000
Consultants						
Granted on 28 June 2012	50,000	–	–	–	–	50,000
Granted on 27 December 2012	6,038,000	–	–	–	–	6,038,000
Granted on 30 September 2013	4,020,000	–	–	–	–	4,020,000
Granted on 31 March 2014	17,800,000	–	–	–	–	17,800,000
Granted on 11 May 2015	49,000,000	–	–	–	–	49,000,000
Granted on 26 June 2015	20,000,000	–	–	–	–	20,000,000
Granted on 25 November 2015	59,000,000	–	–	–	–	59,000,000
Granted on 9 September 2016	89,000,000	–	–	–	–	89,000,000
Granted on 2 May 2017	10,400,000	–	–	–	–	10,400,000
Granted on 15 June 2018	–	16,686,175	–	–	–	16,686,175
	314,232,000	21,986,175	–	–	–	336,218,175
Exercisable at the end of the period	298,282,000					313,675,087
Weighted average exercise price (HKD)	0.936					0.885

At 30 June 2019, the number of shares under the Share Option Scheme remained outstanding was 133,606,175 (30 June 2018: 336,218,175), representing 6% (30 June 2018: 16%) of the shares of the Company in issue at that date.

The Existing Share Option Scheme became effective on 2 October 2009 and will expire after 1 October 2019, under the Existing Share Option Scheme, options previously granted but unexercised will remain valid and exercisable in accordance with the terms of the Existing Share Option Scheme and their respective terms of issue.

26. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted during 2010 to 2018 (continued)

In order to further recognise and acknowledge the contributions that the eligible persons have made to the Group, a new Share Option Scheme has been approved and adopted by the Company which has been effective since 3 January 2019. Under the new Share Option Scheme, the board of directors has the authority to set terms and conditions in the grant of options, and the aggregate number of granted option shall not exceed 10% of the total number of shares in issue at the adoption date.

Granted on 29 May 2019

Pursuant to a board resolution resolved on 29 May 2019, the Company granted 145,613,825 share options of the Company, which respectively represent 7% of the shares of the Company in issue at the grant date, to employees and consultants of the Company under the Share Option Scheme. The options granted are at an exercise price of HKD0.07 per share.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme on 29 May 2019 during the six months ended 30 June 2019:

	Number of options				
	Outstanding as at 1 January 2019	Issued during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2019
Director:					
Mr. Zhang Zhen	–	20,000,000	–	–	20,000,000
Chau Kwok Keung	–	20,000,000	–	–	20,000,000
Leung Ming Shu	–	400,000	–	–	400,000
Kang Sun	–	600,000	–	–	600,000
Employees	–	13,300,000	–	–	13,300,000
Consultants	–	91,313,825	–	–	91,313,825
	–	145,613,825	–	–	145,613,825
Exercisable at the end of the period	–				72,806,913
Weighted average exercise price (HKD)	–	0.07			0.07

26. SHARE-BASED COMPENSATION *(continued)*

(B) Share Option Scheme *(continued)*

Granted on 29 May 2019 (continued)

As of the grant date, the fair value of the share options granted on 29 May 2019 was HKD407,000 (HKD0.03 per share), HKD1,312,000 (HKD0.03 per share) and HKD4,200,000 (HKD0.05 per share) for employees, directors and consultants respectively.

	Employees/ Directors	Consultants
Share price	HKD0.068	HKD0.068
Exercise price	HKD0.070	HKD0.070
Expected volatility	60.00%	60.00%
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 27 August 2029 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 recognised an expense of approximately RMB5,315,000 (2018: RMB1,862,000) for the period ended 30 June 2019 in relation to the share options granted by the Company under the Share Option Scheme.

27. PLEDGED OF ASSETS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Prepaid lease payments	–	13,482
Right-of-use assets	33,892	–
Property, plant and equipment	96,342	98,415
Investment properties	86,027	86,027
Pledged bank deposits	22,275	22,063
Accounts receivable of downstream revenue	664	526
Assets classified as held for sale	3,415	–
	242,615	220,513

28. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 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	4,200	–

29. RELATED PARTY TRANSACTIONS

The Group did not have any outstanding balances with related parties at 30 June 2019 and 30 June 2018.

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Basic salaries and allowances	3,017	2,758
Retirement benefit scheme contributions	171	52
Share-based payments	786	187
Performance related incentive bonuses	–	16
	3,974	3,013

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.

30. SUBSEQUENT EVENTS

On 19 June 2019 and 20 June 2019, the Company entered into three subscription agreements with Sun Winning Limited, Mr. Hung Kwok Wing and Mr. Ji Dai, respectively. Pursuant to the subscription agreements the Company has conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe, at a subscription price of HKD0.055 per share, 72,727,273, 72,727,273 and 270,000,000 subscription shares, respectively.

As of 19 August 2019, the above mentioned subscriptions have been completed, the total net proceeds from the subscriptions (after deducting related professional fees and related expenses) is RMB19.75 million (HKD22.45 million) and all of the net proceeds will be used as general working capital.

Definitions

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"1111"	1111 Limited, a company incorporated under the laws of Hong Kong
"Board" or "Board of Directors"	the board of Directors
"Company"	Comtec Solar Systems Group Limited
"Comtec Clean Energy"	Comtec Clean Energy Group Limited* (卡姆丹克清潔能源有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
"Comtec Windpark Renewable"	Comtec Windpark Renewable (Holdings) Co Ltd, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"Convertible Bonds"	the convertible bonds in the aggregate principal amount of US$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Fonty"	Fonty Holdings Limited, a company incorporated under the laws of the British Virgin Islands
"Future Energy Capital"	Future Energy Capital Group Limited, a company incorporated under the laws of the British Virgin Islands and a co-investment vehicle established and owned by Comtec Renewable Energy Group Limited, a wholly-owned subsidiary of the Company, as to 50% and Macquarie Capital, as to 50%, respectively
"Global Offering" or "IPO"	the listing of the Shares on the Stock Exchange on 30 October 2009

Definitions

"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"ISDN"	ISDN Investments Pte Ltd, a company registered under the laws of the Republic of Singapore and a wholly-owned subsidiary of ISDN Holdings
"ISDN Holdings"	ISDN Holdings Limited, a company incorporated in the Republic of Singapore and dually listed on the Main Board of the Stock Exchange (stock code: 1656) and the Stock Exchange of Singapore (stock code: I07.SI)
"Kexin"	Zhejiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
"Listing Date"	30 October 2009, the date on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macquarie Capital"	Macquarie Corporate Holdings Pty Limited, a company incorporated under the laws of Australia
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Mr. Zhang" or "Mr. John Yi Zhang"	Mr. John Yi Zhang, an executive Director and the chairman of the Board
"MW"	megawatt
"NDRC"	the National Development and Reform Commission of the PRC

Definitions

"Period"	the six months ended 30 June 2019
"PRC" or "China"	the People's Republic of China which, for the purpose of this report, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"PV"	Photovoltaic
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	Ordinary share(s) of HK$0.004 each in the share capital of the Company
"Shareholder(s)"	Shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tianjin Comtec"	Tianjin Comtec Earth Shell Solar Technology Co., Ltd.* (天津卡姆丹克地殼光伏科技有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
"Tianjin Shell"	Shell (Tianjin) Lubricants Co., Ltd* (殼牌(天津)潤滑油有限公司)
"The9"	The9 Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY"
"USD"	United States dollars, the lawful currency of the United States of America
"*"	For identification purposes only
"%"	per cent